Chapter 7
Corporate Social Responsibility: Conventional and Islamic Perspectives

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ABSTRACT

This chapter is a literature study on corporate social responsibility (CSR) of Islamic banks since the concern over CSR is significant to Islamic banks. A review of CSR theories shows that CSR is originated or influenced by Western values. Perhaps, that is why studies on CSR are quite few in Islam although its notion has been suggested to be consistent with an Islamic view of society. Therefore, the purpose of this study is to review the literature of CSR of Islamic banks by firstly looking at the discussion from a conventional and Islamic perspective. This chapter reviews six conventional theories on CSR with the Islamic notion of CSR namely, the Economic Theory, the Agency Theory, the Social Contract Theory, the Legitimacy Theory, Stakeholder Theory and Philanthropic Theory. Through literature review, it is found that, in conventional CSR there are few ulterior motives of doing it either for profit maximization or to comply with society’s expectations or to get legitimacy from society or the combination of all motives except for altruistic CSR which is genuine philanthropy. On the other hand, the main motive of doing it in Islam is generally based, among others, on Tauhid, vicegerency, accountability, Taqwa, Ibadah and Da‘wah principles. While the review done on CSR of Islamic banks, found that Islamic bank is an acknowledged legal entity in Islam, which consequently, is accountable for CSR. Therefore, there is a need to propose an Islamic CSR framework that can be used by the regulators involved to establish a CSR framework that is comprehensive, applicable and to be practiced not only in the Islamic banks, but also for other Islamic financial institutions and all Islamic business entities.

INTRODUCTION

Over the past twenty years, CSR has bloomed as a framework for the role of business in society and for setting standards of conduct to which a corporation must subscribe in order to affect society in a positive and a productive manner. The current belief that corporations have a responsibility towards society is not new (Agudelo, Jóhannsdóttir, & Davídsdóttir, 2019). The emergence of social enterprises, business...
ethics, environmental practices, a human rights approach to recruitment and employment conditions and investment in the community are examples of impacts that can be seen (Dusuki & Abdullah, 2007). As a result, CSR term has rapidly developed and is no longer a strange concept among business communities (Wan Jusoh & Ibrahim, 2017) as they are increasingly visible in both developed and developing countries (Jamali & Karam, 2018).

Unsurprisingly, CSR is a broad topic that covers a multitude of concept and ideas encompassed in as many definitions, all depending upon the country-of-origin and the originating organization or author (I. Freeman & Hasnaoui, 2011). The definition of CSR has already generated numerous articles and publications from academics, corporations, consultancies, the media, non-governmental organizations and government departments (Crane, Matten, & Spence, 2008). Various definitions have been debated, however, there is no strong consensus on a definition of CSR (Barth & Wolff, 2009; McWilliams, Siegel, & Wright, 2006) worldwide probably because the notion of CSR is an elusive one which is abstract and possibly denote a number of different things (Mohammed, 2007). Nevertheless, in a simple explanation, CSR can be concluded as the execution of a corporation’s responsibilities which is not only limited to the stockholders and workers but also extends beyond economic and legal obligations for the wellbeing of stakeholders and society.

There are numerous efforts to bring about a lucid and unbiased definition of CSR which, originated from the West. These can be seen from the various articles written in previous literature. For example, in 1999, Carroll in his established work titled, Corporate Social Responsibility: Evolution of a Definitional Construct (Carroll, 1999), explored the evolution of CSR definition beginning from 1950s until 1990s. In 2001, Moir in, What Do We Mean by Corporate Social Responsibility? (Moir, 2001), examined the broad understanding of what is meant by CSR and how and why businesses might undertake such behaviour. The efforts was continued by Dahlsrud in, How Corporate Social Responsibility is Defined: An Analysis of 37 Definitions (Dahlsrud, 2008), and later Freeman and Hasnaoui in, The Meaning of Corporate Social Responsibility: The Vision of Four Nations (I. Freeman & Hasnaoui, 2011), by analysing the concept of CSR in order to understand how it is defined and can be defined.

The debate on CSR can be seen by the growing numbers of theories in this field. It is evident from Friedman (1970) in, The Social Responsibility of Business is to Increase Its Profits, Garriga and Melé (2004) in, Corporate Social Responsibility Theories: Mapping the Territory, Secchi (2007) in, Utilitarian, Managerial and Relational Theories of Corporate Social Responsibility, and Branco and Rodrigues (2007) in, Positioning Stakeholder Theory within the Debate on Corporate Social Responsibility. Among the theories discussed in relation to CSR are economic theory (Friedman, 1970), instrumental theory, political theory, integrative theory, ethical theory (Garriga & Melé, 2004), stakeholder theory (Branco & Rodrigues, 2007), and utilitarian, managerial and relational theories (Secchi, 2007).

Studies on CSR are quite new in Islam although its notion has been suggested to be consistent with an Islamic view of society. It is not a surprising statement because the term “corporate social responsibility” has been developed by Western researchers based on Western values. Thus, the discussions on CSR from an Islamic perspective are not as much as those from conventional perspectives.

The development of understanding CSR in Islamic literature began with its discussion directly or indirectly in Islamic business ethics, since CSR is very much related to ethical conduct in business. This can be seen in, Ethics and Economics: An Islamic Synthesis by Naqvi (1981). The understanding of CSR notion in Islam can be obtained indirectly from the four ethical axioms of Islamic economics theory i.e. unity, equilibrium, free will, and responsibility1 introduced by him. Another important work on the subject is done by Beekun (1997) in his book Islamic Business Ethics. Other than adding one
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