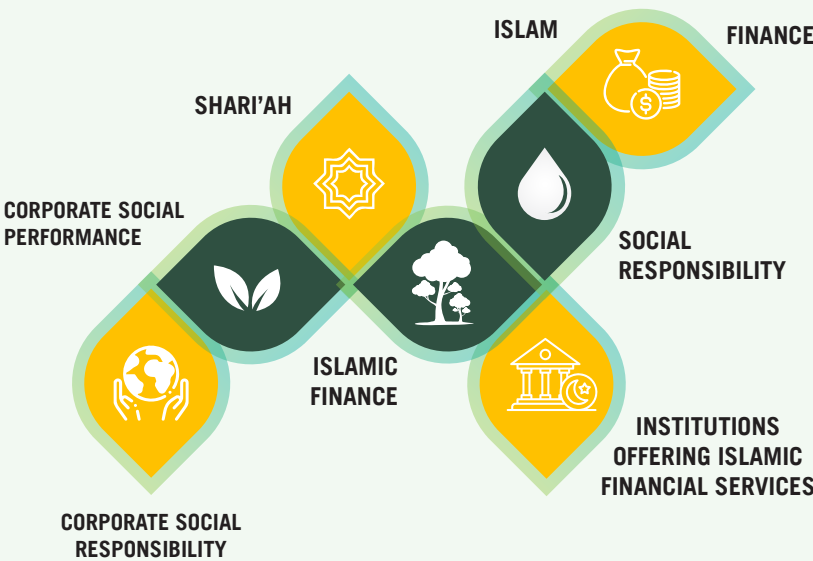


EVALUATING THE CORPORATE SOCIAL PERFORMANCE OF ISLAMIC FINANCIAL INSTITUTIONS: AN EMPIRICAL STUDY

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INTRODUCTION

- The practice of corporate social responsibility (CSR) is certainly much relevant to the Islamic finance paradigm as the discipline is based on core ethical values rooted on religious tenets and as Islamic banks are called upon to institutionalise the Islamic ethical values by promoting socio-economic welfare.
- The study seeks to assess the corporate social performance (CSP) of a sample of 46 Islamic financial services (IIFS), located worldwide, which have responded to a questionnaire survey and whose CSR practices have been further verified by content analysis.

ISLAMIC BANKING AND FINANCE AND SOCIAL RESPONSIBILITY



RESEARCH METHODOLOGY

The CSR of IIFS (institutions offering Islamic financial services)

- CSR is generally associated with the concern of corporations for the impact of their actions on the welfare of society (Carroll and Buchholtz, 2006; Gitman and McDaniel, 2002).
- Carroll (1979) defining CSR in terms of four responsibilities that society expects corporations to shoulder – economic, legal, ethical and discretionary.

Model/Framework on CSR	Description
Chapra (1985)	<ul style="list-style-type: none"> ■ Regard IIFS as institutions with multi-purpose goals including the furthering of socio-economic objectives as well as the goal of profit maximisation ■ Perceive the undertaking of social welfare activities to be in line with acting within the objective of Shari'ah ■ Focus on the maximisation of stakeholders' interests instead of shareholders' value
Ismail (1986)	<ul style="list-style-type: none"> ■ IIFS are perceived as commercial institutions operating under the guidelines of Islam, however with their responsibilities directed mainly towards their shareholders and depositors

CSP of IIFS

- CSP is the practice of measuring the social responsibility of a corporation. It has developed as thinking on CSR has matured, shifting from definition onto measurement aspects.
- CSP measurement embraces three aspects, denoted as CSR₁, CSR₂ and CSP (Frederick, 1978):
 - a) CSR₁ defines the CSR principles as classified by Carroll (1979) in terms of the economic, legal, ethical and discretionary responsibilities expected of a firm.
 - b) CSR₂ relates to "corporate social responsiveness" and examines the responses of firms towards CSR principles.
 - c) CSP discusses the "outcomes" of the implementation of CSR policies and their measurement in terms of the social impacts of corporate behaviour, the programmes and policies put in place by companies to implement CSR.
- The study involves collection and analysis of both primary and secondary data drawn from a sample of IIFS in order to assess their CSP.
- These data were analysed using the statistical package SPSS.

Primary data (questionnaire survey)

- Instrument: Questionnaire
- Sample: 250 IIFS from a wide number of countries
- Questionnaire design: mostly closed-ended questions
- Response rate: 27.2% (68 respondents) out of which only 22% (55 respondents) of the responses was useful for analysis
- 45 out of 55 (81.8%) were from banks; 10 out of 55 (18.2%) were from NBFIs
- Overall, the number of IIFS was 46. 36 were banks and 10 were NBFIs
- The respondents were from 20 different countries

Secondary data (web sites and annual reports)

- The web sites and annual reports of the IIFS were verified to supplement the data collected through the questionnaires
- Discourse and content analysis
- Approach: Interpretivism

*NBFIs – Non-bank financial institutions

CONCLUSION

- The empirical findings of the study could be said to be indicative of a peripheral approach assumed by IIFS towards CSR issues as opposed to a more integral and deliberate CSR policy put in place by management.
- It was observed that the beliefs held by the financial practitioners could be perceived as being "socially responsible".
- The discussions on CSR and CSP represent a new field of study within the Islamic finance literature.
- Future research may consider a larger sample of IIFS to confirm the link between the attitude of practitioners towards CSR and the practices of their institutions.