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**SCHOOL OF GOVERNMENT AND INTERNATIONAL AFFAIRS
DURHAM UNIVERSITY
UNITED KINGDOM**

**EXPLORING CSR AND SUSTAINABLE DEVELOPMENT
PRACTICES OF ISLAMIC BANKS IN MALAYSIA:
AN EMPIRICAL ANALYSIS**

By:

SHIFA MOHD NOR

Thesis submitted in fulfilment of the requirements for the award of
Degree of Doctor of Philosophy at School of Government and International Affairs,
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ABSTRACT

Exploring CSR and Sustainable Development Practices of Islamic Banks in Malaysia: An Empirical Analysis

The concepts of Corporate Social Responsibility and Sustainable Development have been evolved over the last fifty years in the West. Since the financial crisis in 2008, these concepts have been brought to surface to tackle the ethical and moral issues that have been neglected by the financial and business practices due to the attachment to the neo-classical economy understanding. The role of CSR is significant in shaping sustainable banking model, which is expected to have impact on management, products and services, community and environment. Therefore, banks as well as other corporations are expected to engage actively in CSR practices in contributing to sustainable development.

With the emergence of Islamic banking and finance, a paradigm shift was expected in financial world towards ethical practices, as Islamic moral economy aims to uphold the socioeconomic justice and to serve the interest of larger stakeholder. However, the experience in the last thirty years testifies that Islamic banks have failed to fulfil the social expectations through CSR and sustainable development practices; and hence social failure of Islamic banks is debated widely. In fact, a sustainable banking in the form of Islamic social bank is proposed at the end of this study that fits into the aspiration of an Islamic moral economy.

The main aim of this research, thus, is to explore the perceptions of Malaysians towards the social dimensions of Islamic banking. Hence, this study analysed the Malaysians knowledge and practises with regard to CSR and sustainable development with the objective of locating their personal experience with their respective Islamic banks. This research further aims to propose the establishment of Islamic social banking based on Shari'ah principles that fulfils social and developmentalist needs of Malaysians, for which the participants' perceptions are referred to in developing the nature and shape of such a new institutionalisation.

In fulfilling the research aim, primary data were gathered through employing questionnaire surveys from customers of Malaysian Islamic banks representing the demand side of the industry; and semi-structured interviews were conducted with the Shari'ah advisors, bank managers, executives and also Shari'ah executives of Islamic banks which bring the insights from the supply side. The data were analysed using descriptive statistics and inferential statistical tools. The interview data were analysed using thematic analysis through coding method to identify similar patterns of answers.

The findings of this study suggest that the conventional concepts of CSR and sustainable development are relevant to the nature of Islamic banking and therefore should be implemented in their practice. In fact, respondents expressed their expectation for Islamic banks to be more ethical and socially responsible in their operations. In responding to the observed social failure of Islamic banking, the respondents asserts that technical objectives such as prohibition of *riba*' and providing Shari'ah compliance product is sufficient but not enough to achieve the social objectives. As identified by the participants, there are several issues preventing Islamic banks to perform CSR that mostly are internal problems involving lack of self-awareness on CSR. Further, the study signifies that CSR should be the success factor for Islamic banks in achieving sustainable development to survive in the highly competitive market. Additionally, the study also show strong demand from the respondents to institutionalise an Islamic social banking to serve the socially and financially excluded groups in achieving developmentalist and social objectives by particularly empowering the Malaysian people in the rural areas, as the very nature of Islamic moral economy proposes.

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Alhamdulillah, all praises is given to Allah SWT who has made this quest of knowledge possible by granting me with patience, perseverance and guidance upon completing this study. It would not have been possible to write this doctoral thesis without the help and support of the many kinds of people around me, to only some of whom it is possible to give particular mention here.

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I would like to acknowledge the friendship, kindness and hospitality extended by the Malay community in Durham whom has made my stay in the UK enjoyable and felt like home. I am truly thankful to my PhD colleagues, Hanira Hanafi and Ros Aniza, for always being there for me through all the good times and especially tough times.

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DEDICATION

To all the people who has never stop believing in me and continuously support me.

My dear parents, Dr. Muhammad Nur Manuty & Pn. Fauziah Amran.

My beloved husband, Zariman Ahmad & my lovely daughter, Sarah Humayra.

My teachers and educators.

DECLARATION

I hereby confirm that this thesis is a result of my original work. All references, citations or quotes which are not my original work have been duly acknowledged. None of the materials in this thesis have previously been submitted for any other degrees in this or any other university of institute of learning.

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Chapter 1

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

The emergence of Islamic banking in the world has revolutionised the perception of practitioners regarding interest-free banking, which has successfully influenced and created a big impact not only in most part of the Muslim world but also in the West. Since the internationalisation of Islamic finance in the 1990s, Islamic banking and finance (hereafter known as IBF) has performed well and is now considered a serious option, which has passed the test particularly in the current financial crisis.

While the growth in IBF has been immense, the unease with the ‘financialisation’ of Islamic finance at the expense of economic and social aspiration of Islamic moral economy has also increased. In this, Islamic finance is considered to have deviated from its normative foundations by converging towards the operational nature of conventional finance.

The normative foundations and philosophical foundation of Islamic economics, and hence Islamic finance, give rise to a social economy, which is evident in the writings of the founding fathers of Islamic economics, such as Ahmad (1979), Abu-Sulayman (1968), Chapra (1979, 1980, 1996), Naqvi (1994), and Siddiqi (1980) who considered Islamic economics as a system aiming at conducting economic and financial activity within the socio-economic justice parameters. Thus, the deviation of IBF from its fundamental foundations can be due to the lack of fundamental understanding of Islamic economics, as Islamic finance has focused attention *only* on form-related Shari’ah compliancy in the form of legal functionalism in production and generating income by removing interest or *riba*’ from the contracts and transactions. With such an understanding, more or less, Islamic banking is identified as Islamic commercial banking, while the implications of the ideas articulated by the founders indicate a social banking which was the case in the initial experiments in IBF in the 1960s in Egypt, Malaysia and Pakistan. Thus, in contrast to commercial banking and formal Shari’ah compliancy of Islamic finance, Islamic economics, as stated through the principles enshrined in the Qur’an and articulated by the founders; suggest a moral economy and hence social banking and finance through paying attention to the substance of transactions and contracts rather than just the form related compliancy.

In contrast to the way IBF are currently practised, IBF by its very nature should give priority to the social dimensions of economic and financial activity. Therefore, during this time of impressive growth, the practice of IBF should be re-examined, in order to correct the way it has deviated from a social dimension. Islamic banking consequently must consider its position with regard to social issues and should move towards an ethical position, being concerned with the welfare of society as theoreticised by Islamic economists, and as embodied in the first example of an Islamic bank in Egypt, in the late 1960s. One method towards achieving such a move is through the inculcation of Corporate Social Responsibility (hereafter known as CSR) in Islamic banking policy through social banking aiming at sustainable development, which, in anyway, should be an endogenised part of IBF by definition as the ‘Islamic’ in the prefix of IBF suggests.

The practice of CSR prevails the banking and financial sector in the United States and European countries including the United Kingdom for more than three decades. Following that development, either companies and financial institutions are moving towards more ethically acceptable business practices or new forms of ethical businesses and financial organisation are being formed to respond to the increasing demand from civil society. However, the practice of CSR is an essential part of the teachings of Islam where ethics (*akhlaq*) alongside faith guides all aspects of life including economic and financial activity, to reach an eternal reward in this world and the Hereafter, as defined by the *falah* or salvation process.

In re-orienting Islamic Banking and Financial Institutions (IBFI) towards social banking or expectations of an Islamic moral economy, it is proposed that CSR may provide competitive strategies for the ‘commercial IBFIs’ to overcome the perceived social failure of Islamic banks and also to help the cause of sustainable development. For that reason, this research attempts to study the social aspects of Islamic banking from a Malaysian perspective by focusing on CSR practice of IBFIs and on their practices oriented towards sustainable development through the perceptions of their customers.

1.2. SCOPE OF THE STUDY

As the preceding section indicates, it is important to emphasise here that the subject matter of this research is CSR and sustainable development in the context IBF in Malaysia along with social banking. Firstly, this study aims to locate the level of awareness and practice of CSR in

Islamic banking by exploring Malaysians customers' knowledge and experience of Islamic banking products and services. Secondly, it attempts to establish the relationship between CSR and sustainable development by means of investigating the Malaysians customers' understanding and awareness of sustainable development. Thirdly, this study focuses on the sustainable development related practices of IBFI in Malaysia through CSR which give priority to social objectives in the form of social banking.

This study argues that despite being rational and commercial aiming at profit maximisation, ethical business and financial practices are being acknowledged by many conventional banks and financial institutions through even producing social responsibility reporting. However, the same is not observed in IBFIs despite the fact that 'social practice' must be an integral and endogenous part of their practices. Thus, this constitutes the main arguments of the research presented in this study in the case of IBFIs in Malaysia.

1.3. AIMS AND OBJECTIVES OF THE STUDY

This study aims to explore and evaluate the social and ethical practices of Malaysian Islamic banks through the perceptions of Malaysian participants. In doing so, participants' perceptions on the ethical foundations of IBF are examined. In addition, participants' perceptions on the possibility of Islamic social banking and the nexus between sustainable development and IBF practice are also explored.

In fulfilling the identified aims, the following objectives are developed:

- (i) to discuss the nature of IBF with the objective of establishing the social and ethical aspects of financing in Islam;
- (ii) to discuss CSR in the context of IBF by locating the nature of social responsibility in an Islamic paradigm;
- (iii) to gauge the Malaysian customers' understanding and the level of importance attached to the social objective in Islamic banking;
- (iv) to locate the potential social contributions made by Islamic banks towards sustainable development through the perceptions and opinions of the participants;
- (v) to investigate the possibilities of introducing Islamic Social Banking into the Malaysian financial system as a sustainable form of banking that manifests CSR and sustainable development.

1.4. RESEARCH QUESTIONS

As identified by the aims and objectives, this research mainly focuses on three major aspects of social dimensions of IBF, namely social and ethical practices of Islamic banks in Malaysia, sustainable development related practices of Malaysian Islamic banks as perceived by the customers and lastly the possibility of moving towards Islamic social banking.

In responding to these research aims and objectives, the following research questions are formulated:

- (i) What are the ethical and social foundations and practices of Islamic banks as developed by an Islamic moral economy?
- (ii) How is CSR and sustainable development relevant and significant for Islamic banking practice?
- (iii) What do the Malaysian customers of Islamic banks understand by Islamic banking?
- (iv) What are the Malaysians' perceptions of social and ethical objectives in Islamic banks?
- (v) What is the level of awareness of Malaysian customers of Islamic banks and how do they evaluate the CSR practices of their respective Islamic banks?
- (vi) What are the Malaysian customers' levels of understanding with regard to sustainable development?
- (vii) What are the Malaysian customers' perceptions of the potential roles of CSR in contributing to sustainable development?
- (viii) What are the Malaysian Islamic bank customers' levels of understanding of social banking?
- (ix) What are the potentials to institutionalise Islamic social banking in Malaysia?

1.5. RATIONALE AND MOTIVATION FOR THE STUDY

While Islamic finance has demonstrated a robust level of growth over the years and has become an important component of the international financial system, unfortunately, the practice of Islamic banking is considered as socially failed for not moving to the direction as aspired by Islamic economy. In reaching this conclusion, the substance of IBF along with its form or legal requirement related expectations, is taken into account. Thus, the objective of Islamic banking should not merely be the elimination *riba* but also to be concerned about socio-economic justice, which is considered essential and integral part of Islamic moral economy.

Since this study considers that economic development is essential for the developing countries, IBF as an alternative financing system should be in the service of economic development and human empowerment in these societies. Hence, there is a need to conduct research in order to verify these important issues in Malaysia's Islamic banking system, which is considered to be the leading centre of IBF.

It should be noted that a limited amount of research has been conducted in relation to the social and ethical dimensions of IBF from various aspects such as a stakeholder's approach, the relation of religiosity and CSR, CSR disclosure, and also the awareness and practice of CSR in Islamic banks. This, among others, include The Dinar Standard and Dar Al-Istithmar Report on CSR (2009), Dusuki (2008a, 2008b; 2005), Dusuki and Abdullah (2007), Dusuki and Dar (2005), Farook (2008), Haniffa (2002), Hassan and Latiff (2009), Pitluck (2008), Siwar and Hossain (2009) and Zinkin and Williams (2007). In sum, strong criticism of CSR from an Islam perspective and especially from Islamic banking perspective were brought forward around the time of the recent financial crisis in 2008. These highlighted that a solution to the collapse of the financial system due to its lack of ethics and morality would be to apply social responsibility.

This current piece of research, however, takes the analysis a step further by integrating the ethical and social dimensions of IBF with sustainable development and social banking. Since social banking is currently being debated in IBF (Asutay, 2007; El-Gamal, 2006), this research fills a gap by evaluating the Malaysian Islamic banks and also by revealing the Malaysian customers' perceptions in relation to social banking; a novel attempt. Considering that Malaysia is a leading centre in Islamic finance related developments, but also is a country in need of economic development, the developmentalist role of IBFIs are rather obvious. It is, thus, anticipated that this research will benefit the IBFI and also provides signposts about the nature of a potential of an Islamic economic system. Since one of the purposes of social banking is to eradicate poverty and to create better living conditions for society in future, that fits the description of financing in an Islamic system of economics.

1.6. RESEARCH METHODOLOGY

In conducting this research, mixed method and triangulation method in the form of a combination of quantitative and qualitative methods are employed. In gathering primary data with regard to the subject matter addressed in this study, interview and questionnaire surveys

are used for primary data collection. In identifying the sample, purposive sampling was chosen which specifically focuses on Malaysians engaged with Islamic banking either as employees or customers of Islamic banks. A total of 11 interview respondents participated in the semi-structured interview session which targeted only employees and Shari'ah advisors of Islamic banks, with the intention of gauging insider understanding of ethicality and social responsibility of IBFs and also of CSR and sustainable development. It should also be mentioned that 477 questionnaire surveys were found to qualify for analysis. Having both questionnaires and interviews from different stakeholders, this study attempts to provide an understanding of CSR and sustainable development from the demand and also supply side of Islamic banking.

It should be noted that the details of the research methodology and method are discussed and presented in detail in Chapter 5, the research methodology chapter.

1.7. ORGANISATION OF THE RESEARCH

This research is divided into ten chapters, the foundation chapters (Chapters 1, 2, 3 and 4), which provide insights into the introductory and literature review of the study, while Chapter 5 offers an explicit description of the research methodology. As the operational chapters, Chapters 6, 7 and 8 present the empirical analysis. The last two chapters (Chapter 9 and 10) provide an interpretative discussion and articulate recommendation by concluding the thesis.

Chapter 1 introduces the research by describing the research background, motivation for the study and content of the study. Although a very simple chapter, it is important in setting out for readers the journey of this study.

Chapter 2 reviews the literature in relation to an Islamic economy as the foundation of IBF which gives priority to socioeconomic justice. The chapter argues on the foundational axiom of an Islamic economy that brings to light the social and economic aspects which should be practised by Islamic banking to be sustainable in this competitive market.

Chapter 3 concentrates on the main subject of this study, namely CSR and sustainable development, explicitly from Western and Islamic perspectives. The contribution of CSR to sustainable development is also discussed which leads to an introduction to the concept of social banking. It is proposed that social banking manifests both CSR and sustainable development concepts.

Chapter 4 examines the development and trends in Islamic banking with special reference to the Malaysian experience, describing the main objective in introducing Islamic banks to Malaysia from the initial period, developments since. Malaysia has proudly demonstrated a high level of progress in the IBFI in the eyes of the world and has become one of the leading countries to offer a wide range of Islamic banking facilities.

Chapter 5 mainly explains the research methodology employed throughout this study including methods of data collection and techniques of analysing data for both, qualitative and quantitative research methods, in producing invaluable information. Principally, interview survey (qualitative research) employs thematic analysis while questionnaire survey (quantitative research) widely uses statistical tools in SPSS.

Chapter 6 is devoted to presenting the empirical analysis describing the findings of the questionnaire survey. This chapter specifically describes the respondents' profile backgrounds and perceptions in the main study. The findings were analysed through simple statistical analytic tools in SPSS such as percentages and mean.

Chapter 7 is a continuation of the preceding chapter analysing the questionnaire survey using inferential statistical tools that produce results on the significance of differences and mean ranks among control variables. This chapter takes a step further by employing statistical tools such as Mann-Whitney U tests and Kruskal-Wallis tests. Then, the data is tested with Factor Analysis and MANOVA to provide meaningful results.

Chapter 8 presents the findings from the semi-structured interview survey that is analysed through thematic analysis with the objective of expanding the discussion and analysis. This chapter offers the respondents' perceptions and in-depth understanding from the supply side of IBFI – Islamic banks management team such as Shari'ah advisors, bank managers and also executives.

Chapter 9 provides an in-depth analysis by bringing together the findings from both quantitative and qualitative data analyses. This chapter attempts to answer the research questions listed in Chapter 1 through hypothesis testing as stated in Chapter 5 by cross checking all the findings in the empirical analysis chapters (Chapters 6, 7 and 8). It provides an interpretative discussion through meaning making with the objective of giving further meaning to the results.

Chapter 10 concisely summarises the study and provides recommendations for future study. It is argued as a finding that the social objective in Islamic banking in Malaysia is acknowledged and practised (referring to CSR and sustainable development activities performed) but without a systematic approach. However, a systematic approach would ensure that the issues such as poverty alleviation can be attempted through various social oriented financial strategies and promising a better future for society. To this end, there is no effort made by most of the IBFIs towards reaching a socially optimal financial solution that could improve community and economic development on a broader scale.

Chapter 2

LOCATING THE ISLAMIC MORAL ECONOMY: FOUNDATIONS OF ISLAMIC BANKING AND FINANCE

2.1. INTRODUCTION

The financial crisis of 2008 has brought international attention to Islamic banking and finance (IBF), which may even propel Islamic finance forward as a viable and realistic alternative way of banking. It is commonly believed that IBF have the moral high ground, which is missing in conventional finance. The latter was criticised at the outset of the financial crisis as having a moral deficit. Thus, those who consider IBF as a viable solution make references to its ethical underpinnings and substance rather than its form. In fact, IBF is already recognised as an alternative banking in the international financial system.

IBF stemmed from the imagination of Islamic political economy, which as a moral economy aimed at creating a world order based on a systemic understanding. Due to having its basis in the Islamic moral economy (IME), it is expected as a financial intermediary, to conform to the foundation principles and philosophy of Islamic economics. By definition, therefore, IBF's operations have to comply with Shari'ah or maqasid Shari'ah, which is interpreted as human well-being. The notion of human centrality as the interpretation of human well-being in economic and financial sphere constitutes the foundation of the alternative economic system understanding of IME. Therefore, among others Tripp (2007) calls this 'Islamic moral economy'.

This chapter thus attempts to discuss the definition and nature of IME and how it has contributed to the development of IBF.

2.2. ISLAMIC MORAL ECONOMY

IME is generally portrayed as a utopian economic system, which aims for a perfect economic order in the sense of first best solution based on Shari'ah which upholds socioeconomic justice with individuals aiming at *falah* (salvation) through maximising *ihsan* or beneficence. As a morally-oriented alternative economic system, IME condemns the capitalist economic system that capitalises profit and disregards morality. The following section begins by discussing the background of Islamic economy and spells out its characteristics.

2.2.1. Foundation of Islamic Moral Economy

The resurgence of IME in a modern sense is a product of the twentieth century, when Muslims in the newly established nation states engaged in finding authentic solutions to everyday life including to economic and financial matters, out of their traditional religious heritage. Kuran (1995: 156), therefore, states that IME was conceptualised at the time of Sayid Abul A'la Al-Mawdudi in the 1940s. On the other hand, as Presley and Sessions (1994: 585), state the original sources of IME can be traced back to the revelation of Holy *Qur'an* in seventh century. Since Islam presents itself as a complete way of life that covers every aspect of a human being, including private and public; material and spiritual; political, economic and cultural, hence, the Holy *Qur'an* provides sufficient principles that can be brought together to socially construct IME and its operational finance tool, namely IBF. In this way, it is accepted that what is understood as an Islamic economy started from the practise of Prophet Muhammad (pbuh), but a proper system or structure was developed later. This can be observed in the history where an Islamic society which inculcate an ethical system, emerged from the combination of two groups known as *Muhajirin* (the migrants) and *Ansar* (the helpers) in Madinah in the process of erecting the city of Madinah. The former gave up all their wealth for the sake of God and for the love of their Prophet (pbuh) in migrating from Makkah, the place of oppression, to Madinah or salvation, while the latter group welcomed and helped them by sharing all of their belongings together (Nomani and Rahnema, 1994: 31) showing the original wisdom of Islam in the sense of sharing all the resources and wealth given by Allah (swt) for the good of the society (*ihsan*).

As asserted by Chapra (2004: 163), Kuran (1995:156), Warde (2010:70) and Zaman (2008:18), Mawdudi was the first person in modern times to use the word 'Islamic economy' and 'Islamic economics' in an attempt to create the authentic nature of the new nation state based on Islamic notions of governance. Hence, initial reading in modern sense of the historic knowledge related to economy came from Mawdudi, in which Mawdudi made direct and explicit reference to justice and equity as the fundamental principles of this authentic economy. It should, however, be stated that he was an Islamic reformer not an economist in any sense. However, his search for authentic Islamic order based on identity politics had implications for the development of an Islamic system of economy, or IME. Due to Mawdudi's contribution, it is no surprise that Kuran (1995) locates the modern ideological roots of IB in the identity politics of the 1940s.

2.2.2. Conceptual Definition

As a start, it is vital to define the terminology of Islamic economy in order to have a fundamental understanding of the study. Islamic economy has certain features that suggest overcoming the failures of a conventional economy in attempting to develop a moral alternative. Kuran (1995:156) highlighted that Islamic economy's main distinguishing features as being an emphasis on the prohibition of *riba*' and the command to pay *zakah*. On the other hand, Tripp (2006: 124-125) asserts that these two rulings represents the instrument of a moral economy which not only seized the injustice made by capitalism but also contributes to a better economic development by circulation of wealth from the rich to the poor. Utvik (2006: 89) added that *zakah* is different from tax since it only applies to Muslims who have excess above their needs and is given to those who have less. Indirectly, this activity creates a caring society based on individual giving for the others in an attempt to reach *falah* or salvation through *ihsan*.

Although Kuran described only two factors (prohibition of *riba*' and payment of *zakah*) incorporated by Islamic economic, in reality, IME is a value oriented proposition and goes beyond the *riba*' and *zakah* oriented legal compliancy. While the prominent scholars of Islamic economics have varying interpretations as to what constitutes Islamic economics, the key point remains consistent as explained below.

Islamic economy is a study of human and organisational behaviour in the microeconomic sense of and the dynamics of macroeconomy in a modern Muslim society, which aims at the economic and social efficiency and optimality as expected by the spirit of Islam. In order to achieve *falah* (eternal happiness) in the hereafter, every piece of decision-making related to the economy or financial processes or transactions must be according to the Shari'ah perimeter (Chapra, 1996: 33; Khan, 1984: 51; Naqvi, 1994: 20; Nomani and Rahnema, 1994: 45).

IME is based on the moral principles of Islam in normative sense and economic-financial principles in a positive sense in addition to Shari'ah compliance. It is considered morally superior to capitalism and is believed to be more effective in delivering material advances towards economic development (Siddiqi, 1980: 202; Tripp, 2006: 198), since it essentialises the real economy in the sense of embedding finance into the real economy. In addition, it advocates socioeconomic justice by eradicating poverty while establishing an equitable income distribution and also helps to generate employment opportunities without fear of

discrimination or corruption (Ahmad, 1994: 21). Ambitiously, this system endeavours to develop an effective and workable economic sphere that could improve the Muslim world from the material aspect (Tripp, 2006: 113).

Clearly, Zarqa (1980: 3) affirms that the traditional economics subject is known as positive while Islam as a divine religion is based on normative statement, thus the issue of whether Islamic economic is normative or positive has become a debatable subject in the literature. Asutay (2007a, 2007b) and Naqvi (1994) claims that the Islamic economics is normative, suggesting 'how it ought to be' rather than 'how likely it is'. Further, Naqvi (1994: 48) elaborated that this system is consequence-sensitive which points to religion as a natural source for identifying basic moral values. Although *Qur'an* and *Sunnah*, as the primary sources of Islam, are normative, these sources also, however make several positive statements that should not be denied (Mannan, 1983). Interestingly, Mannan (1983) and Zaman (2008) assert that Islamic economics is neither normative nor positive. The former author described that it as having normative and positive interlinked, that to separate them would defeat the whole purpose of the system, while the latter author claims that it is transformative because the system helps to change society in the direction of perfection and goodness. Thus, IME offers a unique system rather than a hybridisation with the existing system.

According to Kitson and Campbell (1996: 135), man by nature is materialistic, self-centred, acquisitive, a utility maximiser and also greedy in increasing his own profit, and all of these attributes are part of the methodology of the neoclassical economic paradigm. However, the intention of Islamic economics is to modify the behaviour of 'economic man', homo-economicus, by developing the 'virtuous man' or *taba'ya* individuals spirit under the Islamic paradigm, homo-Islamicus. The nature of an Islamic man is partly man-made, that is nurtured by himself and partly divinely determined by God (Ariff, 1988; Nomani and Rahnema, 1994: 21) in the sense of an individual aiming to pursue the Islamic norms in life. Homo-Islamicus imbues the Islamic norms such as freedom from hoarding, from interest, from gambling, from deceiving but is concerned for the social good and justice (Asutay, 2007a; Chapra, 1992; Kuran, 1995; Nasr, 1987). Although Islamic economy gives paramount attention to social justice, Islam does not forbid its followers to seek material gain and happiness on earth; however these engagements should always be limited by the boundary of *taqwa* and not divert followers away from the consciousness of God. Thus, Islam proposes a moral filter for economic and financial choices, which aims to develop the *taba'ya* individual. An important aspect of the moral filter which aims to develop the *taba'ya* individual is the

personal purification or *tazkiyah* achieved through the actualisation of *ibadah* or worshipping in individual life, which limits the material impulse of ‘economic man’ (Nomani and Rahnama, 1994:22,24). The major difference between *homoeconomicus* and *homoIslamicus* is the practise of altruism in Islam which pronounces on the ‘social needs’ and expects ‘social welfare’ in away compliant with Islamic obligation (Tripp, 2006). It should, however, be noted that ‘altruism’ in IME is not only something voluntary but is part of the *falah* process through *ihsan*.

The objective of an Islamic economic system is to encourage wealth creation and equitable income distribution among people. By emphasising wealth creation, it suggests that trading should be implemented as an economic activity in exchanging goods and fulfilling basic desires through the real economy (see Qur’an, 2:275). Through trading that involves the real economy would lead to a robust economic system, by avoiding the systemic crises created by the financialised economy.

It should also be noted that an important aspect of IME is its constant reference, by definition, to justice in general and social justice in particular. The distribution of income and wealth, therefore, to ensure better living conditions for those who do not have them, forms part of Islamic principles and is an important requirement of achieving *homoIslamicus* status (Ahmad, 1980; Carroll and Buccholtz, 2006; Chapra, 1979).

Lastly, an Islamic economic system aims to promote public happiness through economic activity by removing the values of individualism in property ownership through imposing the consciousness of social responsibility towards the public. Importantly, property is perceived as *amanah* (trust) from God and therefore individuals are considered to only take partial credit for their wealth through their spiritually temporal ownership. This makes income and wealth distribution, hence, an essential element of IME.

To sum up, IME contains the features of a ‘system’, and therefore, should be considered as a system rather than be presented as a partial solution as considered by Islamic finance; as IME locates Islamic finance within this system understanding as the financing of the economy.

2.2.3. Philosophical Tenets

In developing a theoretical framework, IME in modern times through social constructivism aims to develop a system understanding, an important aspect of which are the philosophical tenets based on Islamic principles.

First and foremost, IME is considered as a balance system, which is based on the integration of spiritual, moral and material aspects. Fundamentally, it revolves on the dimension of *taqwa*, or, as one could translate it, God-consciousness or spiritual accountability. The concept of *taqwa* is the most fundamental notion emphasised in Islam where a believer must put in his utmost effort to achieve *falah* in this world and the hereafter which is the ultimate goal of all Islamic teachings (Ismail, 2010: 2). An important aspect of this process is *ihsan* or beneficence. This is for an individual to achieve for himself, but also for the development of other individuals and the society at large provided that the individual has the resources. For a believer, the sense of *taqwa* could be realised by having a consciousness of God's presence in his daily life and activities with others including economic and financial dealings (Iqbal and Mirakhor, 2007). Thus, IME, notwithstanding being a system, is very much a human-centred approach, which places spiritual accountability as essential in engineering homoIslamicus.

Based on Islamic ontology and epistemology, in modern times attempts were made over the years to develop the axiomatic foundations of IME through the work of Ahmad (1980), Naqvi (1994), Chapra (1979), Siddiqi (1980). These axioms as part of the *taqwa* or *ihsan* process are discussed below:

- (i) **Tawhid** (Oneness of God) – it is essential to impose the concept of *tawhid* for a fundamental understanding of *taqwa*. This primary axiom should be embraced in each individual for without it, one does not gain the same inner spiritual feeling although been practising the other axioms. As a concept, it implies the Oneness of God, for which as His noble creation, one must submit to His command. In this respect, God is the creator, thus ultimately the owner of the entire universe, which means that an individual does not have any right to the property he possesses. Hence, an individual is entrusted by God as an agent to manage the property he owns in a good, trusted and responsible way in this temporary world (Abbasi, et al., 1989: 11; Ahmad, 1980: 178; Nomani and Rahnema, 1994: 34; Siddiqi, 1980: 196; Siwar and Hossain, 2009; Utvik, 2006: 80; Zarqa, 1980: 11). *Tawhid* as the core axiom implies vertical ethicality in the sense that individuals are equal to each other in their distance

from God; and therefore it establishes the essentiality of justice (Asutay, 2007a; 2007b). In addition, the definition of *tawhid* indicates spiritual accountability where individuals will be accountable for their actions including economic and financial dealings in the hereafter. Therefore, as the vicegerent on earth they are expected to live a life according to the norms of Islam (Asutay, 2007a; 2007b).

- (ii) **'Adl** (justice) – As His vicegerent, individuals are required to establish justice in the pursuit of a balanced and harmonious system. Islam is a religion that adheres to the axiom of justice with the strongest claim in terms of an individual's relation to other individuals, to society and to the physical/biological environment (Abbasi, et al., 1989). The *Qur'an* (57:10) pronounces that justice is a highly regarded value in an Islamic system, as God-fearing and pious characteristics include being 'just' (Chapra, 1979:12). It is beyond the legitimacy rules of seeking permission of right or wrong yet it covers the notion of rationality, ethics, fairness, equality and law.

Naqvi (1994: 27) suggested that '*adl wal ihsan*' (justice and beneficence) which signifies social equilibrium is an axiom that brings significant goodness to a society. Thus, being classed as horizontal ethicality, 'justice' aims to establish social equilibrium in society and implies equality in the relationship of individuals to one another (Asutay, 2007a; 2007b).

In realising a fair economic system, Nomani and Rahnema (1994: 36-38) articulate social justice from two different points of view, both Islamic modernists, are 'equity' and the other 'equality'. Both of these hold a strong position in an Islamic society. The authors relate 'equity' to fairness, where a reward system is applied according to effort and is not to be given equally. Nomani and Rahnema argue that 'equality' is delivered on the basis of being His vicegerent hence God commands all His followers to share His bounties on earth equally. On this basis, the poor have as equal a right to wealth as the rich.

It follows that Islam has ordained its followers to establish socioeconomic justice, to abolish any sense of discrimination and to provide an equal opportunity for instance, in an equitable income and wealth distribution. The creation of a balanced and harmonious environment is a vital axiom to eradicate poverty and social problem.

- (iii) **Rububiyyah** – being a degree of *tawhid* that confers on the Oneness of the Lordship of Allah, Ahmad (1980) described it as divine arrangements for nourishment, sustenance and directing things towards perfection which simply enabled individuals, society and the natural environment to reach perfection. This implies that every effort

and act should be done towards perfection in order to please the Almighty. In the context of Islamic economy, *Rububiyyah* is the source for the values of sustainability and development to lead to a robust economic system. *Tawhid* does not only envelop the relationship between men and God, referring to a vertical relationship, it also creates an affiliation between the individual and the society, denoting the horizontal relationship which conveys the role of *ukhuwwah* or brotherhood and unity (Abu-Sulayman, 1968: 15; Naqvi, 1994). Thus, *rububiyyah* axiom articulates the vertical and horizontal ethicality of IME by actualising its objectives for individuals, society and the physical and biological environment.

(iv) **Tazkiyyah** (growth and development in Islam) – it is an exclusive approach which takes an individual through the process of self-purification with regard to the enjoyment of wealth, fame, power etc., as recommended in the *Qur'an*, with the result of improving the quality of life (Nomani and Rahnema, 1994: 35). It is an essential element in the concept of development in Islam, as it concerns human development and growth towards perfection with the eventual goal of achieving *falah* in the hereafter. Interestingly, it is a comprehensive quality that integrates the moral, spiritual and material aspects that should be the support and sustenance for an ideal economic development. In addition, it fulfils the basic human needs which comply to Shari'ah by developing a robust Islamic economic system. *Tazkiyah* also implies 'growth in purification', and hence indicates the moral filter through which individual economic and financial actions and dealings should go so that harmony with all the stakeholders in the environment should be achieved. While 'zakah' is considered as the purification process for wealth, all other activities should be purified through particular spiritual and material mechanisms.

(v) **Ukhuwwah** (brotherhood) and **Unity** – Islam portrays that the relationship of each individual as that of a family member which embraces all Islamic communities wherever they are (Buckley, 2000: 5). As Iqbal and Mirakhor (2007: 9) stated, the idea of collectivism generates the concept of unity for mankind and leads to the principles of equality. Individuals should be treated equally and should not be discriminated against to its wealth, race, gender, caste, skin colour and etc. which would lead to disunity. This value promoted by Islam is far beyond reach in reality since people continue in a strong spirit of differentiating against each other. Brotherhood in Islam carries a wider concept which suggests collective cooperation and guaranteeing the safety of each other's well-being. The implementation of

ukhuwwah would lead to a better society with an emphasis on social welfare motivated by commitment and love towards fellow brothers, even those of different beliefs. Hence, this concept is deduced from the role of *khalifah* which specifies the purpose and responsibilities of an individual's creation as His vicegerent on earth. The mission of populating and exploiting the earth are being forced to give way to *khalifah* as a gift, trust and also a test (Yousri, 2005: 33). Thus, as His vicegerent, an individual should always have a sense of gratitude in fulfilling God's order in enjoining what is good and forbidding what is wrong.

2.2.3.1. *Reflecting on the axioms generating a moral economy*

The axioms explained above are the most important spiritual elements that should be in one's inner soul but also articulated in everyday acts including in economic and financial acts, which constitute the microdynamics of the economic system in the hope and anxiety of receiving consequences in the hereafter.

It should be noted that due to such a moral orientation, Islamic economic system is truly different and is an alternative to the conventional economic system. Reasoning from the fundamental doctrine of Islamic economy, it could be concluded that Islamic economy falls under the science of moral economy that deems the intersection of moral values, cultural beliefs and economic activities as encouraging on socially responsible financial transactions thus leading it to be presented as an IME (Tripp, 2006). However, the idea of interrelating these two branches of knowledge was part of the practise of the Islamist movement in Egypt a long time ago, which dissociates it from being the Marxists idea (Utvik, 2006: 35 - 36). The moral values imprinted in Islamic economy are derived from the ontological and epistemological sources of Islam, based on divine knowledge.

The idea brought up by Tripp (2006) represents the ideal concept of Islamic economics which gives priority to the concept of morality and social justice as paramount, but which does not fail to achieve materially. On the other hand, Utvik (2006: 36 - 37) suggests two expressions for the moral economy: the 'weak' and the 'strong'. Describing the weaker moral economy, Utvik considers that a moral society has the ability to progress with great achievements because of the faith in God (*taqwa*). Describing the stronger moral economy, inflict that every act and economic transaction must be morally and ethically acceptable despite the belief in God. In general, therefore, it seems that, Islamic economy would fall under the

strong category in an aspirational sense, while the current practise of Islamic finance indicates a weaker moral economy.

Islamic values require that the welfare of the individual (*maslahat al-fard*) should be promoted alongside the public interest (*al-salih al-'amm*). Clearly a *taqwa*-centric individual balance equally himself and the society whereby he never neglects his own interest and also never exploits the society; thus he achieves an optimality between individual and social interest by removing the perceived conflict as stated by conventional economics.

The Islamic character enunciated above is the pattern for Muslim behaviour according to faith and to avoid from the temptations of Capitalism and Communism (Tripp, 2006: 122 - 123). This personality is clearly mentioned by Al-Sadr and is created by forming alternative banking i.e. an Islamic bank, to realise the ideal goal of Islamic economics which must be rooted in the Muslim individual itself and which must equip them with both moral values prescribed by God: being pious (*taqwa*), and also the science of economics (Tripp, 2006: 135).

Tripp (2006: 123) introduces in his writings the 'Islamic Calculus', which is an essential mechanism that should be embedded in each individual Muslim to make him assume all responsibility for his own individual not only in this world but also in the hereafter as the outcome of spiritual accountability. In addition, Utvik (2006: 35) believes that having faith in God is the only potential drive to ensure people contribute morally to the society. It is the secret that motivates good behaviour towards others. For example, the responsibility of paying *zakah* which is obligatory in Islam, has a greater impact on one's conscience than paying tax, which is a duty people somehow tend to avoid and neglect for no reason.

In addition, Tripp (2006: 148) states that for the Muslim ummah in upholding the absolute sociability, solidarity and ethicality is not a historical reality; in fact this is an inspirational power that was taught by the Prophet (pbuh) and which has been retained throughout the centuries. In this sense, it is believed that Islamic economic utopia could be realised although not in the near future but will come into practise through individuals upholding such values in their everyday lives.

2.2.4. The Shari'ah Framework

The fundamental concept of Islam represents the notion of *aqidah* (faith) which is the state of being of a Muslim who believes from his heart and accepts the teaching revealed by God and submits to Him. Next, the notion of Shari'ah is strongly emphasised in Islam. It regulates the everyday life of individuals including economic and financial matters. Lastly, *akhlaq* (personal moral behavioural disposition) is vital in the ambit of Islam in establishing a good individual that would lead to a harmonious society.

Shari'ah has two major constituents: *ibadah* (worship) and *muamalah* (transaction). The former refers to the relationship between man and God (*hablunminAllah*), while the latter is concerned with the relationship between individual and individual (*hablunminannas*). *Ibadah* accentuates the aspect of submission to God Almighty as His servant, while *muamalah* is concerned with the aspects of social, political and also economic activities which specifically affect the financial and banking system (Iqbal and Mirakhor, 2007; Syed Adwam Wafa, *et al.*, 2005).

Looking at the economic sphere, Shari'ah governs not only from the way wealth is spent but also how it is acquired (Zaman, 2008). This is an extension of the above axioms describing more of inner spirituality, and hence, Shari'ah comes in with a strong ordinance from God which should be integrated to form a basic belief in the Islamic economic system.

Shari'ah (Islamic Law) constitutes the interpretation of divine knowledge in generating legal maxims through *fiqh* or Islamic injunctions, which, by definition, encompasses a vast subject, embracing fields such as politics, economics, family, criminal and social issues. Imam Abu Hamid Al-Ghazali (505AH) elaborates on this (in Hasan, (2006: 8) and Ismail, (2010: 2):

The main objectives of the Islamic law put broadly are to promote the well-being of all mankind which lies in safeguarding their faith (*din*), their human self (*nafs*), their intellect (*aql*), their posterity (*nasl*) and their wealth (*maal*). Whatever ensures the safeguard of these serves public interest and is desirable and whatever hurts them is against public interest and its removal is desirable.

It is Dusuki and Abozaid (2007) who articulate on Shari'ah as a complete set of rule that manifest the holistic idea of Islam: a complete grasp of knowledge resulting in the values of justice, brotherhood and social welfare in society. In accordance with this, Balz (2008: 7) asserts that the principles applied by Shari'ah lean more towards an ethical behaviour than to legal principles. It should, therefore, be noted that Shari'ah is defined as 'human well-being' implying that whatever is done or acted upon should consider 'human well-being'.

Shari'ah builds upon the ontological and epistemological source of Islam; the Holy *Qur'an* (divine revelation by God) and the *hadith* (sayings, actions and acknowledgements of the Prophet (pbuh) of Islam). The *Qur'an* contains laws and regulations; *aqidah*, *ibadah*, *akhlaq*, history and spiritual reminders to every Muslim. Qutb and Shariati emphasised that the content of *Qur'an* having a powerful moral obligation to convince people to do good deeds and as being sufficient to overcome the malign logic of the material world (Tripp, 2006: 154,160). The *hadith* is an important medium to further explain and complement the *Qur'an*. It is mutually agreed by all Islamic schools of law as one of the most important sources of Islamic jurisprudence (Nomani and Rahnema, 1994: 4). Shari'ah is also supplemented by two other sources, namely, *ijma'* (consensus of groups of *Ulama'*) and *qiyas* (the process of reasoning by analogy). Through the dynamic mechanism in *ijma'* had made Islamic law evolved from the past to the present adapting to differing circumstances and changing conditions yet still current and reliable to employ. This applies to the concept in *muamalah* or human transactions, including financial and economic matters, whereby principles should be referred to the primary scriptures yet the application should be adjusted according to time and place in order to make it relevant to the situation (Utvik, 2006: 17). *Qiyas* is implemented when the jurist is confronted by exceptional cases, to support arguments from the primary sources i.e. *Qur'an* and *hadith*, and to try to apply logic to the present case. *Qiyas* is normally limited to financial and social issues such as the ruling of *istishan* (preference) in Islamic finance which accepts the sales of *salam* and *istisna'* although the goods sold are not at present but under specific terms and conditions agreed by both parties at the time (Nomani and Rahnema, 1994: 8 - 10).

The two former sources of guidance; *Qur'an* and *hadith*, are divine sources revealed by God to the last Prophet (pbuh) that ought to be the primary sources of reference while the two latter, *ijma'* and *qiyas*, are sources that are employed after the time of the last Prophet (pbuh) i.e. starting from the era of *Khulafa' Al-Rashidin* (the rightly guided successors) until the

present day. Hence, in deducing a new law, one should follow the reference sequence respectively until a verdict is concluded.

The Islamic economics system advocates Shari'ah as its basic rule to govern every aspects of economic and financial activity. Hence it must be put into operation completely to attain and fulfill its goal. Balancing material, spiritual and moral behaviour is paramount in this set of rules. The core element in Shari'ah, that is the axioms of 'justice and equity', as manifest in this unique economic system thus strongly emphasise on socioeconomic justice which is among the main objectives of Shari'ah. Chapra (1996: 25) asserts that the main objective of Shari'ah is not only in relation to the socioeconomic aspect but also to the well-being of God's creatures, and that neglecting either aspect would result in misconduct and social problems. Thus, Shari'ah by definition implies the moral economy of Islam by providing the ethical base for the good of human well-being.

This comprehensive law does not violate individual rights on acquiring property as long as it takes into account concern for society. It is actually a form of empathy for helping each other for the betterment of society and in order to avoid greed and bad behaviour in property possession through the acts of *zakah* (alms), *sadaqah* (giving charity), *infaq* (giving for the sake of God for the betterment of the society and its member) and also *waqf* (endowment). These practises significantly influence the promotion of the welfare of Muslim communities (Sairally, 2007: 21).

2.3. ISLAMIC BANKING AND FINANCE: AN EXPERIMENT IN ISLAMIC MORAL ECONOMY

Islamic banking and finance (IBF) is a manifestation of the aspiration of IME that performs financial activity according to the Islamic paradigm. To understand, it is crucial to begin with defining the term Islamic banking. IBF is an institution within the capacity of an IME system that translates the ideal theory into practise in an institutional manner in modern times. In the aspirational view of IME, IBF is given the role of financing economic development, but importantly is considered as financing the real economy rather than developing into a financialised system as within a capitalist system.

As widely known, IBF is similar to any other banking system yet it practises an interest-free system where every financial activity must conform to Shari'ah and must avoid unethical or non-socially responsible investment that is considered detrimental to society. Therefore, in

addition to the prohibition of *riba*’ or interest, financial and economic transactions should be free of *maysir* (gambling), *gharar* (uncertainty) and also speculation, but also should not involve the alcohol industry, pork products, the weapons industry, tobacco, adult entertainment or any transaction that is not permissible according to Shari’ah on the grounds that it is not in the interests of human well-being (Ahmad, 1994; Derigs and Marzban, 2008; Iqbal, 2004: 21; Ismail, 2010: 48).

As an important principle, explicitly, IBF embeds risk-sharing philosophy and promotes economic and social developments. As a consequence, it is mainly based on profit-and-loss sharing as opposed to fixed returns as provided by a conventional system. These features are the two essential distinguishing features of the operation of IBF from conventional finance.

The main distinction between conventional banking and Islamic banking is that the latter’s objective does not end with profit maximisation, albeit achievement of material capital growth is important. Profit yielding is guided by the Islamic norm to fulfil its social obligation to augment to stock of faith and beliefs condoning a traditional legal regulatory framework in the sense of moral filtering. Islamic banking and finance are required to fulfil the commandments of God that regulate every aspect of human life and also directly to fulfil spiritual values and social justice (Al-Jarhi, 2005: 18; Dusuki, 2008: 2; Iqbal and Molyneux, 2005; Tripp, 2006: 139; Zaher and Hassan, 2001: 158).

IBF has successfully been recognised as part of the global financial system where by it does not challenge the global capitalism but instead creates its own niche in the market (Tripp, 2006: 146 - 147), despite the fact that IME aims at different modes of production and hence a different system.

It should also be noted that in an aspirational sense, IBF discourages a debt-based system and aims at a real economy linked to financing. This is expected to promote stability and sustainability in the economy.

The operational features of IBF in the aspirational sense are that (Al-Jarhi, 2005; Iqbal and Molyneux, 2005):

- (i) Islamic finance is more efficient: The value of productivity is more important than credit-worthiness of the borrower as in conventional banks. Hence, Islamic banks will provide finance also to customers’ from the financially excluded group. By adopting a

profit-sharing scheme, Islamic banks engage together in the project and will perform thorough screening to ensure efficiency of projects. Besides, their expertise in finance and investment will definitely improve the profitability of the projects. In this main, the strength of Islamic finance is that it is firmly attached to the real economy which performs real economic transactions.

- (ii) Islamic finance makes the economic system more stable: The unique balance sheet in Islamic banks is that it has both, assets and liabilities side that are not fixed and they are mutually linked to each other which is a mechanism to restore equilibrium. The liabilities side depends on the actual performance of the projects. For example, if there is a financial shock, the assets and the liabilities side, both will be affected. The bank will not have to pay any fixed or guaranteed rate of return to the depositors. Even the principal is not guaranteed.
- (iii) Islamic finance controls excessive credit creation and speculation: The principle of trading in Islamic banks must be at present. According to IBF principles, it is not possible to engage in any transaction that provides present money and receive future returns since the face value of the money has fluctuated. In addition, the monetary flow in Islamic banks must tie up with commodity flow that in the end creates a closer link between the monetary and real sectors.
- (iv) Islamic finance operates with ethical principles: Islamic banks should be bounded to the ethical dimension in Islam thus the operation of Islamic banks must avoid any moral conflicts. Financing to any projects that could cause harm to the society and environment are strictly prohibited. In other words, Islamic banks are seen as similar to ethical banking that is very well known in the West.
- (v) Islamic finance is growth-promoting: Islamic banks promote innovative projects and do not fix the cost of capital like in an interest-based system. The cost of capital varies according to the productivity of the project which does not have a limited effect on investment such as a fixed cost of capital. In sum, Islamic finance promotes a real economy.

- (vi) Islamic finance should be more ‘inclusive’ and widens risk-sharing: Islamic banks promote risk-sharing between the capital provider and the entrepreneur. In order to avoid unjust, both are involve in the management and development of the project either through financing capital or through labour. Thus if there is profit, it is shared according to predetermined ratio while if the project incur losses, the capital provider will borne all the losses and the entrepreneur will loses his labour. The conventional banks practise is different, the capital provider will have a fixed return in any circumstance, either the project it successful or fails.
- (vii) Islamic finance should be more conducive to poverty alleviation: The Islamic teaching recognised feeling empathy and sympathy to the less fortunate. In fact, *zakah* is commanded upon wealthy Muslims as a levy to help the poor and needy and the other unique beneficiaries to ensure a just and standard level of living status. The distributions of *zakah* have good impact to the economic development since it facilitates the poor to be more productive. Besides *zakah*, Islamic banks offer wealth maintenance that involves transferring productive resources to the poor for generating income to survive. This usually involves the establishment of micro-enterprise or small medium enterprise.
- (viii) Islamic finance provides sustainability to the financial industry: Islamic finance deems to be more sustainable than conventional banks through the value of debt in Islam. Debt is fixed and make known in the beginning of the contract on the total debt and the instalment monthly amount. Islamic banks does not practise compounded interest. In fact, Islamic banks do not charge penalty fees for temporary insolvent instead it offers grace period payment.

Given the features described above, in an aspirational sense, IBF definitely offers a new and unique breath to banking industry that inculcates many elements apart from capitalising on profit. It gives special attention to encouraging economic and human development to progress jointly.

2.3.1. Critical Views on the Performance of Islamic Banking and Finance

Like any other financial institution, there are always criticisms and disputes concerning the concept and practise of the particular institution, IBF was not excluded.

The everyday operations of IBF indicate that the products and services of Islamic banking are similar to, and some could be considerably the same as conventional banks' products and services (Foster, 2009: 73; Warde, 2010) apart from complying to Shari'ah. Commonly, customers are confused and may think they are the same: in fact customers have a problem differentiating between interest and profit rates which to them look rather similar. The argument for stating that trade is just like interest has been going on since the era of Prophet (pbuh), hence a strict verse from the *Qur'an* prescribed that, '...Allah hath permitted trade and forbidden usury' (2:275).

God has rigorously condemned this act of giving and taking interest since it does not lead to any economic growth and could even create imbalance in society, unlike trading which involves the real economy and which leads to economic growth. It is strongly stated in the *Qur'an* (3: 130) that it is not permissible to consume usury and that doubling and multiplying it is even worse. In fact, there is condemnation of *riba'* not only in the tenets of Islam but in Judaism and Christianity as well. In Judaism, the Torah prohibits the practise of usury amongst Jews but permits it amongst others. While in Christianity, usury is strictly prohibited but has nevertheless been in operation for over 1400 years (Abbasi, et al., 1989: 3).

Riba' is strictly banned by God in order to promote values of justice, efficiency, stability and growth in the economy and to protect the less fortunate from exploitation. The value 'justice' is among the most important reasons in early literature for the prohibition of *riba'*. The features that make the interest system inequitable are that the provider of the capital fund is assured a fixed return while all the risk is borne by the user of these capital funds (Ahmad, 1994: 20; Schaik, 2001: 47; Siddiqi, 2006: 4; Tripp, 2006: 132; Zaher and Hassan, 2001: 156). Besides, Tripp (2006: 132) further claims that earnings through interest are not morally acceptable since they do not involve any element of effort from the capital provider and since they also raise the issues of social welfare which brings a negative impact to society, e.g. *zulm* (oppression), hardship, exploitation of the poor, wasteful use of resources and etc.

Another critique on the current operations of Islamic banking is that the products offered are not economically feasible and are less efficient and costly. It happens that wealth circulates among large companies and does not reach the needy. This is in consequence of re-engineering financial products imitating conventional banks' products just in order to make them permissible from a Shari'ah point of view (Zaman and Asutay, 2009: 77). In fact, the end result of Islamic banking operation is viewed in rather the same way as conventional banks by the customer. In reality it is not true that it is the same since Islamic banking involves real business that benefits the public in general (Ayub, 2007: 452).

Reviewing the Islamic banks' current operation, the major products offered to customers do not connote to trading activity in promoting equity-based finance, but instead debt-based finance is preferred. The theory of Islamic banking has suggested applying a profit-or-loss sharing (PLS) banking system, that suggesting equity-based financing, which would be an ideal way of strengthening the economic and financial market stability. However, PLS has been ignored and is not widely used in current practise (Ayub, 2007: 435; Siddiqi, 2006: 6; Zaher and Hassan, 2001: 181). PLS lost favour due to moral hazards and adverse selection. In fact, Schaik believes that PLS is not popular because of it is short-term financing (2001: 52). Hence, Islamic banks adopted debt-financing instead in their practise, like *murabahah* which actually is an imitation of the conventional banking system regardless of its being permissible according to Shari'ah. Many scholars are sceptical regarding the *murabahah* mode of financing since it is almost similar to interest-based transactions (Nagaoka, 2007: 74).

Ayub (2007: 441) claims that Islamic finance is also criticised for offering non-standardised due to differing opinions pertaining to Shari'ah rulings that follow different schools of thought. Evidently, Malaysia, where the Shafie school of thought is followed has different solutions to Middle-East countries that follow other schools of thought. For example, the most controversial Islamic products initiated in Malaysia were *Bai' al-inah*.

An important part of the debate in recent years around 'Islam-best financing vs. Shari'ah compliant financing' makes direct references to the observed social failures of IBF. Since IME provides the moral base for IBF, it is expected that IBF works within the moral framework suggested by IME. However, the current practise of IBF indicates that the practise has deviated from the expectations of IME (El-Gamal, 2007; Asutay, 2007a). This is

observed in terms of social responsibility areas but also in developmentalist objectives. While IBF has focused on ‘form’ related compliance as part of the process, the substance in a consequentialist sense has been largely ignored. Thus, a convergence towards conventional finance is observed in the current operations of IBF through the endogenisation of ‘financialisation’ as opposed to ‘financing’.

While it is true that IBF is suitable to commercial expectations, the social and ethical expectations are equally important as well. Therefore, the institutionalisation of social banking from an Islamic perspective can be considered as an alternative banking institution which prioritises on social objectives in addition to financial objectives.

2.4. CONCLUSION

This chapter explicitly expresses the notion of IME from various perspectives and its characteristics that have initiated an important and unique world banking system, known as IBF. Islamic banking promotes the philosophy of the IME system which connotes socioeconomic justice. The substance of a moral economy defines the objectives of Islamic finance. Therefore, in an aspirational sense, IBF is expected to promote economic development through trading that encourages entrepreneurship. Although Islamic banks are expected to give paramount attention to moral and social aspects, their current practices are disputed due to their divergence from such an objective.

Chapter 3

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT: AN OVERVIEW OF WESTERN AND ISLAMIC PERSPECTIVES

3.1. INTRODUCTION

One of the reasons of the current financial crisis is attributed to the ‘moral deficit’ of the current financial system, which is an indicative of the necessity of the return of morality into economic and financial analysis and policy in order to overcome instability. The integration of moral in economic and financial practice and analysis is also necessary to overcome the unequal distribution of wealth and income between people and corporations in terms of vertical ethics and also between individuals in terms of horizontal ethics. This will result in amorality based economic system that realises the ethical and social justice paradigm is of paramount importance, considering the nature of economic and financial difficulties we are faced with (Asutay, 2007: 16). An important institutional aspect of such a change is the establishment of socially-oriented financial institutions which can aim at realising the social objectives alongside financial expectations, which is something that mainstream financial institutions have overlooked and regarded as non-profitable.

In moderating the consequences of mainstream economic and financial institutions with an attempt to overcome the ‘ethical deficiency’, Corporate Social Responsibility (CSR) and Sustainable Development as concepts and policies are brought to the surface as dynamic tools to uphold social justice. These two major concepts of social justice together form a complementary paradigm that emphasises the importance of social concerns in economics and in financing, which by definition reflects the Islamic aspirations of a moral economy.

This chapter attempts to explore and discuss these two major themes from both perspectives, Western and Islam, with the intention of locating social themes in the finance and banking industry with the objective of manifesting a sustainable banking concept. As a conclusion, the

chapter presents an outlook on sustainable banking, which is deemed to articulate social concerns in its operation. Hence, the concept of social banking is introduced.

3.2. CORPORATE SOCIAL RESPONSIBILITY: THE MAINSTREAM VIEW

A close look at the religious position on economic and financial matters indicates that all religions one way or another support the concept of a moral economy, aiming to replace the spirit of profit maximisation with social objectives by developing norms with the objective of changing moral behaviour to produce social welfare by overcoming the conflict between individual and social interest. However, most of the world societies have moved out of the religiously constructed worldviews and realities long ago. However, in line with such sentiments, examinations of the world financial crisis have recently triggered ideas on integrating moral values into capitalist practices though these are still unformed and uncertain. CSR presents itself as a valuable proposition to moderate the consequences of capitalism, bringing the current system closer to the ethical dynamics of Islamic banking in an aspirational sense, as the notion of CSR is inherently embedded in the value system of Islamic banking.

The idea of businesses having social responsibility has become a wide concern since the 1960s. On the one hand, social responsibility in business aims to improve ethical identity but also the resilience and sustainability of business is improved by integrating the behaviour of giving back to the community, which actually should be an important objective in any business. In supporting this, Kitson and Campbell (1996: 6) assert that the survival of business is not merely concerned with profit but it should comply to legal regulations and society's moral values as well.

In observing the discourse around CSR, it can be observed that two perspectives have developed over the years: the narrow and the broad view. The broad view is further subdivided into 'the narrowly broad view' and 'the broader view' (Kitson and Campbell, 1996: 140). 'The narrow view' supports Milton Friedman's notion of the social responsibility of business which is clearly defined as maximisation of profit with no suggestion of any ethical views but instead proposes the efficiency of a business as social responsibility. This indeed resembles to Adam Smithian understanding that the maximisation of individual until will lead to the maximisation of social utility in the first best solution.

Beyond such an uncompromising position, however, over the years, further developments have resulted in extending this position through the idea of taming the capitalist attitudes and coming to the belief that firms have other social responsibilities beyond merely maximising profit. This stance supports the view that firms are only expected to engage in social activities involving stakeholders that are economically and financially linked to them, such as consumers, employees, suppliers and shareholders. However, with further socially oriented developments and improvements, 'the broader view' extends its responsibility to a wider scope involving society as a whole (Kitson and Campbell, 1996: 140 - 141).

The development of the idea of socially responsible economic and financial practices along with the idea of implementing social order in economic spheres can be traced to the Industrial Revolution in the 18th and 19th century, which had a huge impact across the world. The change from manpower to machine and technology in certain fields, such as agriculture, manufacturing, mining and transportation, resulted in controversy about the nature and consequences of economic practices, indicating an awareness of social responsibility and morality despite the vast profits gained from product efficiency. An important and observed consequence of these new economic and business practices was their impact and consequence on labourers and the ecology which led to social and ecological problems (Cannon, 1994: 2; Jeucken, 2001: 221). However, the idea of making profit at the expense of other stakeholders prevailed as the main hegemonic position, helping industrial capitalism resulting in the accumulation of immense wealth for a minority.

The contribution of Marx as a precursor to a new economic order in the form of Socialism should be understood in terms of his prioritising the importance of social process and outcomes related to the political economy of any society. The Marxian position stated that capitalism results in unfairness and exploitation in wealth distribution, which ultimately leads to an unequal society. Hence, Marx concurred that the capitalist mode of production is a means to an end in terms of wealth creation. From his point of view, capital is not merely about value, but it is a means of production and hence materialistic by nature (Lu, 2009). In articulating the Marxian position in his defence of the contribution made by labour, Marx firmly challenged the

greediness and unethical behaviour generated by capitalism. Besides, it would also deviate their attention from a capitalist order (Shaw, 2009).

3.2.1. CSR: Definition, Concept and Aspects

Throughout the years, literature on CSR across the globe has defined it using many different terminologies, making it perplexing to agree upon a commonly defined term because of the breadth and vagueness of its scope. Matten and Moon (2008: 405) identified these difficulties with three reasons:

- (i) valuation of intrinsic values that made it difficult to set specific rules,
- (ii) characteristics in common with other business and society concepts such as business ethics, and
- (iii) also because of its being a dynamic phenomenon.

It should be noted that various definitions arrived at by scholars may be caused by different perceptions and interpretations of CSR identified with American and European traditions. In other words, in further explaining these differences, Matten and Moon (2008: 407) argued that such differences in definitions can be attributed to political systems, financial systems, education and labour systems as well as cultural beliefs. It is, however, important to note that such differences make it difficult to conduct cross-country studies on CSR theory and practice in understanding its implications and outcomes (McWilliams, et.al., 2006: 8).

Amid all these definitions, CSR is also known as corporate responsibility, corporate citizenship, responsible business, corporate social opportunity, corporate philanthropy, corporate sustainability, business and society.

In aiming to demonstrate the development of the concepts, Carroll (1991) organised the literature chronologically by identifying the evolution of CSR definition. The initial definition of CSR can be traced back to Bowen's seminal book, *Social Responsibilities of Businessman*, in the 1950s, due to which Carroll (1999) acknowledged him as the 'Father of Corporate Social Responsibility'. The beginning of the modern period of literature on CSR, however, was marked when Bowen (1953: 44) defined CSR as "refer[ing] to the obligations of businessmen to pursue

those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society”.

Bowen explicitly argued for the importance of responsibilities in the business sector in fulfilling the social welfare needs of society, who also refers to the extent that business should conform to what is desirable by society to ensure the success of the business operation. Such socially oriented business should not be considered as solving the problems of the society, but instead the objective should be to act as guidance for good business conduct (Masaka, 2008: 14 - 15).

In the 1960s, the literature attempted to expand the meaning of CSR with additional elements such as ‘voluntarism’ and ‘going beyond the economic and legal requirement’. Among prominent writers in the field in this era Keith Davis, William C. Frederick, Joseph W. McGuire and Clarence C. Walton should be mentioned. As reported by Garriga and Melé (2004: 55), Davis (1960) established the influence of politics in business, explaining the potential areas through which politics can regulate the business environment, working in favour of social interest as well.

The resurgence of interest in social responsibility in the 1970s coincided with globalisation, as the literature on CSR during this period developed the idea of associating CSR with stakeholder theory. The concept of Corporate Social Performance (CSP) and the identification of CSR as a solution to social problems emerged again in the same period. Carroll’s (1979) contribution should be acknowledged in particular in this initial stage, as he devised the famous CSR model formulated through the expectation of economic, legal, ethical and discretionary obligations from businesses in terms of fulfilling CSR. Alongside this is also the idea that CSP communicates the outcome of the possibilities that business could achieve in adopting the social responsibility theory and responsiveness philosophy (Carroll and Buccholtz, 2006: 47). In 1975, Sethi offered a three-stage model of corporate behaviour that consists of social obligation, social responsibility and social responsiveness. The last stage recommended by Sethi concerns the issues of anticipating and what to expect from the business by the society (Carroll and Buccholtz, 2006: 46; Garriga and Melé, 2004: 58)

As the research continues, 1980's welcomes diverse writings and themes in the area of CSR yet little contribution had been made in attempting to give a new definition. Studies in various themes such as corporate social responsiveness, public policy, and business ethics had been interlinked and expanded from the core idea of CSR. Jones (1980) quoted in Garriga and Melé (2004: 58) asserting that the process of CSR should be initiated from the decision making level which includes the process of implementation rather than just starting on the conceptualisation process. While Frederick (1986: 4) emphasised that "The fundamental idea of 'corporate social responsibility' is that business corporations have an obligation to work for social betterment". Indeed, at that stage, the urge of business to be more socially responsible became very strong.

In 1990s experienced further exploration and improvising the existing alternative themes that had already been built for decades. Attention is given to the measurement initiatives and theoretical development to support further research in future (Carroll, 1999). More empirical research was welcomed at this point to test the concept and its application further. Likewise in that decade, the concept and theory of CSR is associated with other research frameworks to enhance the conceptual framework and overcome the observed limitations in the implementations.

With the new decade set in, theoretical framework of CSR developed enough to be classified in four categories as argued and applied by Garriga and Melé (2004):

- (i) *Instrumental theories* articulates the goal of the business that expects a long-term return;
- (ii) *Political theories* denotes managing power in a manner acceptable by the society;
- (iii) *Integrative theories* implies the integration of social values in business activities, and
- (iv) *Ethical theories* convey the message of doing what is right to create a good society.

It is suggested that these categories play an important role in business and society and each of them has impact on and connectivity with one another.

Despite such theoretical classification, as the literature continues to proliferate up until today, it is still satisfying to state that defining CSR creates a challenge and no universal definition has been agreed upon since. For example, Cama (2004: 30) states that CSR does not have a specific meaning, but is open to different interpretations and overviews by different people in a variety

circumstances. However, as argued by Carroll and Buccholtz (2006: 30), CSR is related to the impact of company's activity on society, and therefore, nowadays it revolves on issues such as employees' rights, gender policies, being environmental friendly, charity and helping the poor, transparency in management and also validation of financial reports.

In identifying the growing role and importance of CSR, Zinkin (2004: 53) suggested in his paper that CSR is like a 'licence-to-operate' a business without which, the company is at stake. He further explained that this 'licence-to-operate' consists of two strong values: 'efficiency' and 'effectiveness', which affect the company internally and externally, hence he proposed that CSR could satisfy the interests of multiple stakeholders. These two concepts are imperative in a business to ensure not only the financial stability and growth of the company, but also to maintain a pleasant working environment within the larger environment in which the company is located. In other words, CSR ensures that everything is done correctly with the objective of minimising defects and mistakes as much as possible according to certain standard. The CSR is therefore, can be summarised as a motto used commonly in companies nowadays, 'do it right the first time'. In this definition, minimising defects means minimising cost, which leads to robust financial activity.

In further exploring the concept and theories of CSR, Dahlsrud (2008: 5) has categorised CSR into 5 dimensions in his research: (i) social, (ii) environmental, (iii) voluntariness, (iv) economics, and (v) stakeholder. From the findings of his study, he claims that the environmental dimension was the least likely to be defined in the CSR concept, probably due to the early literature that has less mention of it. The historical evolution of the definition seems to indicate less or probably no explicit terms describing saving the planet.

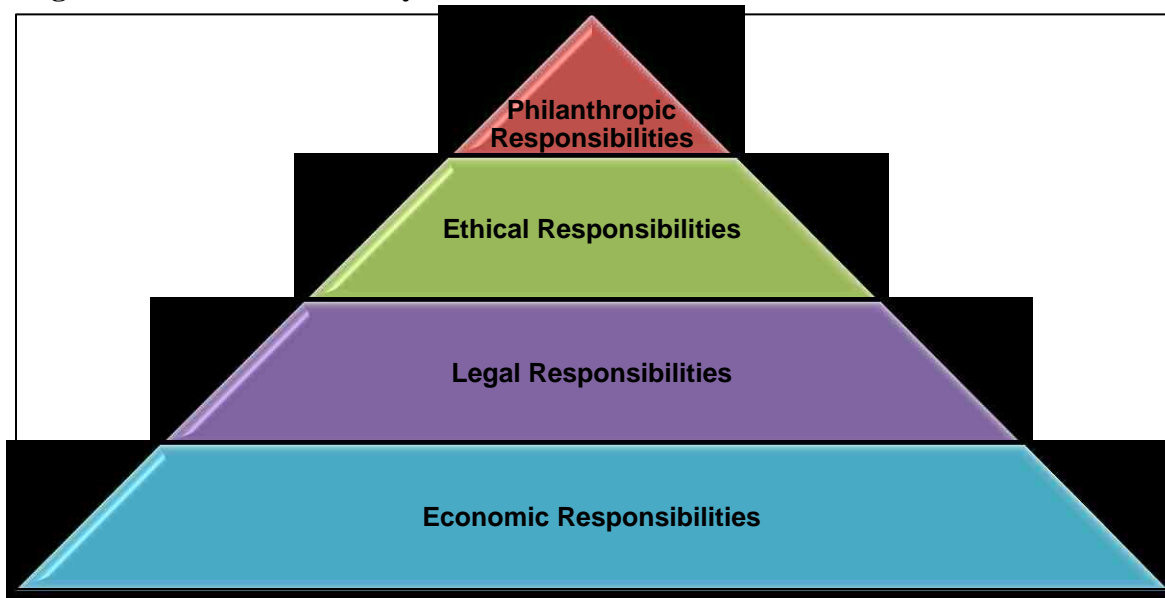
In sum, regardless of the contested nature of the concept, CSR has now become an important area and therefore a reasonable number of corporations in the industrialised democracies have come to an understanding that they need to contribute to the development of social and biological environment in which they are operating if not to the global humanity. Therefore, CSR compliancy and disclosure has become an essential part of measuring 'ethicality' and the 'social' nature of corporations in this new era marked with post-financial crisis realities.

3.2.2. Dimensions of CSR

Although the main purpose of business, as is widely known, is generating profit, the way the profit is generated and spent is the issue that really matters, as the spending nature can allow business entities to do something noble by making this world a better place (Handy, 2002).

In exploring the conceptual nature of CSR, Carroll's (1979: 500) widely known model articulates that CSR comprises of four domains: *economic, legal, ethical* and *discretionary (philanthropic)* with particular emphasis on philanthropic or voluntary activities as part of defining proactivity in CSR. These domains, as stated by Carroll (1991: 42), are then idealised into a pyramid to identify progression of objective function of a corporation with economic responsibilities as the foundational base, then built upwards by the legal, ethical and philanthropic responsibilities. It is extrapolated from the CSR pyramid that the primary objective of a business is to make profit along with the obligation to comply with the legal aspects. However, ethical and voluntary actions should go beyond the economic duty and minimum legal requirements.

Figure 3.1: Carroll's CSR Pyramid



Source: Carroll (1991)

As mentioned above, there are four types of responsibilities emphasised by Carroll (1979: 1991) and Carroll and Buccholtz (2006), which are essential in understanding CSR. The economic and

legal responsibilities are essential for firms to realise their business objectives, while ethical and philanthropic responsibilities are required by society in order for the business to sustain. These are explored below:

(i) **Business requires economic responsibility**

Garriga and Melé (2004: 52) articulate that the main purpose of business is to create wealth. As a foundation in the pyramid of social responsibility introduced by Carroll (1991), economic responsibility results in producing goods and/or services to society, fulfilling their needs and wants. This indicates the view of maximising shareholders' value. However, any social responsibility considered within this first level of responsibility should benefit both business and society, hence CSR, consequently, is classified as a means to an end of profit yielding.

(ii) **Business requires legal responsibility**

Legal responsibility requires firms to obey the standard rules and regulations made by a higher authority in order to perform business activities as demanded by the society, which implies that businesses are expected to play by the *rules of the game*. This is considered another aspect of CSR in locating the business within its larger environment.

(iii) **Society expects ethical responsibility**

Ethical responsibility is introduced since the legal responsibility does not cover every aspect of moral behaviour (Masaka, 2008: 15). In other words, 'legal' solutions may not necessary be 'ethical' at the same time. Thus, ethical responsibility as part of proactivity in social responsibility implies how ethical values are perceived as a duty or task which is obligatory for the organisation in relation to the society (Garriga and Melé, 2004: 53). As aspirational expectations, it concerns what is right in the eyes of society and firms should refrain from any wrong doing that could harm and go against society's expectations beyond the legal requirements. Consequently, firms are expected to contribute to social justice and fairness in their activities. These behaviours and values are not something imprinted in the regulations or legal norms; but they are acquired by the common sense act of behaving as expected by others.

(iv) Society *desires* **voluntary/philanthropic responsibility**

Voluntary or philanthropic responsibility refers to social activities which are beyond the legal requirement and performed on a completely voluntary basis to improve the quality of life and the welfare of the society (Kitson and Campbell, 1996: 142). In other words, ‘giving back to society’, which is a familiar slogan in firms that encourage CSR. It does not necessarily have to be in line with rational expectations of profit maximisation. However, it is suggested that investing in philanthropic activities creates competitive advantage to the firms at the same time increasing its social values (Garriga and Melé, 2004: 54). Such philanthropic activities includes charitable giving, supporting the community, *etc.*

In overall, these responsibilities are essential to ensure the success of manifesting the socioeconomic objectives of the corporation. In addition, the ethical dimension or responsibility in CSR is further articulated in order to nurture ethicality and morality.

3.2.2.1. Ethical Dimension of CSR

Ethical values stand on the principles of doing the right thing or something good that is expected by the society in making the world a better place. In this situation, ethics is considered as prescriptive values which ought to be embedded in one’s character in order to be a good person. In supporting this statement, Mousa (2007: 45) asserts that ethics are a set of behaviours perceived as higher standards than laws and regulation, albeit law stands as the bedrock of ethics. Generally, ethics covers behaviours such as truthfulness, honesty, respect, justice and fairness (Mousa, 2007: 41). Morality, on the other hand, more or less fulfils the same definition as the principles of ‘right’ and ‘wrong’; good and bad behaviour by which the right and wrong act could be differentiated. Therefore, morality is defined as ethics in action. However, Boatright (2007: 22) affirms that ‘moral’ and ‘ethics’ are just a matter of words that are interchangeable. The differences can be related to the root word, as ‘moral’ is derived from a Latin word ‘*moralitas*’, whereby ‘ethic’ is from Greek ‘*ethikos*’. Since ethical or moral behaviour is based in our mentality and consciousness of performing good deeds without duress or restricted to any legal rights. Therefore, such an act is considered a voluntary act.

In order to maintain a balance in social life, ethical norms come into place, which function as guidance to ensure the harmony in society, since by nature mankind is both concerned about itself and also is expected to have consciousness for the well-being of their fellow man. The advantage of being ethical is that it could ensure sustainability, builds trust and loyalty; and lastly it brings about positive behaviours (Mousa, 2007: 44).

It should be noted that ethics has been subject to many debate over the centuries, which is considered has impact on every aspect of human life, including business and finance. Individual ethics is also articulated in business life, which is the essential foundational base of CSR.

It is utterly important to define the nature and meaning of business; hence, consideration is given to presenting a clearer view of the demarcation of business ethics, which is continually mixed with the concept of CSR. This is because people tend to set aside the idea of ‘business’ and ‘ethics’ as something that is impossible to achieve in reality (Shaw, 2009: 566).

As Sternberg (2000) states “the defining purpose of business is to maximise owners’ value over the long-term by selling goods or services”, who further asserts that business is not utterly about ‘money making’, but rather it is a part of society and is related to the growth and development of the society. This implies that business is expected to expand its horizon from merely gaining profit to other myriad objectives such as social and psychological, political and economic spheres related to the business environment. Nonetheless, he claims that business should be restricted to its defining purpose and may possibly pursue other objectives as secondary interests. This, as articulated by Sternberg (2000) is consistent with Carroll’s (1991) CSR pyramid which prioritises economic responsibility as the bedrock of the business.

The interest in business ethics is not a new subject. However, the revival of ethics in relations to business has been with the rise of CSR theory that demands social order. For example, in the United States, the urge to understand business ethics came about during a period of political turmoil and business scandals (Shaw, 2009: 566), which implies ethics do come to the agenda during instability and insecurity, for instance, during an economic crisis (Kitson and Campbell, 1996: 4). This could be evidenced by the recent financial crisis and economic downturn where economists are returning to the issue of morality in business transactions. Further, Norman

Bowie (1986) in Kitson and Campbell (1996: 3) reported that November 1974 was the beginning of business ethics coming on the surface as a defining criteria of business in the US, which underlined issues from whistle-blowing to issues such as code of ethics, employees' rights, corporate social responsibility and also the relation of business towards society. Contrary to the US, the UK and European countries have been slower in developing business ethics in formal manner. However, the European countries are believed to have internalised business ethics in everyday life in a more articulate manner than the US companies.

Epstein (1987: 211) states that business ethics has great significance in terms of moral values being articulated in business life, as it aims to ensure that decisions and actions made in the business operation ought to be morally acceptable by various social stakeholders. Additionally, Mousa (2007: 43) elaborates that business ethics is articulated in four levels: (i) societal level, (ii) corporate level, (iii) stakeholders level and (iv) personal level. The societal level represents the entire society beyond economic system as a whole and how it could contribute to a better society. From a bigger picture, it narrows down its focus to the corporate level where ethical operation is required to affect the nature and the operation of the corporation in positively affecting the lives of its stakeholders. Thus, at the stakeholders' level, ethics is concerned with the relationship established amongst various stakeholders while performing business transactions. Lastly, the most specific level in the articulation of ethics is the personal level which elucidates on the interaction and behaviour of one another when performing duties under a specific firm.

Conversely, capitalist worldview is not in favour of endogenising ethics in the business because of the 'Impossibility Thesis' and the 'Irrelevance Thesis'. The former articulates the nature of capitalism that creates greed which could lead to exclusion of ethics from business in order to maximise profit and acquire wealth. This is because of the fact that 'self-maximising' behaviour is the methodological reality of neoclassical economy which refers to the concept of deontology that requires fulfilling duty as a priority even if the outcome is not pleasant. It is paraphrased as 'let duty be done, though the heavens fall' (Kitson and Campbell, 1996: 13). As regards to the 'Irrelevance Thesis', it suggests that criticising the capitalist system as a whole is somehow inappropriate (Shaw, 2009: 569).

Business ethics is commonly related to the individual in the organisation. For example, Carroll (1989: 114) contended that an ethical bank could be judged from the managers' behaviour and responses on ethical issues. He asserted that managers could be described by three categories, which are 'moral', 'immoral' and 'amoral'. However, distinguishing 'immoral' and 'amoral' behaviour would be challenging since the meanings are so similar. Hence, he further categorised amoral behaviour into two types: intentionally 'amoral' and 'unintentionally amoral'. In this case, an 'amoral manager would not simply reject the idea of being 'moral' but rather just not consider the existence of this value either intentionally or unintentionally.

Business ethics marks out the norms in which a market system performs in order to function morally, according to common sense, such as being honest, trustworthy and other good behaviours. This conduct would not overthrow the market system, but would in fact benefit the whole of society (Shaw, 2009: 568).

3.2.3. Advantages for Implementing CSR

There is always a business case for implementing CSR and this usually relates to the business interest articulated through engaging with the society. According to Zadek (2007), there are four main reasons for businesses to pursue socially responsibility activities:

- (i) *defensive approach* concerns with alleviating pain and act as a mechanism to avoid incurring costs in future.
- (ii) *cost-benefit approach* states that any CSR contribution that would lead to a direct benefit that will exceed costs
- (iii) *strategic approach* argues that firms will recognise the changing environment and engage with CSR as part of a deliberate emergent strategy
- (iv) *innovation and learning approach* argues that an active engagement in CSR activities provides new opportunities to understand the marketplace and enhance organisations learning that would lead to competitive advantage (Zadek, 2007)

As can be seen, each of these approaches provides different level of reasoning for corporations to become responsible businesses.

There are also other theories that support the concept of CSR, such as:

- (i) The *classical view* of CSR that emphasises profit maximisation which is consistent with Friedman's (1970) position, in believing that the social responsibility of business is to increase profit.
- (ii) The *social contract* theory underpins social cohesion and the role of business in the society. For example, Moir (2001), therefore, stated that a responsible business does not operate only because of its commercial interest, but also because of how the society expects business to operate.
- (iii) The *instrumental theory* that made CSR a strategic tool leading to competitive advantages and building a good image and reputation as described by Garriga and Melé (2004) in an earlier section (see section 3.2.1.).
- (iv) The *legitimacy theory* involves environmental pressures such as social, political and economic issues for the survival of business.
- (v) Lastly, the *stakeholder theory* brings forward the responsibility and impact of the organisation towards its stakeholders internally and externally.

Generalising from these theories, the concept of CSR brings diverse advantages to organisations by fulfilling not only the objectives of the business but also the social responsibility in the way that the business is operated and in the outcomes that will affect its stakeholders in a positive manner (Dusuki, 2008b: 9-11; Siwar and Hossain, 2009: 290).

Together with the growing interest in CSR, at present, there is also a paradigm shift on the advantages of implementing CSR. This shows the significance of CSR and sustainability leading to businesses realising that it is the right way to do business. A study conducted by the Daughy Centre for Corporate Responsibility and Business in the Community recently, listed out nine benefits of business for performing CSR with the last two benefits identified have newly emerged for businesses that already have a CSR basis. The lists of benefits are arranged according to the frequency citation by business entities in materialising CSR (Exter, Cunha, and Turner, 2011):

- (i) *Brand value and reputation:*
any benefit realised from performing CSR that improves the value of product brand and/or organisation brand. Stakeholders may also have positive perceptions towards the interaction of the organisation (Siwar and Hossain, 2009: 290);
- (ii) *Employees and future workforce:*
the benefits that affect employees' working life and also the ability to attract, retain and develop talent. These include traits such as motivation, productivity, recruitment, satisfaction, retention, engagement and loyalty;
- (iii) *Operational effectiveness:*
the benefits that will give direct impact to the improvement and innovation of the organisation alongside creating more efficiency;
- (iv) *Risk reduction and management:*
this is a defensive approach for corporations to improve the ability of organisation to identify, mitigate and manage risk exposure;
- (v) *Direct financial impact:*
increasing financial performance along several avenues, such as improving access to capital, reducing costs, and improving shareholder values. In sum, it is a cost-benefit approach (Zadek, 2007) that is the principal attraction for organisations to implement CSR activities, since the benefits directly affect the bottom line;
- (vi) *Organisational growth:*
the overall benefit enjoyed by organisations from being a responsible business. Among the areas suggested are new markets, new product development, lateral expansion, new customers and new partnership/alliances. This advantage is consistent with the strategic approach explained by Zadek (2007);
- (vii) *Business opportunity:*
the stakeholder benefits from new business opportunities, innovations and development that are generated from undertaking CSR. Zadek (2007) describes this as the innovation and learning approach which leads to competitive advantage for the organisation;

(viii) *Responsible leadership:*

to the state of organisations that sees themselves as leaders in the industry or local area, or even just on specific issues that could have an impact on society and the environment. It also includes internal and individual aspects of leadership;

(ix) *Macro-level sustainable development:*

the benefits to society and the environment arising from performing CSR, including improvements on issues such as poverty, healthcare, poor education, workers' rights, gender equality and other environmental issues.

3.2.4. Arguments against CSR

Undertaking social contributions towards the society does not necessarily approved by everyone or every organisation. Thus, the critiques on CSR are also rather articulate in their argument.

Among the most famous objections was Milton Friedman's (1970) position can be mentioned, who fervently argued that the main objective of a business is to maximise profit and that if the social realities necessitates then interventions should be made by government and legislation (Carroll and Buccholtz, 2006: 42). Friedman's theory, thus, implies that the role of business is to satisfy customers by providing goods and/or services and at the same time, please shareholders with profit returns. Connected to the classical economics idea of profit maximisation, many companies nowadays continue to have negative views on the practice of social responsibility and sustainability, which they claim is only affordable for the rich (Handy, 2002). This is due to the mind-set which states that performing social activities would incur high costs and hence only businesses with financial stability could afford to follow these practices. Besides, CSR is perceived to be unfavourable to businesses since their main responsibilities revolve on provision for employees and payment of taxes and have nothing to do with the society (Moir, 2001: 17). Evidence from this scenario implies that business would gratify only the internal stakeholders which are the core of operating its business, *i.e.* its employees and also satisfy legal obligations by tax payment to the state in order to ensure that the business could run without problem.

According to Sternberg (2000), if the business has other goals such as promoting public good, involvement in philanthropy and charitable activities, it has deviated from the sole purpose of

maximising the owner's value by selling goods and services. Owner's value, Stenberg (2000) explained, could be anything that is valuable to the owner and indirectly to the business which is not merely from financial standpoint. Although businesses are not accountable for resolving all social problems, they are supposed to take responsibility for any of their own actions that could cause social problems in order to avoid future damage (Wood, 1991). Denying the fact that businesses exist to take interest in fulfilling the needs and wellbeing of the stakeholders, Stenberg (2000) further explained that other goals appear only as an incidental purpose for the achievement of the definitive goal. Additionally, non-business activity, such as social responsibility and other pursuits other than the ultimate purpose of business, is perceived as 'theft'.

There are questions about motivation for CSR activities whether they are performed purely to improve social welfare or whether they are just a ploy to reduce costs and at the same time increase profit. Reich (2008: 7) asserts that firms have hidden objectives and are willing to do anything to increase profit. According to this argument, the contribution to society by certain firms is an unintentional behaviour which is not their main concern but is rather just a disguise to promote a better image. Marxists, who claim that the entire idea with CSR within capitalism is to help lower class to consume the goods and services offered by the companies themselves, also share this cynical view.

Whatever the argument is developed against the CSR practices, such practices have been positively touching the lives of many people in the developing countries but also in industrialised countries. If not anything else, complaining in relation of CSR leads to inclusive development and sustainable development as explored below.

3.3. FROM CSR TO SUSTAINABLE DEVELOPMENT

As explicitly described in preceding section, the evolving concept of CSR has resulted in the scope of CSR being widened to include more elements. In fact, organisations have attempted to comply with the objective of sustainable development through participation in CSR contributions since the 1990s, including, from the early 2000s, the banking sector (Relaño, 2011: 277). Moon (2007: 305) suggested that interest in CSR has resulted in the increased socialisation of the

market and also the changing of governance at national and global level in line with ethical expectations. In fact, CSR is said to have contributed to the concept of sustainable development through conceptual and practical expansion in terms of its scope by endogenising environmental issues and social sustainability in business.

In relation to the banking industry, Relaño (2011: 277) believed that the equator principles and SRI are the two instruments employed to respond to the challenge of sustainable development. Relaño (2001) further explains that these tools are a set of environmental and social benchmarks to enable banks to comply with the demand for environmental and social accountability. The first instrument, equator principles, relates to project financing while the latter tool, the SRI, relates to the investment domain.

Hence, the objectives of CSR are interlinked with sustainable development. It is, hence, particularly relevant to discuss also sustainable development offering a good opportunity to achieve social justice.

3.4. SUSTAINABLE DEVELOPMENT: THE WESTERN PERSPECTIVE

The 1960s saw the emergence of the concept of ‘sustainable development’ which, in reality, is about moral values and ethics (Iqbal, 2005). It is an evolving concept expressed through different approaches, but also resulted in various concerns and also provoked many different responses.

Sustainable development as a concept, initially, focussed more on environmental issues, which were adversely affected due to industrial activities. The concept expanded in its scope in the 1970s by also prioritising human environment, as the protection and improvement of people’s welfare and economic development around the world were also considered as integral part of sustainable development. As the concept progressed, sustainable development has narrowed down its theme and has become more human-centric. The evolving nature of the concept did not stop there, as in the 1990s, it delved into the financial aspects of sustainable development, such as poverty alleviation and social justice at global level (Iqbal, 2005; Yousri, 2005). This dimension is extended also to reducing foreign debts, controlling domestic consumption, establishing equitable distribution of income and wealth, maintaining ecological consistency,

protecting cultural heritage and environmental ethics (Dadgar, 2005: 118). The sustainable development is also related establishing balance between generations beyond the living generations by looking also the interest of the future generations.

3.4.1. Conceptual Definition

The World Commission on Environment and Development's 1987 report entitled, '*Our Common Future*', often known as 'Brundtland Report' (WCED, 43) has provided the most commonly used definition for the concept of sustainable development: "seeking to meet the needs of the present without compromising the ability to meet the future generation to meet their own needs". According to this definition of sustainable development, there are four key points that should be highlighted (Hassan and Chachi, 2005: 59; Hornby, 2005: 5):

- (i) social progress which recognises the needs of everyone;
- (ii) effective protection of the environment;
- (iii) prudent use of natural resources, and
- (iv) maintaining high and stable levels of economic growth and employment

Further, Iqbal (2005: 9 - 10) and Hopwood *et al.* (2005: 39) articulating the moral aspects of sustainable development states that the relationship between people, profit and planet in terms of consumption, production and distribution in equal measure is a moral obligation for everyone. This is expressed with the concept of 'triple bottom line', which implies the dependency of society (people) upon the economy (profit), which is in turn dependent upon the entire ecological system (planet) (Jeucken, 2001: 26). Clearly, human depends on the environment not only to extract resources for production but also for its wider uses in meeting the needs and well-being of mankind. This underlines the paramount importance of natural resources as a capital which, if it is not used properly, will perish and never be replaced (Dadgar, 2005: 117). This optimal equation is also expected to establish horizontal equality between the generations.

The socioeconomic issues highlighted in the report focus on the escalating issues of poverty and inequality in addition to hoping for a healthy future (Bill et al., 2005: 39). To counter this problem, careful decision making is proposed to ensure the long-run goal of prudence and a

healthy future; hence harmony between human and non-human to be established. In other words, sustainable development aims to ensure steady long-term growth which describes a given “situation where the specified vector must increase over time without hitting the limits” (Hornby, 2005: 6).

Various disciplines have influenced and contributed to the growing concept of sustainable development which has resulted in a wider scope (Elliot, 2006: 9), and made it more human-centric. Further, Kahf (2002: 8) and Hasan (2005: 7 - 8) states the specific categorisations of sustainable development as forming two large blocks: economic and environmental. From the economic point of view, sustainable development implies the need to meet a selected growth target and maintain it for long term goals without causing individual, social and ecological imbalances. Indeed, a healthy economy is vital to realise the other two elements of sustainable development: preserving the natural resources and encouraging social solidarity in every activity. Whereas environmental aspects concern development that minimises negative effects and optimises usage of depleting natural resources. In this context, limits should be enforced to ensure that natural resources not degraded by the outcome of developments. In other words, sustainable development implies that there should be a positive relation between the economic and the environmental dimension in the long-run. As sustainable development oriented strategies directly helps the economy, reduce the poverty scale and improve the environment.

3.4.2. Aspiration and Implication of Sustainable Development

The ultimate aspiration in proposing the idea of sustainable development is to satisfy human needs and wants (WCED, 1987: 43). Fulfilling minimum essential needs, which actually supports developmental theory, such as physiological (*e.g.* food, shelter, clothing) and safety (*e.g.* personal and financial security, health) needs are of vital importance to avoid crises and to ensure a better life. However, needs are very subjective and each individual has a different interpretation, which creates disputes on how to satisfy everyone (Elliot, 2006: 11). Iqbal (2005), Elliot (2006) and World Business Council for Sustainable Development (2000: 2) further advocate that the sustainable development comprises three interlocking components: environment, economic and society, in order to improve quality of life in the long term. While it is desirable to improve the quality of growth, social justice is an inseparable element of having

growth as sustainable development. As sustainable development emphasises the concept of universal inclusion in decision making for the common good, involving input from various levels of society; starting with the concerns of families and neighbourhoods and spreading to a larger scale such as the wider community. Furthermore, sustainable development promotes good governance to create transparency in systems and combats corruption. It also requires fiscal sustainability (Iqbal, 2005: 11).

3.4.2.1. Implications of Sustainable Development

The economic growth as a result of utilitarian understanding and practice of modernity has resulted in damaging societies and ecologies and yet it is the Third World societies that mostly suffer from it. Sustainable development, therefore, proposes the inclusion of social costs in the profit-maximisation calculus. Sustainable development also proposed that changing consumption behaviour could be another proposition that could close the gap between rich and poor by satisfying all ‘needs’ instead of maximising the utility of certain groups. Again, the inclusion principle plays a vital role in setting policy by taking account of stakeholders in the decision making process (Iqbal, 2005: 14 - 15).

3.4.3. Advantages from Performing Sustainable Development

The Sigma Project (2003: 2) has reported in Sigma Guidelines that organisations may enjoy positive benefits from giving more attention to sustainable development. Among the advantages stated by the Sigma Project are:

- (i) Improved operational efficiency;
- (ii) Preservation of licence-to-operate;
- (iii) Enhanced brand value and reputation;
- (iv) Promoting and increasing innovation;
- (v) Customer attraction and retention;
- (vi) Improved access to capital;
- (vii) Enhanced human and intellectual capital;
- (viii) Building and sustaining shareholder values;
- (ix) Improved management of risk;
- (x) Generating increased revenues;

- (xi) Attracting and retaining talented staff;
- (xii) Identification of new opportunities;

The advantages listed above, however, have similarities with those of organisations that contribute to CSR as stated in earlier sections. This implies the direct relationship between CSR and sustainable development, as the benefits of the latter also include the underpinning theories of CSR: classical, social, instrumental, legitimacy and also stakeholder theory.

After identifying the meaning, nature, scope and aspects of CSR and sustainable development through the conventional understanding, the following section aims to locate and essentialise CSR and sustainable development through Islamic perspectives.

3.5. LOCATING CORPORATE SOCIAL RESPONSIBILITY WITHIN THE ISLAMIC PERSPECTIVES

The literature on CSR from the Islamic point of view has in recent years developed, despite the fact that it is substantiated and can be located within Islamic teaching. The rationale for the emergence of CSR within Islamic paradigm is related to the observed social failure of Islamic banking and finance (Asutay, 2007; Dusuki, 2008b). Islamic banking and finance can only make a difference by also delivering in social front. Hence, a socially responsible Islamic bank should play a great role in bringing about a paradigm shift by focusing on human capital investment, small business enterprise (Al-Harran, 2008: 5), social and capacity development and also environmental issues. The following sections, thus, presents the case for CSR from the Islamic perspectives.

3.5.1. Foundation of CSR from Islamic viewpoint

CSR studies relating to Islam, in particular to Islamic financial institutions, have been emerging as a critic for the observed social failure and the contribution of this subject to the literature is still generally low (Dinar Standard and Dar Al-Istithmar, 2009; Dusuki, 2008a, 2008b; Dusuki and Abdullah, 2007; Dusuki and Dar, 2005; 2002; Khan, 2004; Zinkin and Williams, 2007). Dusuki (2008b) develops CSR theory in a more holistic respect by locating it within the Islamic worldview to identify the distinguishing nature of Islamic CSR from the Western view. He

locates CSR within the concept of *falah* when he states that achieving success and happiness is not only an aim in this world, e.g. profit maximisation and business sustainability, but also to achieving *falah* and happiness in the hereafter requires to establish a moral filter in business and everyday life.

Taqwa-paradigm, introduced by Dusuki (2008b: 15), acts as the core element in implementing CSR from the Islamic point of view, which is constructed on four main elements: human dignity, free will, equality and rights, and trust and responsibility. In support of this, most of the prominent scholars of Islamic economics, such as Ahmad (1980), Chapra (1979), Naqvi (1994), Siddiqi (1980) and Zarqa (1980), assert that the axiom of *tawhid* is paramount in understanding Islamic principles as it articulates the additional axioms that are of importance in this matter, as elaborated in the philosophical tenets section in Chapter 2. These supplementary elements are *rububiyyah* (oneness of God), *‘adl* (justice), *tazkiyyah* (purification and development) and *ukhuwwah* (brotherhood). They are important to create a society that accentuates the spiritual goodness embodied in Islam and contribute to the development of a better system.

As mentioned earlier in Chapter 2, the principle of *‘adl* carries breadth of meaning and scope, so it is crucial to mention how important this axiom is in the field of finance. As mentioned clearly in the *Qur’an* and *hadith*, we are instructed to fulfil promises (contract) or *‘aqad*, give exact measures and weight of goods sold, pay wages to workers in a timely manner and fairly, avoid misrepresentation, never hoard goods, no price fixing, disclose cost price, defects and many more. All these directly refer to CSR and CSR disclosure, implying that CSR can be located within the Islamic epistemology. In other words, the idea of CSR from an Islamic perspective as described earlier fits the ideal objectives of an Islamic economy. This section, thus, aims to present the case for Islamic moral economy which constitutes the rationale for CSR.

3.5.2. The Articulation of CSR in Islamic Moral Economy

Since the recent economic crisis, many economists have tried to find solutions to the recovery of the whole financial and economic system. Among these is the integration of moral values into the current practice of capitalism. To all intents and purposes, since capitalism is purely about

maximising profits, such a reform is in itself present a challenge to incorporate moral values with performing business.

In locating and rationalising CSR in Islam, Islamic moral economy provides the base, as it articulated the values of justice, fairness and equity. Islamic moral economy is constituted through Islamic moral values and cultural norms derived from Islam but can be local in shaping the nature of economic activity. The cultural norms that are mentioned here could be referred to as the holistic values of Islam, while moral and ethical values according to Islamic teaching are known as *akhlaq*. Thus, *akhlaq* or the moral and ethical values together with *aqidah* or faith in line with cultural norms derived from Islam shapes the nature of economic and business activity.

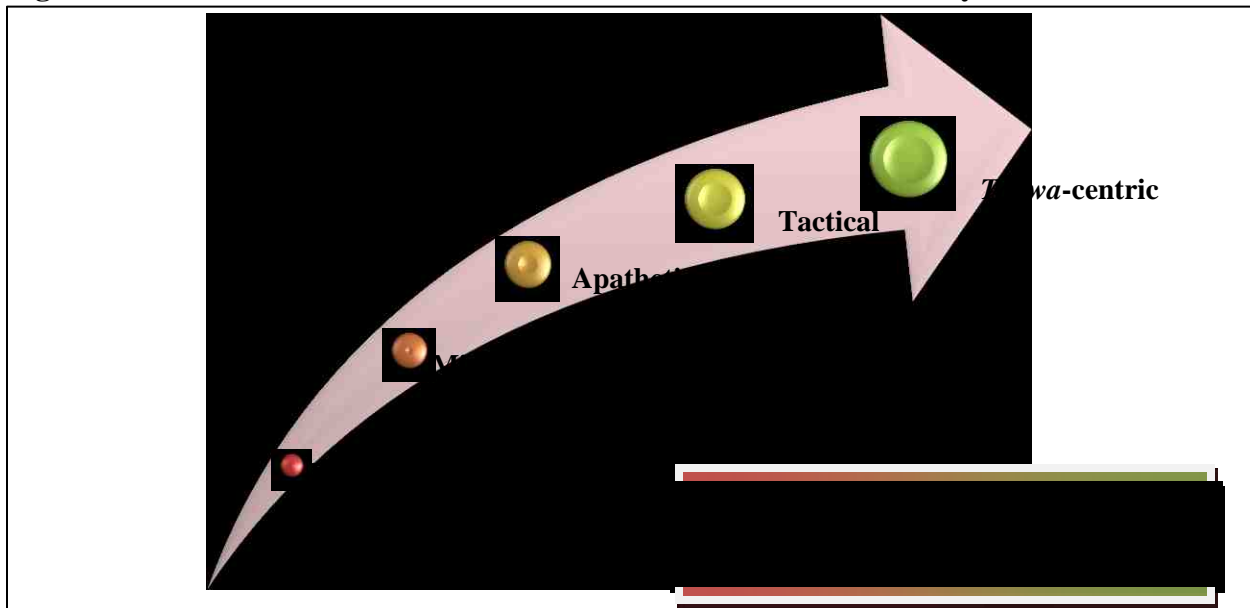
As the foundation, Islamic moral economy as articulated by Tripp (2006) is based on the earlier literature by Ahmad (1980), Chapra (1980), Siddiqi (1980), who advocated Islamic economic system that follows the Shari'ah parameters, which ought to accomplish the objectives of social and economic justice (see Chapter 2). This system contested that the capitalism failed to bring moral values to its practice and Islamic moral economy is reckoned to be more effective at delivering material benefits to the development of the economy (Siddiqi, 1980; Tripp, 2006) and is more transparent and ethical. In reality, however, this is still far out of reach; despite forty years of Islamic finance, which has not led to much development in Muslim countries (Zaman and Asutay, 2009).

Referring to Figure 3.2, the essence of Islamic moral economy is articulated by the concept of CSR in the practice of Islamic banking and finance, through the God-conscious or *taqwa*-centric paradigm as promoted by Dusuki's (2008b: 21) CSR continuum. In fact, the *falah* process necessitates the practice of *ihsani* social capital which is based on the elements of *taqwa* and *husnul khuluq* (good behaviour/characteristics). At this level, people are required to be socially responsible by their own will and also because of god-consciousness regardless of financial gains or losses.

The lowest level (see Figure 3.2) describes how 'irresponsible' a person could be, breaching moral standards. Behaviours such as fraud, misrepresentation, violating human rights, polluting the environment, *etc.* are all in contravention of Shari'ah. However, the other traits are all Shari'ah compliant. In brief, the 'minimalist'; 'apathetic'; and 'tactical' traits acknowledge the

presence of social responsibility, differing only in the level of contributions and involvement in this field. A business with a ‘minimalist’ attitude normally satisfies the minimum legislative requirement and performing CSR would not be an important subject in their daily agenda, while businesses in level 3 with ‘apathetic’ attitude are committed to the law and also contribute to certain moral responsibilities but there is no serious or strategic effort to perform CSR. A ‘tactical’ attitude, however, goes beyond the legal requirements by exercising a voluntary contribution to be socially responsible to society and the environment with the acknowledgement of CSR among the objectives or policy of the organisation. Level 5 – *taqwa*-centric is the optimum level by which one could achieve *falah* in this world and the Hereafter, as a result of maximising the social capital. The social responsibility practised reflects the comprehension and manifestation of Islamic moral economy.

Figure 3.2: Levels of CSR Continuum towards Islamic Moral Economy



Source: Mohd Nor (2012)

3.5.3. Ethical values from Islamic perspective

These responsibilities which must be carried out as part of Islamic moral economy which is articulated as CSR encompass not only the individual and society but also embrace financial activities, nature and the state (Khan, 2004: 65). For example, Islam pays much attention to the practice of charity and it is widely mentioned in the *Qur'an* [2:215, 2:262, 2: 65, 2:267, 2:271,

and 2:274]¹. Explicitly, it elaborates on the reward that will be given by God for these good deeds and who should benefit from charitable acts. Besides, every act of charity performed with the intention to seek God's pleasure will definitely gain reward materially and spiritually. Interestingly it also reminds us to give charity from the best motives and that the best way of giving charity is not by publicly mentioning it, but performing it in secrecy for only God's knowledge.

This section specifically highlights the social responsibility of the Islamic banking and finance industry. In particular, a responsible bank should be accountable not only to the success of the industry but also towards the community, on top of being responsible to God. In other words, consistent with the objective of Islamic moral economy, Islamic banks are called to realise social responsibility in order to promote socio-economic development (Sairally, 2007: 21).

Islamic 'best practice' necessitates performing business in a transparent way in which every financial contract is documented to avoid any dispute, especially in dealing with debt for a fixed period of time. God has commanded individuals to record financial dealings faithfully, no matter whether the amount is big or small. Further, witnesses are proposed to further equip this transaction if the party liable is not mentally fit or weak (Qur'an, 2:282). The implication from this commandment shows how Islam safeguards the interests of party, debtor and creditor, by setting down the responsibility for a fair transaction. The practice of collateral was another source of security to ensure the interests of the buyer and seller (Qur'an, 2:283). All these indeed are an indicative of disclosure, which is an important part of CSR and corporate governance.

As mentioned earlier in the section on Islamic philosophy (see Chapter 2), ethics and human well-being are strongly emphasised as an essential part of Islamic moral economy. Naqvi (1994) asserts that the ethical values instilled in Islamic moral economy make it unique and

¹In the *Qur'an* specifically in chapter two (The Cow), among the issues prescribed with regard to finance, are topics regarding charity and spending goods for the sake of God, prohibition of *riba'*, transparency in business dealings, inheritance (wills) and so on.

distinguishes it from other economic systems such as socialism, capitalism and the welfare state. As the aspiration of Islamic moral economy does not concern merely on maximisation of economic activity but balances this with social welfare, thus denoting a fairer economic system. In addition, it advocates the socioeconomic justice in the form of eradicating poverty, equitable income distribution and also helps generate employment opportunities (Ahmad, 1994: 21; Chapra, 1980: 149). In addition, Islam also forbids any unethical business transaction such as dealing with weapons, drugs, liquor, prostitution and any *haram* (illegal) products; this is another distinguishing value that is instilled in the Islamic worldview. One of the means of Islamic moral economy in contributing towards solving social problems with regards to poverty is through the payment of *zakah*; every Muslim is obliged to fulfil its basic requirement, even by *sadaqah*. *Zakah* in particular constitutes the foundation of moral economy in individual and social level, as it represents the right of the society which must be returned to the society.

In ensuring the socioeconomic stability of society, Al-Ghazali and Al-Shatibi draw attention to the social utilities as prescribed in the *Qur'an* and *hadith*, which have three-levels of hierarchy: the basic level is *dururiyyah* (necessities); then *hajiyyah* (conveniences) which refers to the state of removing difficulties in life; and the last is *tahsiniyyah* (refinement), which goes beyond convenience (Kahf, 2002: 34; Rice, 1999: 346; Zarqa, 1980: 13). *Dururiyyah* is fundamental to both *hajiyyah* and *tahsiniyyah*, which complements it. For example, one needs to satisfy basic human needs such as provide food, shelter, clothing, security, *etc.* Once this is fulfilled, one should move to the next level to increase convenience and remove hardship and the final level should require accomplishment in improving the quality of life. In order to establish social welfare through the ethical values of Islam, this hierarchy is used in Shari'ah maxims and is of importance to avoid chaos in the world and great loss in the hereafter.

Khan (2004: 67) claims that the intersection point of economic and social imperative, which he named as 'zone of sustainability', would be the ideal and balanced framework for performing business according to the Islamic ambit. This idea is imperative to meet different requirements and needs of the society (Homoud, 1994: 80). Nonetheless, Asutay (2008) highlights that the role of CSR in Islamic banks has only undertaken the issue of *zakah* distribution and charitable activity rather than developing systematic strategies working to resolve social problems and developing initiatives for community development. Therefore, Islamic banking is still far

reaching the overall objective of shaping and developing society, a situation which is termed as ‘social failure’ (Asutay, 2007; 2008).

3.6. SUSTAINABLE DEVELOPMENT: THE ISLAMIC PERSPECTIVES

Considering the intersection between CSR and sustainable development as stated above, sustainable development can easily be situated in Islamic teachings. In terms of substance, the growing literature on sustainable development philosophy is moving away from neo-classical economy and reaching closer to the ethical paradigm which is concerned with Islamic moral paradigm as well by emphasising justice, equity and redistribution (Iqbal, 2005).

3.6.1. Conceptual Definition

Yousri (n.d) definition of the concept of development within Islamic paradigm states that “Development is a structural change in the socio-economic environment, taking place concurrently with adoption of Islamic laws and ethical values, triggering of human productive capacities towards maximum and best possible utilisation of available resources, within balance between material and spiritual targets”.

Yousri (2005: 25 - 26) clearly identified that the conventional definition of development has a different meaning in relation to the one suggested by him. The development emphasised by conventional economics focuses only on material benefits in economic, social and environmental issues despite the social outcome. The Islamic definition is more comprehensive in that it regards not only material and social position, but it emphasises as well moral and spiritual aspects (Hornby, 2005: 7; Kahf, 2002: 33), which at the same time provides rationale for conducting sustainable development.

In locating the relationship between Islamic and conventional sustainable development, Hasan (2005: 8) enlightens further that for the most part, the definition described by the Commission is in harmony with the Islamic aspirations as it addresses the concept of development to mankind as a whole and not only to Muslims. Clearly, the holy sources of Islam provide support for this; the *Qur’an* and *hadith* specifically mention economics, social and the environmental elements that promote sustainable development, such as helping the poor and needy, enhancing social

justice and capacity building in individual and society level, environmental issues such as conserving elements and protecting animals. Also, the Islamic ontology prescribed utilising natural resources in a beneficial way and never wasting them, as they are considered trust from Allah, thus implying the moral filter in economic and social life².

In demonstrating the proactive nature of Islamic sustainable development, it is important to note that the purpose of environmental protection from an Islamic perspective has no similarities with conventional thinking. Conventional concerns for conserving the environment emerged from the fear of damage done which would result in natural resources becoming insufficient to meet human needs in the future (Yousri, 2005: 29). Islamic moral economy, however, imposes an obligation to conserve the environment to fulfil the responsibility commanded by God by defining it as a matter of faith, and faith is an essential part of the Islamic teaching.

Zaman and Asutay (2009: 82 - 83) articulate the three main concepts incorporated in Islamic development, which are Islam, *iman* (faith) and *ihsan* (perfection) in line with the Prophetic teaching that the *deen* (religion) consists of these three doctrines. *Tawhid* articulates Islam in this formulation as the foundation which is expressed through five pillars of Islam: (i) *shahadah* (declaration of belief in Allah and accepting Prophet Muhammad as His Messenger), (ii) *salat* (daily prayers), (iii) *zakah* (mandatory alms giving for those who have defined level of wealth), (iv) *sawm* (fasting in *Ramadhan*) and (v) *hajj* (pilgrim to Makkah). Muslims are compelled to observe these five pillars of Islam which act as an eternal requirement to achieve *falah* as a consequence of the 'Islam-*iman-ihsan* processes'. Secondly, in the formulation, *iman* and *ihsan* are shaped by certain axioms which are also discussed in Chapter 2. Although not exhaustive and may include other axioms, in this context, *tazkiyyah* and *rububiyah* are viable to the concept of development. Thus, Islam identifies the aspirations, and individuals through *iman* aim to articulate and actualise such inspirations with the objective of reaching the *falah* in this world and in the hereafter. Furthermore, in essentialising CSR, the concept of *ukhuwwah* (brotherhood) helps individuals through the *ihsani* process to connect one to another with the objective of creating a sense of belonging and developing love, passion and justice among each other (Iqbal, 2005: 11; Yousri, 2005: 30).

² Example from the Holy *Qur'an* (17: 26 – 27): And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful.

3.6.2. The Relationship between Islamic Moral Economy and Sustainable Development

As articulated from the conceptual definition and aspiration of ‘sustainable development’, it is proven that the objectives of Islamic economic thought encompass the concept of sustainable development (Yousri, 2005: 42).

Within the sustainable development, in particular, the concept of sustainable human development (SHD) and sustainable livelihood (SL) are closest to Islam. The motivation of poverty alleviation, which abundantly reiterated in the *Qur’an* and *Sunnah*, attests that similar goals, from Islamic and conventional perspectives, could be achieved to ensure a promising future. For example, Shari’ah imposes *zakah* on every Muslim with the certain level of wealth for the purpose of alleviating poverty and fulfilling the needs of the poor and needy. (Yousri, 2005: 34). In addition, there is other financial assistance set down by God, such as *sadaqah* (charity), *infaq* (spending one’s wealth with the intention to seek God’s pleasure), *waqf* (permanent dedication of property for society) and *qard al-hassan* (benevolence loan). These modes of finance serve the purpose of social welfare.

By based on the discussion on CSR and sustainable development, the following section attempts to discuss social banking as an institution aiming to actualise the objectives of CSR and sustainable development. Considering that it is the banking sector creating systemic risks in the economy, consequences of banks should be moderated to find a way to get them involved in contributing to social economy as well. It is however recognised that it is rather challenging to create sustainable banking since the banking industry is known as a financial intermediary that seeks direct profit to benefit the institution. Therefore, social banking is proposed to fill this particular gap.

3.7. SUSTAINABLE BANKING: AN INTRODUCTION OF SOCIAL BANKING

Often the banks is not seen beyond its basic role as a financial intermediary, that is a reactive or follower. Nonetheless, the current view has changed over time and had created an environment to turn the banks from reactive to active (Jeucken, 2001: 226). In other words, the paradigm shift is needed in the banking sector to realise sustainable banking considering the consequences of financial crises. The banking industry can play an integral function in shaping a sustainable

business since its main purpose as a financial intermediary affects directly the direction and development of the economy. The urge to have sustainability in banks was driven from various internal and external stakeholders such as government, customers, suppliers, society, shareholders and employees of the bank. It is a fact that the banking industry has obtained a competitive advantage with respect to their knowledge and information on various market sectors, development and legislation, despite of the opportunities, which has been gained through financing policy and fee activities that could lead to a sustainable business (Jeucken, 2001: 52).

The concept of sustainable banking is a developing notion open to development and is subject to changes to the environment or situation. In defining sustainable banking, Jeucken (2001: 73), therefore, states that “a modus operandi in which the internal activities meet the requirements of sustainable business and in which the external activities (such as lending and investments) are focused on valuing and stimulating sustainability among customers and other entities in society”. The United Nation Environmental Programme Finance Initiative (UNEP FI) report (2007: 41), on the other hand, defines sustainable banking as “banks [which] consider the impacts of their operations, products and services on the ability of current or future generations to meet their needs”. Thus, by recalling CSR discussion in the previous section, a sustainable banking voluntarily goes beyond the legal requirement and attempts to offer and stimulate sustainability in society and the environment. In fact, while it is a slow process, it can be argued that banking institutions and shareholders has embraced the concept of sustainability, making the return on sustainability as important as profitability (UNEP FI, 2007: 41). Jeucken (2001: 73), therefore, added that a sustainable bank includes financially and socially excluded groups in their financing activities by accepting lower profits and/or higher risks. Besides, offering products such as micro-credit or micro-financing is considered an innovative medium for banks to facilitate the needs of these groups.

In sum, the main objectives for having a sustainable banking is to integrate social and commercial activities by stimulating with a sustainable character (Jeucken, 2001: 74) that posits the idea of realising social banking, which is explored in the following section.

3.7.1. Social Banking: An Alternative Banking Institution

In articulating a sustainable and CSR oriented banking model, social banking is proposed as an alternative. In line with this development, while social banking was pioneered in the mid-1980s, yet is still in its infancy. It pursues building community finance that measures profitability in terms of financial and social returns (Mayo, 2001: 14; Relaño, 2011: 279). It became more widespread in the 1990s in Europe, US and the rest of the world (Sairally, 2007).

In Europe, there are three main features concerning social impact which is related to social banking (Mayo and Guene, 2001, 3):

- (i) Mainstream private sector banks – offer conventional banking practices with social inclusion as a minor part in their financial activities
- (ii) State – state-owned banks or financial institutions which operate for social purposes
- (iii) Specialist lender to third system – a profit or non-profit oriented financial institution, normally an intermediary body joint venture with banks or the state, that aims solely for social cohesion

Thus it is shown that concerns for social economy and outcome in banking came from the demand of communities that could be realised by not only the banking sector, but also by the state playing a greater role. Besides, other financial institutions could also engage in community development to realise social solidarity. Indeed, a recent survey conducted by Scheire and Maertelaere (2009: 7) found that most of these banks emerged from the initiative of a list of organisations including various the NGOs, environmental organisations, social organisations, development organisations, neighbourhood development organisations, community development organisations and socially driven individuals. Furthermore, the authors point out that the mission of social banking at present is divided into two groups depending on the nature of activity that is sought for:

- (i) poverty alleviation banks (in the South) and
- (ii) ethical banks (in the North).

Evidently, the former mission is observed in underdeveloped or developing countries, such as Bangladesh and India, with the intention to help and uplift social status. Among the banks are, BRAC Bank (Bangladesh), Grameen Bank (Bangladesh), *etc.* Meanwhile the latter mission is usually observed in developed countries such as in the UK, USA, Europe and many others and such banks are: Alternative Bank Schweiz AG (Switzerland), Banca Popolare Etica (Italy), Ekobanken (Sweden), Cultura Spare Bank (Norway), *etc.* On the other hand, there are groups of European-US banks that integrate social, ethical and sustainability aspects into their mission (Weber and Remer, 2011: 9), such as GLS Gemeinschafts Bank (Germany), Merkur Bank (Denmark), Shore Bank (USA), Societe financiere de la NEF (France), Triodos Bank (The Netherlands), *etc.*

3.7.1.1. Conceptual Definition

The term social banking is not only unpopular it is also not favoured by the mainstream banking system. To some, it is also known as ethical banking, sustainable banking and banking for the poor. Certainly this special banking institution contradicts the objective of traditional banking that seeks to maximise profits above all else.

In understanding the concept of social banking, the definitions of the constituents can be referred: ‘social’ in the Oxford Advanced Learner’s Dictionary means connected with society, and ‘banking’ on the other hand means the business activity of banks (Hornby, 2005). If we combine both into a single phrase, literally it means that ‘activities conducted by the banks in connection with society’.

The marriage between these two words, which are contradictory by their nature, will create a challenge in the global financial system, since it is well known that banks do not have social objectives beyond their financial purpose. Relaño (2011, 279), Weber and Remer (2011: 2), Mayo (2001: 13), Mayo and Guene (2001: 1), and Reifner (2001: 198) identifies social banking as a financial institution that is conscious on the social outcome and effects of their financial activities on people, environment and culture. It integrates the ethicality as a process and outcome with the whole project of finance. Therefore, social banking’s target audience would be wider than that of a mainstream banking institution, which raises issues of financial exclusion by

not giving socially-disadvantaged people, enterprise and community access to financial services. These include: women, ethnic minorities and people on low incomes who do not meet the financial criteria of a mainstream banking system (Sairally, 2007: 24). This is because, giving financial assistance to the poor is risky and unprofitable (Mayer, 1985: 33). In contrast, the social banking system gives provision of credit as start-up capital and future training and development to small and medium enterprise (Asyraf Dusuki, 2008). Besides providing ethical financing to the community as done by social banking, responds to the micro development of society which is excluded in present commercial banking (Asutay, 2007: 17). Social banking also aims at the development needs for the poor in order to upgrade their social status and socio-economic condition (Tilakarantna, 1993). Hence, the purpose of social banking succumbs to a marriage between poverty-alleviating banking and ethical banking.

Gartner's report (*Social Banking: It's All About the Money and Customer Focus*, 2009) defines social banking as "an emerging approach to retail banking that makes depositing, lending and the connections between depositors, borrowers and financial institutions transparent. It has its roots in social/consumer trends, including social responsibility and social-network participation, and financial and banking trends, such as financial social networks, microfinance and personal finance management". Thus, it is wrong to associate social banking with being merely a charitable entity since it deals with consumers' financial needs alongside observing social needs and still carries profit as an objective.

3.7.1.2. The Objective and Aspiration of Social Banking

The goal of social banking is twofold; on one hand, it acts as a basic traditional banking, which demands profit orientation and cost cutting as its main economic activity. On the other hand, it seeks to comply with the non-material values that involve social and moral commitments (Reifner, 2001: 198; Relaño, 2011). Within such an operative paradigm, main purpose of social banking is to uphold social solidarity; and to ensure it achieves this; the bank must be operated according to this purpose, ensuring that both the means and the outcome cohere to its aim (Mayo and Guene, 2001: 5). It is therefore, important to ensure that how the bank operates its financial activities conforms to the social requirement, rather than focusing only on the outcome. This factor is also significant to measure the effectiveness of the social banking system.

Mayo and Guene (2001: 4) indicates that the target group of social banking is the low-income consumer, small business enterprise, micro-enterprise for individuals and families, third system social enterprise, ecological enterprise. These are the groups of people that have a lack access to the bank, also known as financial exclusion. In Sri Lanka in 1993, social banking successfully provided financial assistance to nearly 20,000 women in rural areas, not only through saving and credit purposes, but also through improving their socio-economic conditions (Tilakarantna, 1993). Considering that the poor have either little access to financial services or else are provided only with low quality services, social banking can provide structural solution to the problem (Reifner, 2001: 200).

With the definition and objective of social banking described earlier, it is worth noting the main features or characteristics of social banking viewed from external and internal dimensions as described in Table 3.1 (Relaño, 2011: 279-280).

Table 3.1: Characteristics of Social Bank

Characteristics of Social Bank	Dimension
Refuse to participate in speculative operations of financial market	External (the kind of financial activities promoted by social banks)
Concentration to real economy e.g. savings collections and credit distributions	
Give privilege to social, ethical or environmental aspects of projects they financed	
Solidarity is encouraged between depositor and borrower to enable loans at reduced interest rates for projects that are worthy in social, ethical or environmental terms	
Local or regional coverage so that have good knowledge of the region, projects and people they finance. Part of community development.	
Since operational costs are higher leads to a cost cutting in building a lot of premises. Social banks operates via phone, internet or e-mail	Internal (functioning of the institution)
Transparency in business and management	
Participation and democratic requirements	
Attempt to exercise equality at all levels	

Source: Relaño (2011)

Considering the social failure of Islamic banks and financial institutions, and considering the development needs of the Muslim societies, social banking can be considered as the next institutional development. It is therefore relevant to introduce Islamic social banking that would serve the same purpose but with proper guidance from Shari'ah law. Asutay (2007: 16),

therefore, suggested that the social banking concept, which at present is practiced by some European countries, should be introduced to the Islamic banking sphere making it closer to the ideal concept of Islamic moral economy by accentuating ethical values and social justice in finance, albeit observing Shari'ah rulings. Similarly, El-Gamal (2006: xii) proposed that Islamic finance should reorient its practice and focus on the roots of Islamic economics in emphasising social and economic aspects by promoting community development, socially responsible investment, microfinance, *etc.*

Suggesting Islamic social banking is not something entirely new within Islamic moral economy paradigm, as the idea of social banking within an Islamic sphere has already been institutionalised in Egypt. The pioneering yet short-lived effort, Mit Ghamr saving bank, began operating in the year 1962 by imitating the German saving and loan banks model and lasted only a few years due to political change. Then, in the 1970s Nasser Social Bank (NSB) and Faisal Islamic Bank (FIB) emerged, whose purpose was to improve Egypt's social structure by providing credit to the poor, artisans and small entrepreneurs (Mayer, 1985: 33; Sairally, 2007: 21). Thus, in responding to the aspirational expectations of Islamic moral economy, Islamic banking should also consider 'social banking' as the new institutional form.

3.8. CONCLUSION

This chapter so far discussed two major themes: 'CSR' and 'sustainable development', which serve one primary objective in upholding socioeconomic justice. The concept of CSR that come to light in responding to the social responsibility of corporations towards society needs complements the concept of sustainable development that strives to conserve the environment and alleviate poverty. These concepts have led to the emergence of sustainable banking that aims to provide sustainability from both internal and external stakeholders in the banking sector.

The chapter also provides an introduction to social banking which manifests the aspirations of sustainable banking and is said to offer an alternative way of banking that includes financially excluded and socially disadvantaged groups. The mission of social banking is indeed similar to other banking institutions but it places great emphasis on the social outcomes of financial activities and also provides credit for non-bankable individuals.

The concepts (CSR, sustainable development and social banking) highlighted in this chapter, are integral part of Islamic moral economy. The objective and characteristics of social banking laid out in previous sections is indeed relevant to Islam, in fact to Islamic banking since it also focus on ethics and social development in individual and social level. In conclusion, in shaping sustainable banking, Islamic banking should adopt CSR and sustainable development in its policies to ensure socioeconomic justice and to fulfil the aspiration of Islamic economy. Introducing Islamic social banking, hence, would add value to the Islamic financial institution as a new banking institution that seeks social development as its primary aim in line with the aspirations of Islamic moral economy, rather than being solely profit maximising as in commercial Islamic banking.

Chapter 4

DEVELOPMENT AND TRENDS IN ISLAMIC BANKING AND FINANCE IN MALAYSIA

4.1. INTRODUCTION

Chapter 2 has sufficiently covered the background of Islamic moral economy, and has also provided general insight into the emergence of IBFI. This chapter discusses the development and trends in Islamic banking and financing (IBF) in Malaysia with the objective of reflecting on actual developments as opposed to the normative principles discussed in the earlier chapters. Before delving into the developments in Malaysia, this chapter presents the evolution of IBF in the World before specifically narrowing its scope to the Malaysian.

This chapter begins with an introduction section in section 4.1., section 4.2. describes IBF development across the globe, identifying the initial aims and objectives of the emergence of IBF. Section 4.3. presents the development of IBF in Malaysia, which also attempts to locate the initial objectives of its establishment which are deemed to be similar to the rest of the world. The concluding remarks are presented in section 4.4.

4.2. EMERGENCE OF ISLAMIC BANKING AND FINANCE: THE INITIAL PERIOD

As mentioned in Chapter 2, the idea of modern Islamic banking and finance was sparked in the 1940s with the experience of sub-continental countries, namely Pakistan and its spiritual leader Abul A'la Mawdudi. He claimed that Islam is a way of life and is not only about religious belief and ritual, but it encompasses other aspects of life such as politics, economy, social issues *etc.* (Warde, 2010: 70).

The demand for Islamic banking emerged mainly due to the identity politics in 1960s and 1970s, leading to a growing demand for an alternative bank that complies to Shari'ah part of the Islamisation of banks. During the period in question, Iran, Pakistan and Sudan attempted to Islamise their economic system and with the objective of achieving socioeconomic justice

through a gradual process with a holistic mission of adopting a banking system based on an Islamic milieu (Iqbal and Molyneux, 2005: 38).

The initial experience in Islamic banking was mainly in the form of social banks with the purpose of helping the poor and promoting social justice. This began four decades ago, and in fact, Islamic finance then was not even called 'Islamic' finance; it remained inconspicuous due to political, economical and religious circumstances (Sultan, 2008: 89). The objective of institutionalising an Islamic bank in that period was to extend financial services to financially excluded parties in order to help develop their economic and social status. Over the years, IBF has enjoyed unprecedented growth since the first Islamic commercial bank established in the Gulf in 1974. Although the aim of early experiments in IBF was to serve the poor and needy, the aims and perspectives of IBF industry nowadays have deviated from such an objective and are now focused on commercial objectives.

In locating the objective and meaning in having an Islamic banking system, the discussions in the proceeding sections demonstrates the milestone in the development of Islamic banks that begin as an experiment to help the poor. However, as it moves forward, Islamic banking has stands in the eyes of the world to become part of the global financial system and not merely perform as a local bank providing financial assistance that complies with Shari'ah.

The following discussion on the history of IBF follows Warde's (2000; 2010: 2) period classification by period to understand the evolution of the industry: (i) the early years as the first aggiornamento (1975 – 1991); (ii) the era of globalisation as the second aggiornamento (1991 – 2001); and (iii) the post-September 11, 2001 period.

1940s – 1975: The Experimental Period

The initial experience in IBF moving beyond a theoretical assumption into reality can be traced back to the 1940s in the Indian subcontinent; where there were some experiments in local financing akin to the European mutual loan but with religious and ethical elements incorporated. As part of this development, by the 1950s, interest-free credit networks were introduced by rural landlords in Pakistan. In a more structured sense, The Muslim Pilgrims Savings Corporation, known as *Tabung Haji*, was established in 1963 in Malaysia with the main objective of assisting the people with their savings to help them fulfil the fifth pillar of Islam, performing religious pilgrimage or Hajj in Makkah. Among these earlier experiments,

only the Malaysian *Tabung Haji* remains in operation by offering savings and investment facilities, and which is known nowadays as the Pilgrimage Hajj Management and Fund Board (Ismail, 2010: 4; Warde, 2010: 70).

Among the earliest bank offering products in compliance to Shari'ah was the Mit Ghamr saving bank established in 1963 in Egypt. It was very popular and prospered initially, although it closed down in 1967 for various reasons, mainly political reasons. It was an experiment adopting ideas and inspiration from German saving banks (Iqbal and Molyneux, 2005: 37) and projected a non-Islamic image fearing that otherwise it would be associated with Islamic fundamentalism, its name came from to the area of Mit Ghamr. This experiment led to the creation of Nasser Social Bank in 1971; this bank is still active. The original objective of the bank was to increase social solidarity among citizens. The bank continues to provide interest-free loans to the poor and needy, educational scholarship and micro-credits (Ariff, 1988; Iqbal and Molyneux, 2005: 37; Warde, 2010: 70; Zaher and Hassan, 2001: 163). The main purpose of both banks was to uplift the social status of Egyptian society by inaugurating a financial institution that contributes to social and economic justice and capacity building in the society. Hence, these banks have placed great emphasis on catering for the social needs of the society, focusing on the economic and social development of Muslims (Mayer, 1985). In sum, only two institutions survive today: the Nasseer Social Bank (Egypt) and *Tabung Haji* (Malaysia) (Securities Commissions Malaysia, 2009b: 31)

The embarkation of modern IBF started in the 1970s in a rather pragmatist move is due to the emergent wealth created with oil shocks in the GCC region in the early 1970s (Bjorvatn, 1998: 231).

1975 – 1991: The First Aggiornamento

This period is crucial in the history of IBF, since IBF was introduced as an alternative to conventional banking system and also during this period it managed to take root in the mainstream financial system. Islamic banking was also known as interest-free banking because of the prohibition of *riba'* in its operation which was made clear to everyone. The unique and viable products and services that Islamic banks offer captured the interest of various stakeholders, illustrating the credibility of the theoretical developments and practical experiences taking place in this the period (Iqbal and Molyneux, 2005; Securities Commissions Malaysia, 2009b).

During this period, Dubai Islamic Bank was established in 1975 as the first Islamic commercial bank; in the same year the Islamic Development Bank (IDB) was established as a multilateral development oriented financial institution. Moreover, Pakistan became the first country to Islamise their financial system in 1979 (Warde, 2000), followed by Iran and Sudan later, in 1983. Although IDB is not a commercial bank, it serves a vital role in ensuring balanced social and economic development in Muslim countries.

During this period, the quest to increase human capital in the industry begins by institutionalising academic and training courses in Islamic banking and finance (Iqbal and Molyneux, 2005: 34).

Clearly, Islamic banking and finance was still in its infancy and as a result, weaknesses were apparent and criticism could not be avoided. Initial criticism on the nature of the operation of IBF emerged during this period as well, on the grounds that Islamic banking mirrored conventional banking which confused customers in terms of profit and interest. Besides, the whole operation resembled conventional banking except that it needed to be compliant to Shari'ah (Warde, 2010: 73).

1991 – 2001: The Second Aggiornamento

Due to the limited trading and investment in the Islamic banking operation, this period marks the innovation and pragmatic period for Islamic banking allowing it to bloom across the world in competition with the existing banking system. The main focus during this period was to have varieties of products to meet customers' financial demands. Islamic banking and finance became more decentralised and diverse to produce a new identity with hybrid products rather than merely offering profit-and-loss sharing products.

During this period of internalisation, Malaysia stands out to be a leading country that has led an innovative and forward-looking industry since the early 1990s (Warde, 2010: 3, 82). In reviewing Islamic banking during this period, further explanations for its development can be found by noting the growth of ethical banking in the west (Wilson, 2002).

The rapid growth of Islamic banking during this period proved its success and also proved that it is capable of developing more sophisticated financial products. As a result, the globalisation of Islamic finance reached the West through the establishment of Islamic

windows in conventional banks. The emergence of Islamic banking subsidiaries within the global banks such as Citibank, Bahrain (1996) and HSBC, Dubai (1998) took place during this period as well (Warde, 2010: 4).

2001 - Present: The Post September 11, 2001 Era

Islamic finance has expanded dramatically since the September 11, 2001 attack which resulted in the emergence of Islamophobia and which actually drove a greater interest in religiosity and increased demand for Islamic products (Warde, 2010: 4). The stricter regulatory regime enforced by the US government resulted in an investment shift within the Muslim world which rapidly developed Islamic finance in many countries (Sultan, 2008: 98). Evidently, from a study conducted on the West's media coverage of Islamic finance (Summer 2010), 74% agreed that stricter regulations and increased scrutiny led to a greater awareness and understanding of Islamic finance.

A notable development in Islamic financial institutions included the establishment of international non-profit based regulatory bodies in the Islamic banking industry which are responsible for ensuring standardisation and who can also resolve matters relating to activities of Islamic financial institutions. These infrastructure institutions are also accountable for facilitating the growth of the Islamic financial industry and include the Islamic Research and Training Institute (IRTI) (Jeddah, 1981), Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) (Bahrain, 1991), General Council for Islamic Banks and Financial Institutions (GCIBFI) (Bahrain, 2001), International Financial Services Board (IFSB) (Malaysia, 2002), International Islamic Financial Market (IIFM) (Bahrain, 2002), International Islamic Rating Agency (IIRA) (Bahrain, 2002), and Liquidity Management Centre (LMC) (Bahrain, 2002). These bodies also aim to increase understanding of Islamic banking in the international sector, improve cross-border products and also enhance market discipline for an efficient and resilient financial system (Iqbal and Molyneux, 2005; Sultan, 2008: 97).

These developmental milestones provide insight into the progress of IBFI from a local bank that aims to serve the poor and needy, to a banking industry that offers a diverse range of products which is recognised over the globe. Besides, the financial activities expanded from merely saving and investment to other sophisticated transactions to cater for Muslims' financial needs. To ensure standardisation and an efficient industry, non-profit organisations

were established to monitor and advise the Islamic banking industry to prevent it from deviating from its original purpose.

4.2.1. Global Growth and Trend: An Overview

The Islamic banking industry has evolved in its nature and operations and has shown very good progress over the last four decades since its early establishment in 1970s. Islamic finance has spread worldwide during its short history; there are at least 105 countries that offer Islamic financial products and services (Warde, 2010). Indeed, there has been a paradigm shift in the objectives of IBF when compared to the initial experience.

In this period, the World Bank has acknowledged the Islamic finance industry as a priority area to be developed in their financial sector programme. However, along with the exciting news on the rapid growth, there are still a lot of areas to improve such as the shortage of skilled and experienced professionals in this sector. The Islamic finance industry still has a lack of human capital that possesses expertise in the integration of Shari'ah with both banking and finance (Parker, 2011).

A remarkable development is shown in the Shari'ah compliant-assets of the top 500 Islamic banks in the year 2010 with a growth rate of 8.85% from the previous year. The assets (refer Table 4.1.) have accumulated to \$895 billion in the year 2010 compared to \$822 billion in 2009 (Caplen and DiVanna, 2010). Although not comparable to conventional banking total assets, it is still a great achievement in forty years.

Table 4.1.: Total Shari'ah Compliant-Assets

Year	Total Assets (\$ billions)
2008	639
2009	822
2010	895

Source: Standard and Poor's report on Islamic Finance Outlook 2010 and The Banker (Caplen and DiVanna, 2010).

Meanwhile, Iran emerged as the country with the largest collection of Shari'ah compliant assets and also came top for the size of its global Islamic finance industry, followed by Saudi Arabia and Malaysia in 2009 as presented in Table 4.2.and 4.3. respectively.

Table 4.2.: Top 25 Countries by Shari'ah Compliant-Assets

No.	Country	Total Assets (\$ millions)	No.	Country	Total Assets (\$ millions)
1	Iran	314,897.40	14	Pakistan	6203.10
2	Saudi Arabia	138,238.50	15	Syria	5,527.70
3	Malaysia	102,639.40	16	Jordan	5,042.40
4	United Arab Emirates	85,622.60	17	Brunei	3,314.70
5	Kuwait	69,088.80	18	Yemen	2,338.70
6	Bahrain	44,858.30	19	Thailand	1,360.80
7	Qatar	34,676.00	20	Algeria	1,015.10
8	Turkey	22,561.30	21	Mauritius	992.20
9	UK	18,949.00	22	Switzerland	935.50
10	Bangladesh	9,365.50	23	Tunisia	770.10
11	Sudan	9,259.80	24	Singapore	725.00
12	Egypt	7,227.70	25	Palestine	612.50
13	Indonesia	7,222.20			

Source: *The Banker (Caplen and DiVanna, 2010)*

The latest data provided by GIFR 2011, however, shows that the IBF industry now enjoys about USD1.2 trillion in its assets base, as depicted in Table 4.3.

Table 4.3.: Size of the Global Islamic Financial Services Industry

No.	Country	2007 (USD billions)	2008 (USD billions)	2009 (USD billions)	2010 (USD billions)
1	Iran	235	293	369	406
2	Saudi Arabia	92	128	161	177
3	Malaysia	67	87	109	120
4	UAE	49	84	106	116
5	Kuwait	63	68	85	94
6	Bahrain	37	46	58	64
7	Qatar	21	28	35	38
8	UK	18	19	24	27
9	Turkey	16	18	22	25
10	Bangladesh	6	8	9	10
11	Sudan	5	7	9	10
12	Egypt	6	6	8	9
13	Pakistan	6	5	6	7
14	Jordan	3	5	6	6
15	Syria	1	4	5	5
16	Iraq	-	4	5	5
17	Indonesia	3	3	4	5
18	Brunei	3	3	4	4
19	Other countries	7	7	9	10
	TOTAL	639	822	1,036	1,139

Source: *GIFR 2011 (2011: 35)*

In terms of geographical coverage, IBFI is very active in broadening its geographical market to Western, African, Asian and Middle-Eastern countries. At present, Malaysia, Iran and the

GCC countries are among the active key players in IBF. New territories where Islamic finance has developed include the United States, the United Kingdom, Germany, France, Turkey, Kenya, Sudan, Bangladesh, Singapore, Indonesia, China, Egypt, Jordan and Syria, as reported by International Financial Service London (2010) in the Islamic Finance 2010 report.

Sultan (2008: 90) classified the development of Islamic finance across several geographical areas into four clusters:

- (i) *Cluster 1 (Introductory phase)*: Islamic finance is introduced due to a large Muslim minority population in the respective country or because the country is located near to countries that have an expanding Islamic banking industry. These countries are: China, Hong Kong, Azerbaijan, India and France
- (ii) *Cluster 2 (Exploratory phase)*: Thailand, Algeria, Syria, Lebanon, Germany and USA offer limited Islamic financial products to facilitate Muslim economic and financial needs. Islamic finance was institutionalised from merely a vision to reality by a bold pioneering individual/organisation who would like to enhance the state of financial institutions in their country for the cause of Islam in parallel with the rapid growth of Islamic finance in the world.
- (iii) *Cluster 3 (Market emergence phase)*: The Islamic finance industry has wider acceptance in the financial market. In fact, Islamic economic activities are facilitated through banking and non-banking institutions. The countries included in this cluster are Brunei, Morocco, Turkey, Qatar, Palestine and South Africa.
- (iv) *Cluster 4 (Market expansion phase)*: Islamic finance industry became one of the main industries contributing to economic growth, offering various financial products in competition with existing conventional financial industry. In fact, these countries also developed human capital in Islamic finance along with welcoming research, training and development in the area. Countries that are categorised in this phase are Malaysia, Kuwait, Saudi Arabia, Bahrain, UAE, Pakistan, Jordan, Sudan and Iran.

With the breadth of insights on IBF development and trends from the global perspective, the presence and success of the Malaysian model of IBF is now acknowledged globally. This is discussed below.

4.3. THE MALAYSIAN EXPERIENCE IN ISLAMIC BANKING AND FINANCE

Malaysia that has more than 28 million citizens (MIFC, 2011) is consisting of multiracial, multi-faith and multicultural citizen that exercises religious freedom, although Islam is enshrined as the official religion of the country. In fact, Islam is practised about 60% of the total population. The major ethnic group in Malaysia are the Malays (50.3%), Chinese (23.8%), non-Malay indigenous people (*Bumiputera*) (11.0%) and Indians (7.1%) (Ibrahim, *et al.*, 2011: 1004). The Federal Constitution has specified that Malays by definition are Muslim, hence when referring to the Malays in Malaysia it is common to refer them simply as Muslims, indicating the close relationship between ethnicity and religion. Besides this, it has become an important element to identify one's religion through ethnicity in Malaysia (Ibrahim, *et al.*, 2011: 1004; Liow and Noor, 2010: 2). However, Ghazali (1990: 130) claims that it is inaccurate to equate Malays with being Islamic, as it is a fact that some Malays practise a secular way of life. Furthermore, Ghazali (1990: 143) opposes the idea of identification of religion through ethnicity, especially pertaining to Islam with the Malay race, since this will only mislead others to review Islam as a racist ideology.

Malaysia is recognised as the world hub of IBF for its tremendous effort and initiative in improvising and promoting IBF, as the Malaysian IBF industry offers a wide range of innovative financial products to compete in the competitive market at local and international level. Interestingly, the Muslim population albeit being the majority group control less than 30% of the nation's economy as compared to non-Muslims as reported in GIFR 2011 (2011: 163). However, it is important to trace back the developmental history of IBF in Malaysia by discovering the incorporation of Islamic framework in Malaysia national development.

4.3.1. The Development and Incorporation of Islam in Malaysia

The British colonisation period has subtly changed the predominantly Islamic way of life in Malaysia. Gradually, through the colonisation process, secularism has developed. Religion, mainly, was viewed as practices that revolve on the relationship between man and God, and thus have nothing to do with political and socioeconomic affairs (Ghazali, 1990: 121), despite its being a Muslim country.

The National development in Malaysia, before the 1980s, primarily focused on the development of society. This is since there were huge gaps in the socioeconomic status of the

different ethnic groups. The Chinese were associated with controlling the economy through business ventures, Indian was associated with rubber plantations and Malays was associated with agriculture. In fact, Malays fall under the poverty group and therefore had alarmed the government to initiate a scheme to develop Malay capitalism through 'special privileges'. Among the schemes to assist uplifting the social status of Malays were through provision of quota given to Malays in business licenses, government employment, educational access, financial assistance in term of credit, training and business premises and many more. The aims were to create middle-class Malays (Gomez and Jomo, 1997: 15). At the same time, the government strategically plan to ensure the unity of multiracial Malaysians, reduce and eventually eliminate identification of race with economic function and location, eradicate poverty, build a progressive society through enrichment of knowledge and also reducing unemployment through industrialisation and economic diversification. The government sees the unity of multiracial citizen of Malaysia as paramount for the success of national development; hence the campaign is continued until present. The current Prime Minister of Malaysia introduced the 1Malaysia concept that gives emphasis on three values: (i) acceptance among different race and cultures, (ii) upholding the national principles, and (iii) promoting social justice. These three values are supported with good values such as respecting each other, humbleness, modesty, and extending courtesy¹. In a nutshell, before the year 1980s proves that there were little effort done to implement Islam as a way of life significantly since Islam is limited to rituals such as praying, fasting, pilgrimage and reading the *Qur'an*.

It is therefore, the period of Tun Dr. Mahathir Mohamad, the fourth Prime Minister of Malaysia²; evidence the incorporation of Islamic values slowly in the Malaysians development plan (Ghazali, 1990). The government mentioned that it is impossible to separate economic modernisation and Islamic values in establishing a discipline and morally-upright society. In addition, Islam was to be promoted as a religion compatible at all space that is modern, dynamic and adaptable (Mauzy and Milne, 1983: 636). The year 1983 witness the implementation of three major Islamic projects: International Islamic University of

¹1Malaysia concept is an ideology brought by the current Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Hj. Abdul Razak to nourish the spirit of brotherhood and unity amongst multiracial citizen of Malaysia. It is not a new ideology and complements the existing government's policy on strengthening the unity of Malaysian citizen realising the national goal – Vision 2020 (www.pmo.gov.my).

²Tun Dr. Mahathir Mohamad was the Prime Minister of Malaysia for 22 years, from 1981 to 2003. His contribution to and efforts in promoting Malaysia's economic development across the globe was a great success, therefore, he was acclaimed as the father of modernisation.

Malaysia and also Bank Islam Malaysia Berhad (BIMB) and compulsory of Islamic civilisation studies at tertiary level. The effort continued with mushrooming of 'Islamic' sense of educational system, training centre and also youth camp. From the economic development perspective, Malaysia Islamic Economic Development Foundation (YPEIM) was established in 1976 and restructured by Tun Dr. Mahathir Mohamad in 1984 to widen the current activity scope. The mission of YPEIM was to uplift the social status of Muslims in Malaysia by contributing to activities such as collection, investment and *amal jariah* (social welfare). YPEIM initiates economic development programme such as providing loan capital for the financially excluded groups that is operated by *Amanah Ikhtiar Malaysia* (AIM) and also provides *Musharakah* financing project (Al-Harran, *et al.*, 1994). YPEIM also approved the establishment of *takaful* (Islamic insurance), *rahn* (Islamic pawnshop) and also the proposal of *zakah* deduction on income-tax liabilities (Mauzy and Milne, 1983: 638). In fact, there were many more Islamic projects at national levels established in realising the aspiration of an Islamic country.

The Islamic financial environment in Malaysia continues to diversify its products and also attempts to penetrate at international level. Indeed, with the success of IBF in Malaysia, it has contributed not only in promoting Malaysia but also has positively impacted on economic development at a national level. The banking industry has become very competitive ever since and conventional banks have started to provide Islamic banking windows to capture the Muslim market (Kader, 1995: 103).

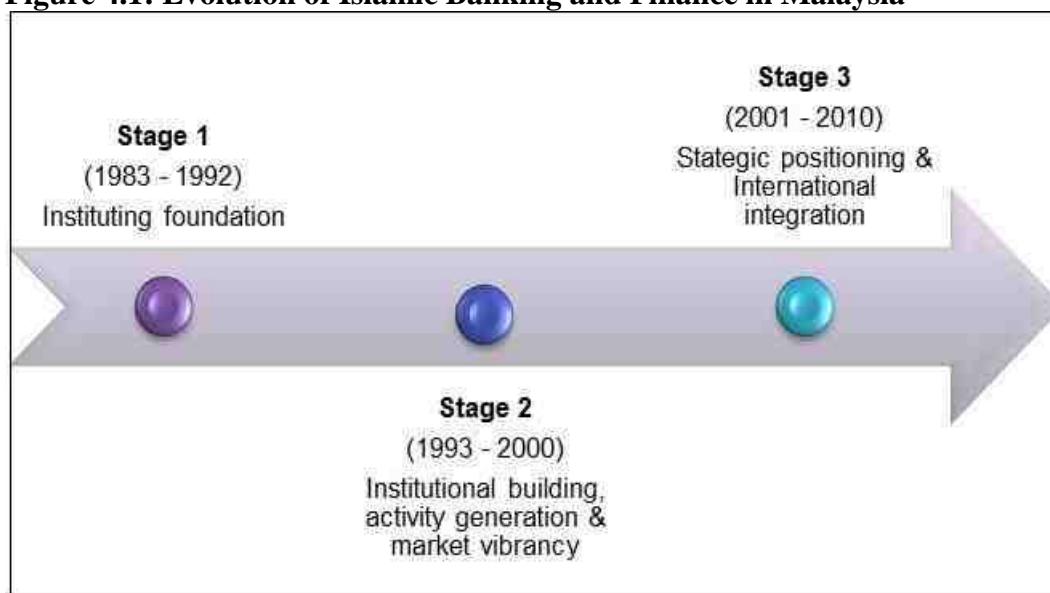
Considering the developmentalist needs of Malays, culturally specific developmentalist policies were needed with the aim of achieving economic and financial inclusion of the Malays who were left out of the economic and financial centre. The solution answer to this issue has been developed through Islamic finance, which has been expected to contribute to the development needs of the Malays and also to overcome financial and economic exclusion due partly to the issue of *riba*' but importantly mainly due to lack of developmentalism. Thus, the origin of Islamic finance in the case of Malaysia has to be located within this developmentalist paradigm aimed at economic and social development of individuals and society. Therefore, the progress and achievements of Islamic finance has to be judged against such an expectation, which is the subject matter of this research. In view of the fact, it is worth to consider the history of Islamic banking development in Malaysia as presented in the next section.

4.3.2. Islamic Banking Development and Growth

As mentioned earlier, in 1962, the Malaysian government set up the ‘Pilgrim’s Management Fund’ commonly known as *Tabung Haji*, to help prospective pilgrims enjoy saving facilities (Kuo, 2010: 129; Zaher and Hassan, 2001: 163). Recently, it has changed its name to *Lembaga Tabung Haji* and has taken on a more diverse role in providing financial services to pilgrims. The success of *Tabung Haji* confirmed that religious motivations have a great impact in Malaysia. This became evident in the year 1990, when the total assets of *Tabung Haji* accumulated to RM1.2 billion, which was more than BIMB, and had attracted more than 1 million savers (Wilson, 1995: 65)

As reported in GIFR 2011 (2011: 164), the Malaysian model under went three imperative stages as depicted in Figure 4.1., which are discussed in detail below:

Figure 4.1: Evolution of Islamic Banking and Finance in Malaysia



Source: Lecture by Deputy Governor, Bank Negara Malaysia (2009)

First Stage: 1983 - 1992

The year 1983 marked the era of Islamic banking in Malaysia by launching the enactment of an Islamic Banking Act (IBA) that led to the establishment of the first fully-fledged Islamic bank named the Bank Islam Malaysia Berhad (BIMB), with 12.5% owned by *Tabung Haji* (Securities Commissions Malaysia, 2009b: 38; Mauzy and Milne, 1983; Sum, 1995; Warde, 2010; Wilson, 1995). In fact the IBA was the first piece of banking legislation in the world. The establishment of BIMB was to support *Tabung Haji* by providing a Shari’ah-compliant

bank to save with and invest funds. Islamic banking in Malaysia is unique since it has successfully developed an Islamic banking system that operates in parallel with the conventional system that offers Islamic products (Aziz, 2006: 34).

This stage focused on strengthening and ensuring a smooth operation by providing the legal and infrastructural foundation for the development of the IBF industry in a dual banking system. BIMB has successfully provided banking and financial facilities compliant with Shari'ah and at the same time has managed to achieve viability and growth. However, with the number of Muslims in Malaysia, this monopoly Islamic bank is inadequate to cater to all their financial needs (Sum, 1995: 84). As the initial aspiration of IBF is to promote social justice, it is unfortunate that Sum (1995) discovered some controversial issues and demonstrated that BIMB needs to put more effort into minimising the gap between rich and poor. In fact, BIMB was also accused in this period of emphasising profit maximisation and neglecting social obligations. This is evident by its providing only 0.07 percent of *qard al-hasan* in the year 1991. Moreover, the Managing Director of BIMB affirms that BIMB belongs to the commercial sector and hence its objective is to gain profit within the Shari'ah ambit, while *zakah* and *sadaqah* are the responsibility of the government and welfare sector of the economy concerned.

Second Stage: 1993 – 2000

The earlier establishment of Islamic banking with the purpose of serving the financial and social needs of the Muslims, revolutionised the financial spheres of the country during this period and consequently led to a more sophisticated industry with dynamic financial innovations. IBF is now competing robustly with the conventional banking system. As a policy choice, Malaysia has made an effort to form an Islamic financial system alongside the conventional system unlike Pakistan, Iran and Sudan who wish to Islamise the entire economic system.

In 1993 the government launched the 'Interest-Free Banking Scheme' which resulted in the rapid increase of Islamic windows operated in conventional banking. The Malaysian Islamic model incorporated Islamic banking into the financial system and harmonised it with western practices, with the aim of having IBF as a tool for effective financial practice. This smooth implementation is probably the result of Malaysia's tolerance of other traditions and nations (Securities Commissions Malaysia, 2009b: 39; Zaher and Hassan, 2001: 172).

The Islamic financial system in Malaysia was consolidated by a comprehensive outlook that could compete and work side-by side with the conventional financial system. It made a healthy and positive comment on the dual-banking system (Iqbal and Molyneux, 2005: 45; Sum, 1995: 83). This caught the interest of non-Muslims, especially the Chinese citizens, who began to utilise the Islamic products (Warde, 2010: 82). Learning from this scenario, it shows that the Islamic banking industry successfully captured a diverse range of customers; proving that the products are suitable not only for Muslims but also for non-Muslims.

Responding to demand, another full-fledged Islamic bank was launched in 1999, known as Bank Muamalat Malaysia Berhad (BMMB) (Majid, *et al.*, 2005: 95). This period also witnessed the first *sukuk* (bond) issuance by Shell MDS in 1990 which marked the beginning of Islamic the capital market (ICM). In fact, Malaysia is known as the largest *sukuk* market in the world in terms of outstanding size and also in terms of the amount of *sukuk* (bond) issuance (Thani and Hussain, 2010: 86). It should also be noted that as part of the institutional developments, in 1994 Malaysia became the pioneer in setting up an Islamic interbank money market to provide a Shari'ah based money market.

Another important development during this period was the National Shari'ah Advisory Council at both the Securities Commissions and Bank Negara Malaysia. This was initiated in 1996 and 1997 respectively to ensure the products and services provided by each Islamic bank comply with Shari'ah principles. Although each Islamic bank has their own Shari'ah board and also a Shari'ah expert team to guide financial conduct, the national Shari'ah team provides standard guidance. Hence at a macro level, BNM (2010) initiated a Shari'ah Advisory Council (SAC) that appoints Shari'ah scholars from various backgrounds. The key responsibilities of SAC are to:

- (i) Ascertain the Islamic law for Islamic financial business and issue rulings;
- (ii) Advise the banks on Shari'ah issues relating to the activities and transactions of the banks;
- (iii) Advise any Islamic financial institution or any person on Islamic financial business pursuant to any written law;
- (iv) Issue rulings pursuant to a request from the courts or arbitrator.

This period saw the rapid development of IBF from various perspectives, such as product innovation, institutionalisation, regulation and structuring. In addition, the Islamic banking industry attempted to increase the number of players, in order to increase competition as an

incentive to improve efficiency and for creating a vibrant market, as described in the Global Islamic Finance Report – GIFR 2011 (2011: 164).

Third Stage: 2001 – 2010

The third period since the beginning of the century has seen the operation of a strategic plan using the Malaysian model to bring Islamic finance to a global level by making Malaysia an Islamic banking hub; by 2006, this plan led to the establishment of the Malaysia International Islamic Financial Centre (MIFC). The main objective of MIFC was to make Malaysia a successful Islamic banking hub by focussing on *sukuk* origination, Islamic fund and wealth management, international Islamic banking, international *takaful* and human capital development ((MIFC), 2011).

Efforts to improve the IBF industry by Malaysia in ensuring a robust growth have always remained an important objective of government and the related authorities in Malaysia. In 2009, BNM began to give greater emphasis on Shari'ah governance to ensure a sound business system and also to improve efficiency in the Islamic financial institution (Bank Negara Malaysia, 2009a: 98). A comprehensive Shari'ah governance framework was introduced in 2010 to provide guidelines on the roles and responsibilities of Shari'ah committees, the board and management of Islamic financial institutions to ensure the operation is compliant with the Shari'ah principles.

It should be noted that the years 2004 and 2007 marked the liberalisation period whereby three new fully-fledged Islamic banks from the Middle East, namely Al-Rajhi Bank, Kuwait Finance House and Asian Finance Bank, were awarded licences to operate in Malaysia (Sultan, 2008: 98). The market liberalisation was to attract foreign investment in Malaysian banks as well as positioning Malaysia as a centre for origination, distribution and trading of *sukuk* (Kuo, 2010: 130).

Since 2000, IBF industry in Malaysia has consolidated its place but also its operations, witnessing a mushrooming in the number of Islamic banks from only two fully-fledged local Islamic banks (Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad). By the end of 2001, there were 36 conventional banks offering Islamic banking products through Islamic window (Majid, *et al.*, 2005: 95). In 2003, BNM announced an upgrade from the use of Islamic windows to the setting up of an 'Islamic subsidiary', which is a standalone Islamic

bank under the conventional banking group's operation. It was formed to provide greater strategic focus and resources, as well as higher autonomy and governance to Islamic banks (Securities Commissions Malaysia, 2009b: 40). At present, there are 22 Islamic banks that consist of local and foreign Islamic banks as depicted in Table 4.4.

Table 4.4.: Lists of Islamic Banks in Malaysia

No.	Islamic Bank	Local/Foreign
1	Affin Islamic Bank Berhad	Local
2	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	Foreign
3	Alliance Islamic Bank Berhad	Local
4	Amlslamic Bank Berhad	Local
5	Asian Finance Bank Berhad	Foreign
6	Bank Islam Malaysia Berhad	Local
7	Bank Muamalat Malaysia Berhad	Local
8	CIMB Islamic Bank Berhad	Local
9	EONCAP Islamic Bank Berhad	Local
10	Hong Leong Islamic Bank Berhad	Local
11	HSBC Amanah Malaysia Berhad	Foreign
12	Kuwait Finance House (Malaysia) Berhad	Foreign
13	Maybank Islamic Berhad	Local
14	RHB Islamic Bank Berhad	Local
15	Standard Chartered Saadiq Berhad	Foreign
16	Public Islamic Bank Berhad	Local
17	OCBC Al-Amin Bank Berhad	Foreign
18	Unicorn International Islamic Bank Malaysia Berhad	Foreign
19	PT Bank Syariah Muamalat Indonesia, TBK	Foreign
20	Al Rajhi Bank KSA	Foreign
21	Deutsche Bank	Foreign
22	Elaf Bank B.S.C.(c)	Foreign

Source: As at 22 June 2011 ((MIFC), 2011)

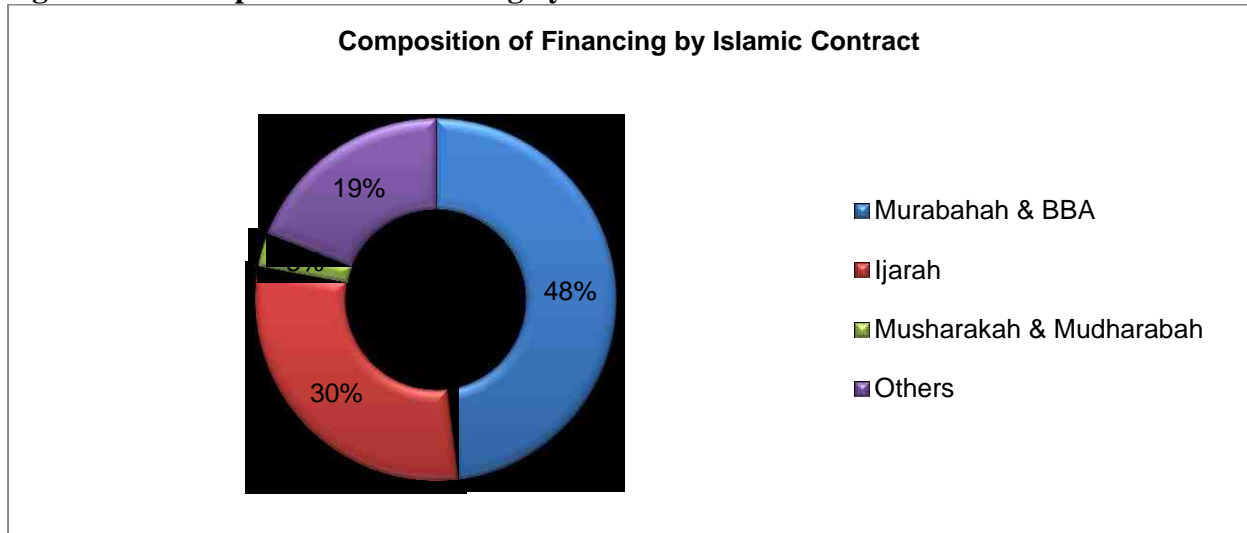
4.3.3. Performance and Future of Islamic Banks in Malaysia

The expansion of the Islamic banking industry in Malaysia has shown a viable and resilient growth despite the financial crunch that hit the world since 2007. As at December 2009, the total assets of Islamic banking in Malaysia increased to RM303.3 billion (including DFIs), accounting for 19.6% of the total assets in the Malaysian banking system (Bank Negara Malaysia, 2009a: 60). While in the year 2010, the total assets rose up RM350.8 billion as reported in the Bank Negara Annual Report (2010), showing a growth of 15.7%.

With regard to the composition of mode of financing, as can be seen in Figure 4.2., *murabahah* and BBA composed of 48% of the total financing. This indicates that debt-based financing is still widely used in comparison with equity-based financing. While the least used

mode of financing is equity-based financing, *musharakah* and *mudharabah*, holding only 3% of the total financing.

Figure 4.2.: Composition of Financing by Islamic Contract



Source: *The Financial Stability and Payment Systems Report 2010* (Bank Negara Malaysia, 2010: 36).

The mission of the IBF industry in Malaysia continues to focus on players, infrastructure and expertise in IBF in meeting the global demand in this industry, alongside strengthening its position as the leading international Islamic financial centre. Vigorous initiatives have been taken by the government to produce a well competent Shari'ah player in the industry by providing Shari'ah scholarship worth RM200 million in 2005. This strategy continues with diverse activities such as talent enrichment, training and development of Islamic bankers, furthering studies in Islamic finance, translating Arabic text on *fiqh muamalah* to English or Malay. The main purpose is to deepen knowledge and understanding in the field of Islamic finance (Bank Negara Malaysia, 2010).

4.3.4. Islamic Finance Talent Enrichment

In conjunction with the objective of making Malaysia an International Centre of Islamic finance, massive efforts have been made to increase human capital in this unique field, especially in subjects integrating economy-Shari'ah or finance-Shari'ah with the purpose of producing talented people who comprehend Shari'ah issues and also economy/finance which is currently lacking. Indeed, the numbers of Shari'ah scholars are still quite low given the fact that the top 20 Islamic scholars serve on 621 boards globally while the top 10 Islamic scholars serve on 450 boards out of 1141 boards across the globe (Gavin, 2011). As a

consequence of this, the government of Malaysia has taken the opportunity to address this issue by providing several institutions to undertake this purpose as reported in GIFR 2011(2011: 166) and MIFC (2011), among them are:

- (i) *Islamic Banking and Finance Institution Malaysia (IBFIM)* –created in 2001 to provide training and consultancy with regard to Islamic banking and finance matters.
- (ii) *International Centre for Leadership in Finance (ICLIF)* – initiated in 2003 by BNM focused on grooming managers to become world class leaders by providing training and development programmes.
- (iii) *International Centre for Education in Islamic Finance (INCEIF)* – established in 2006 as a global university offering expertise in Islamic finance from across the globe in a number of qualifications, such as chartered qualification, Masters Degrees and Ph.D.
- (iv) *International Shari’ah Research Academy for Islamic Finance (ISRA)* – commenced in 2008 to provide and enrich literatures and research with regard to issues on Shari’ah and *fiqh muamalah*.

Despite the specific establishment of institutions related to IBF, six universities in Malaysia (MIFC, 2011) also offer courses and subjects on Islamic banking and finance for undergraduate and postgraduate level. In fact, the Universiti Teknologi Mara (UiTM) already offers a specific bachelor degree in Islamic banking, while the International Islamic University Malaysia (IIUM), is in the midst of establishing a specific degree as well, although IIUM lecturers and students are well known for having many experts contributing in the industry.

Realising its aspiration as the international Islamic hub, Malaysia has also collaborated and developed strategic partnerships with other countries across Asia, the Middle-East and Europe for sharing information, knowledge, expertise, training and development in Islamic finance. Among the institutions are (MIFC, 2011):

- (i) Reading University, UK
- (ii) The Islamic Banking Finance Centre UK
- (iii) Cardiff Business School, Cardiff University UK
- (iv) Durham University, UK
- (v) Shenyang Province Authority, China
- (vi) Universitas Airlangga, Indonesia

(vii) Universitas Padjadjaran, Bandung, Indonesia

4.4. CONCLUSION

This chapter reviews the development and trends of the IBF industry across the globe, mainly focusing on the evolution of IBF in Malaysia, as Malaysia is recognised as the international Islamic finance hub. The emergence of IBF can be traced back to the social purpose of providing financial assistance to the poor. In Malaysia it was initiated to help Muslims to have proper savings for performing Hajj, in other words, again with a social purpose.

Since the commercialisation of the industry, the objective of IBF has changed from having social objectives to becoming a business oriented efficiency paradigm. Thus, it represents an alternative banking institution to conventional banking.

It should be noted that the products and services provided by Islamic banks nowadays are more diverse since Islamic banks attempt to achieve a competitive advantage to survive and progress in the market. Innovative products and services that comply with Shari'ah rulings are needed in order to survive in this very competitive market.

To this end, IBF has shown tremendous success and has also been recognised in the global financial system. In conclusion, IBFI is still continuing to improve its flaws and strive to fulfil the demands of the market by producing more talent in the area of Islamic finance especially talent which is expert in both fields; Shari'ah and finance.

Within such global developments, the Malaysian experience has been a great success story, as Malaysia consolidated its position to become a global centre for IBF. The government has allocated resources for research and development (R&D) to shape the future of the IBF industry rather than following a pragmatist development.

Chapter 5

RESEARCH FRAMEWORK AND METHODOLOGY

5.1. INTRODUCTION

The preceding chapters have offered substantial insight and understanding pertaining to the conceptual framework of this study by providing literature review on CSR, sustainable development, social banking in relationship to Islamic banking.

This chapter moves away from the literature review chapters and attempt to elucidate on the research framework and methodology employed in this study with the objective of providing detailed discussion on the operational aspect of the research. The early section in this chapter explains the framework investigated, particularly focusing on the CSR aspects in the Islamic banking industry in Malaysia, while the latter sections unveil the methodology and tools employed to conduct this research.

5.2. RESEARCH FRAMEWORK

This section briefly covers the research areas; in particular the IBFI in Malaysia which is categorised into two major types, namely local and foreign Islamic banks with the objective of contextualising the study. Each category is further broken down into two groups, namely fully-fledged and Islamic subsidiary bank. This categorisation is made to identify the particularities of individual group of banks. This section also aims to provide the core of this study by listing the research hypotheses.

5.2.1. Islamic Banking and Finance Industry in Malaysia

Malaysia has been proud of the developments in IBFI since it first started about 40 years ago through the initiative of a Pilgrim Hajj fund, namely *Tabung Haji*, to help individual Muslims save money to perform the last pillar of Islam: performing Hajj in Makkah. In this fast developing industry, Malaysia has become known to the world as an international Islamic finance centre in the Southeast Asia region.

Following the success of *Tabung Haji*, as discussed before, there was a call for a fully Shari‘ah based financing system with the purpose of saving and mobilising Muslims’ money. The creation of Bank Islam Malaysia Berhad (BIMB) in 1983 began a new era for the Islamic banking industry. The realisation that there was a growing demand for banking products that would serve the financial needs of Muslims allowed BIMB to become one of the most rapidly expanding players in the industry. As mentioned in Chapter 4, this local fully-fledged Islamic bank was then followed by another competitor in the year 1999, Bank Muamalat Malaysia Berhad (BMMB). Seeing the potential growth and excellent performance achieved by these banks as well as the growing interest from non-Muslim customers, conventional banks began to give attention to Islamic finance by opening a small unit or window in each of their banks (see Chapter 4).

IBFI proliferates because of support given by the central bank, Bank Negara Malaysia (BNM); as a result, Malaysia at present has 22 Islamic banks. However, at the time this research was conducted in 2010, there were only 17 Islamic banks, consisting of 5 fully-fledged banks and 12 Islamic subsidiary banks that extended their operations from small units. The majority of these banks are local banks and only 6 of them are foreign banks.

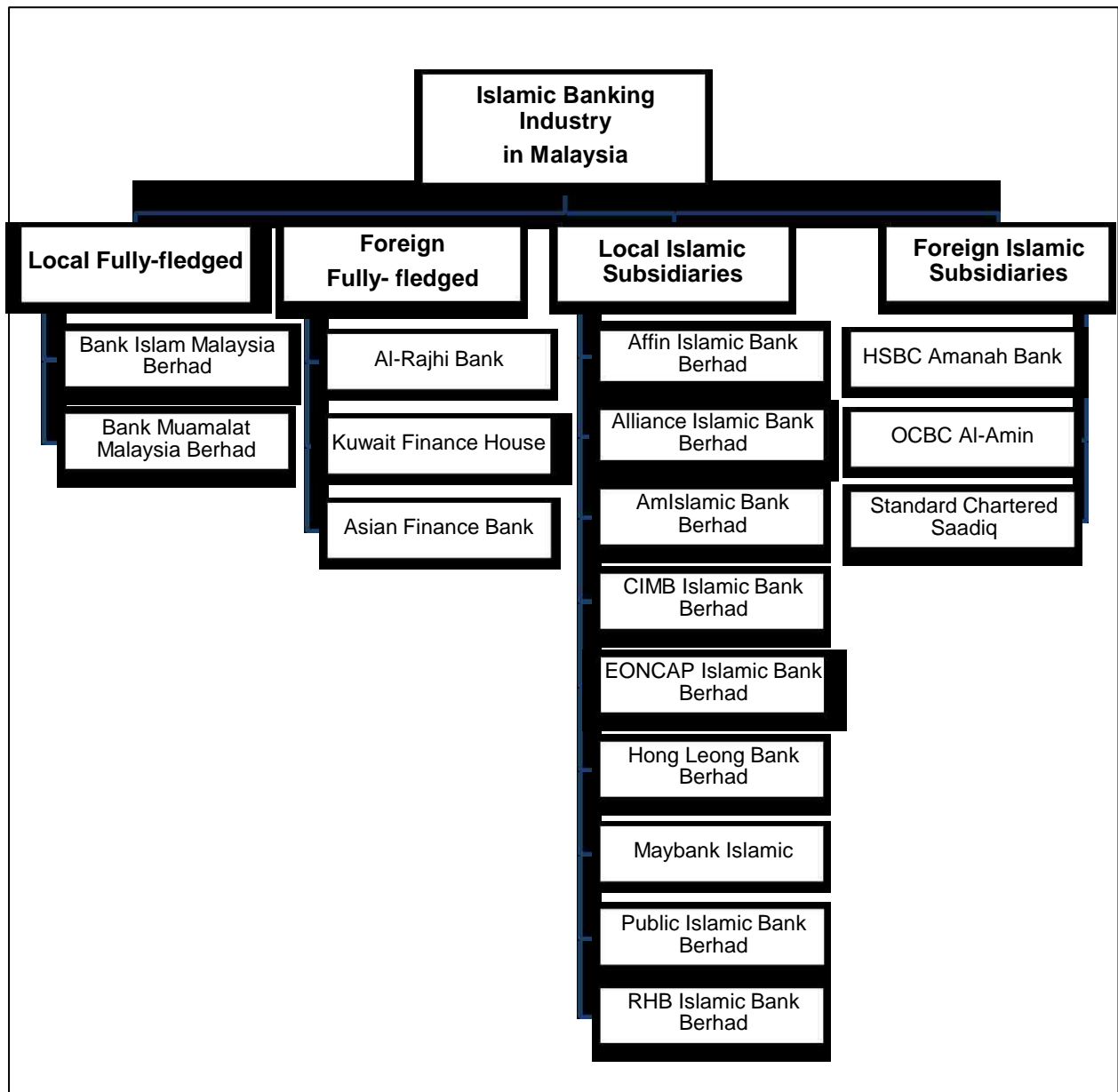
5.2.2. Research Cluster

Since the number of Islamic banks is quite big to be studied individually, the researcher attempts to cluster them into 4 categories. These 17 Islamic banks¹ will be subdivided into groups of:

- (i) Local fully-fledged (ii)
Foreign fully-fledged
- (iii) Local Islamic subsidiary
- (iv) Foreign Islamic subsidiary

¹This research will only focus on 17 Islamic banks, although at present the number of Islamic banks is growing and has now reached 22 in total. While the researcher conducted this fieldwork in the 2nd quarter of 2010, there were only 17 Islamic banks only.

Figure 5.1: Islamic Banking Industry Chart



Source: Mohd Nor (2011)

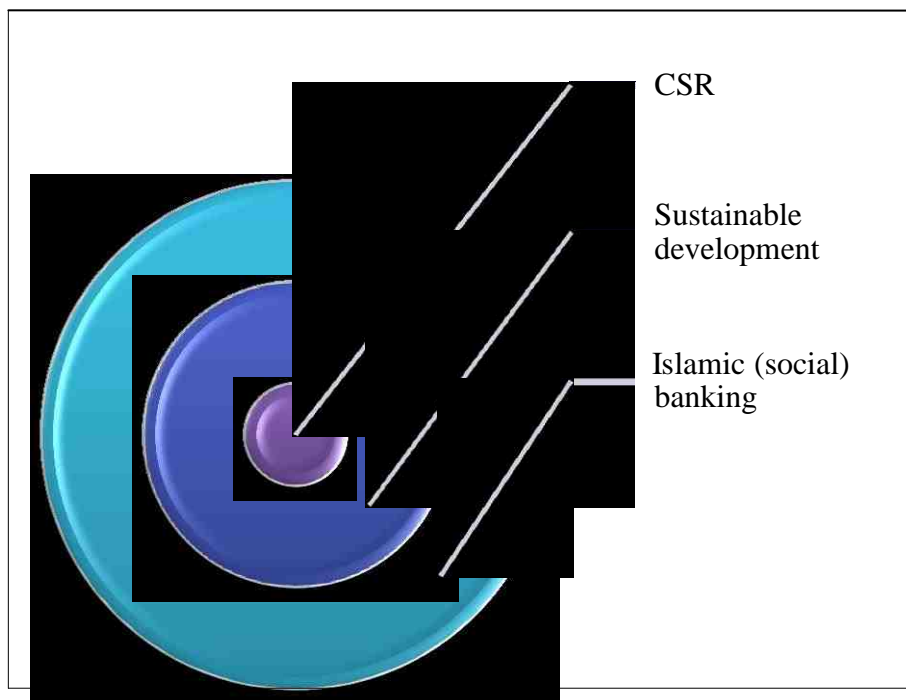
Figure 5.1. depicts the list of potential participating Islamic banks in each group. Fully-fledged or a standalone Islamic bank, operates alone, without support from another entity, unlike Islamic subsidiary banks which need to adhere to certain rules lay out by their parent or group banks, *i.e.* conventional banks. Besides, Islamic subsidiary banks also need to report to and gain permission from their parent banks on every activity conducted. Thus, Islamic subsidiary banks are bound by any decision made by their parent banks. Further, the researcher also differentiates between local banks and also international or foreign banks operating in Malaysia’s Islamic banking industry. The reason for this categorisation is to see the Islamic banking industry as whole rather than analysing banks individually.

5.2.3 Variable Identification and Developing Research Hypotheses

As identified before, the main concern in this study is to explore the perception and behaviour of customers and employees of Islamic banks with regard to the social dimension in Malaysia's Islamic banking system. Thus, this study attempts to investigate the social contributions made by Islamic banks, which could provide CSR and sustainable development, alongside the introduction of the concept of Islamic social banking that is suggested manifests the socioeconomic objectives of Islamic banking.

Figure 5.2. depicts the major variables identified in this study which made CSR the core element to ensure Islamic banks sustain in the market but importantly contribute to the sustainable development. Acknowledging CSR as the key success factor to provide sustainable development in the future, modelling Islamic banks along similar lines to social banking would meet this special need.

Figure 5.2: Major Variables Identification



Source: Mohd Nor (2011)

Therefore, from the identified variables, a number of sets of hypotheses developed as presented in detail in the following sections.

5.2.3.1. Knowledge on the objectives of Islamic banking

The hypothesis formulated below aims to explore the Malaysians' knowledge about the objectives of Islamic banking in general.

Hypothesis 1: *The majority of Malaysians have a good understanding of the objectives of Islamic banking.*

H₁₋₁: There is no statistically significant difference between customers and employees of the banks regarding the understanding of the objectives of Islamic banking.

H₁₋₂: There is no statistically significant difference between the clients of various banks categories regarding the understanding of the objectives of Islamic banking.

H₁₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding the understanding of the objectives of Islamic banking.

H₁₋₄: There is no statistically significant difference across various age groups regarding the understanding of the objectives of Islamic banking.

Hypothesis 2: *The majority of Malaysians apply equal importance to the social and commercial objectives of Islamic banking.*

5.2.3.2. Knowledge, awareness and practices of CSR in Islamic banks

The hypothesis below is formulated based on Malaysians' knowledge, awareness and practices of CSR in their respective Islamic banks.

Hypothesis 3: *The majority of Malaysians have a fair level of familiarity with regard to the concept of CSR*

H₃₋₁: There is no statistically significant difference between customers and employees of Islamic banks regarding familiarity with regard to the concept of CSR.

H₃₋₂: There is no statistically significant difference between bank categories regarding the familiarity with regard to the concept of CSR.

H₃₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding the familiarity with regard to the concept of CSR.

Hypothesis 4: *The majority of Malaysians perceive that CSR is relevant to Islamic banking concept*

H₄₋₁: There is no statistically significant difference between customers and employees of the banks regarding the perception that CSR is relevant to Islamic banking concept.

H₄₋₂: There is no statistically significant difference between bank categories in the perception that that CSR is relevant to Islamic banking concept.

H₄₋₃: There is no statistically significant difference across the various educational background and monthly income groups in the perception that CSR is relevant to Islamic banking concept.

Hypothesis 5: *The majority of Malaysians support various dimensions of CSR activities that are normally expected to be practised by Islamic banks.*

H₅₋₁: There is no statistically significant difference between customers and employees of the banking support for various dimensions of CSR activities that are supposed to be practised in Islamic banks.

H₅₋₂: There is no statistically significant difference between bank categories in support for various dimensions of CSR activities that are supposed to be practised in Islamic banks.

H₅₋₃: There is no statistically significant difference across the various educational background and monthly income groups in support for various dimensions of CSR activities that supposed to be practised in Islamic banks.

Hypothesis 6: *The majority of Malaysians acknowledge CSR disclosure reporting by Islamic Banks*

Hypothesis 7: *The majority of Malaysians perceive that Islamic banks would gain benefits from performing CSR*

H_{7.1}: There is no statistically significant difference between customers and employees of the banks regarding the perception that Islamic banks would gain benefits from performing CSR.

H_{7.2}: There is no statistically significant difference between bank categories in the perception that Islamic banks would gain benefits from performing CSR.

H_{7.3}: There is no statistically significant difference across the various educational background and monthly income groups in the perception that Islamic banks would gain benefits from performing CSR.

Hypothesis 8: *The majority of Malaysians perceive that various internal factors could prevent Islamic banks from implementing CSR*

H_{8.1}: There is no statistically significant difference between customers and employees of the banks regarding the perception that various internal factors could prevent Islamic banks from implementing CSR.

H_{8.2}: There is no statistically significant difference between bank categories in the perception that various internal factors could prevent Islamic banks from implementing CSR.

H_{8.3}: There is no statistically significant difference across the various educational background and monthly income groups in the perception that various internal factors could prevent Islamic banks from implementing CSR.

5.2.3.3. Knowledge and practices towards sustainable development of Islamic banks

The hypothesis formulated below aims to gauge Malaysians' knowledge and practices of sustainable development in Islamic banking.

Hypothesis 9: *The majority of Malaysians have a fair level of familiarity with regard to sustainable development concept*

H_{9.1}: There is no statistically significant difference between customers and employees of the bank regarding familiarity with regard to the concept of sustainable development..

H_{9.2}: There is no statistically significant difference between bank categories regarding familiarity with regard to the concept of sustainable development.

H₉₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding familiarity with regard to the concept of sustainable development

Hypothesis 10: ***The majority of Malaysians perceive that Islamic banks have a potential role to provide sustainable development***

H₁₀₋₁: There is no statistically significant difference between customers and employees of the banks in perceiving that Islamic banks have a potential role to provide sustainable development.

H₁₀₋₂: There is no statistically significant difference between bank categories perceiving that Islamic banks have a potential role to provide sustainable development.

H₁₀₋₃: There is no statistically significant difference across the various educational background and monthly income groups perceiving that Islamic banks have a potential role to provide sustainable development.

Hypothesis 11: ***The majority of Malaysians have a relatively fair consideration that Islamic banking practices contribute to sustainable development***

H₁₁₋₁: There is no statistically significant difference between customers and employees of the banks in considering Islamic banking practices to contribute to sustainable development.

H₁₁₋₂: There is no statistically significant difference between bank categories in considering Islamic banking practices to contribute to sustainable development.

H₁₁₋₃: There is no statistically significant difference across the various educational background and monthly income groups in considering Islamic banking practices to contribute to sustainable development.

5.2.3.4. *Knowledge of social banking and the possibility of initiating Islamic social banking in Malaysia*

The following hypothesis considers Malaysians' knowledge of social banking and also seeks their observations on the possibility of initiating Islamic social banking in Malaysia as a solution to fulfil the social objective of Islamic banks.

Hypothesis 12: *The majority of Malaysians have a fair level of familiarity with regard to the concept of social banking*

H₁₂₋₁: There is no statistically significant difference between customers and employees of the banks regarding familiarity with regard to the concept of social banking.

H₁₂₋₂: There is no statistically significant difference between bank categories regarding familiarity with regard to the concept of social banking.

H₁₂₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding familiarity with regard to the concept of social banking.

Hypothesis 13: *The majority of Malaysians have a fair level of understanding of the objectives of social banking*

H₁₃₋₁: There is no statistically significant difference between customers and employees of the bank regarding the understanding of the objectives of social banking.

H₁₃₋₂: There is no statistically significant difference between bank categories regarding the understanding of the objectives of social banking.

H₁₃₋₃: There is no statistically significant difference across various educational background and monthly income groups regarding the understanding of the objectives of social banking.

Hypothesis 14: *The majority of Malaysians perceive that Islamic banks should practise social banking*

H₁₄₋₁: There is no statistically significant difference between customers and employees of the banks in the perception that Islamic banks should practise social banking.

H₁₄₋₂: There is no statistically significant difference between bank categories in the perception that Islamic banks should practise social banking.

H₁₄₋₃: There is no statistically significant difference across the various educational background and monthly income groups in the perception that Islamic banks should practise social banking.

Hypothesis 15: *The majority of Malaysians perceive that social banking could help Malaysia's economic development*

H_{15.1}: There is no statistically significant difference between customers and employees of the banks in their perception that social banking could help Malaysia's economic development.

H_{15.2}: There is no statistically significant difference between bank categories in the perception that social banking could help Malaysia's economic development.

H_{15.3}: There is no statistically significant difference across the various educational background and monthly income groups in the perception that that social banking could help Malaysia's economic development.

H_{15.4}: There is no statistically significant difference between male and female in the perception that that social banking could help Malaysia's economic development.

The hypotheses stated above are tested with the primary data gathered through questionnaire and interview surveys. The following section describes the research methodology employed in this study.

5.3. RESEARCH METHODOLOGY

Research methodology, as described by Bryman (2001: 20), is a general orientation or the research process framework to conduct research, which is available in two different categories: quantitative research and qualitative research.

The quantitative research methodology is normally associated with numerical assignments of the phenomenon studied by prioritising the quantitative meaning of the research in a positivist manner. The advantage of this method is that it could gauge a large population sample that is statistically valid and reflects the perceptions or behaviour of the population. The nature of this method is usually deductive as it implies testing of theory.

A qualitative research is normally a broad idea that could be derived from research issues, methods employed, analysis strategies and the scientific justification of procedure used to generate the result (Heyink and Tymstra, 1993: 292). It generally refers to qualitative meaning of the data by recognising the social constructivist nature of the research, as it mainly constructs the study through the perceptions of the others. In other words, it treats

individuals' perceptions and explanations as crucial information to validate the whole study, which is the major strength of this method. It offers a rich, in-depth descriptive of perception, behaviour, attitude, motivation, belief and many other traits.

It should be noted that qualitative research is normally an exploratory study that indulges in deeper reasoning that attempts to answer „why“, whereas the quantitative approach would fail to validate this question. Besides this, qualitative research is able to identify the motivation and other connections between factors within the research. However, there are weaknesses to this approach; since it investigates in depth details and information, it normally focuses at the micro-level dealing only with a small sample group and thus, should not be taken as representative (Ambert, *et al.*, 1995; Bryman, 2001; Hakim, 1987; Vandestoepe and Johnston, 2009).

To achieve the aim and objectives of this study, this study is constructed within qualitative research since it investigates the perceptions, opinions and attitudes of the bankers and customers of Islamic banks in Malaysia. In addition, since this study aims to delve into the respondents' views by conducting interview and questionnaire survey, the most suitable method to use is interpretivism, which by definition requires qualitative research methodology.

5.4. RESEARCH STRATEGY

Research strategies provide logic or a set of procedure for answering research questions which, for social sciences research, have four major approaches: (i) inductive; (ii) deductive; (iii) retroductive; and (iv) abductive (Blaikie, 2000). However, the research strategies most commonly employed by researchers are the first two approaches which will be explained further, while the retroductive and abductive strategy is less familiar.

A retroductive approach construct hypothetical model of the subject and proceeds with observations and experiments to acquire the reasoning of its existence. The process of this method needs to use imagination and analogy since it provides explanation by examining data or model (Blaikie, 2007, 9). Meanwhile, an abductive research strategy does not test theory, yet it is similar to „grounded theory“ that generates new ideas or outcome. It's objective is to discovering new results (Dubois & Gadde, 2002). An abductive approach investigates and

understands the social phenomenon of a subject's motivation by entering into its world to acquire knowledge as to „what“ and „why“ that leads to the social activities conducted (Blaikie, 2007, 10)

Deductive research generates its analysis and conclusion from theory/hypothesis while the opposite is the case for inductive. In other words, deductive research is usually a theory-testing method that uses various tools to analyse mainly secondary data, for example an economic study would employ statistical analytical tools such as Eview, SPSS, SARS, *etc.* in analysing secondary data in statistical forms. The inductive approach, on the other hand, allows the data to speak rather than rigidly adhering to a precedent theory or given idea (Vandestoepe and Johnston, 2009: 168). Inductive strategy, thus, aims to establish universal generalisations to be used as patterns of explanation (Blaikie, 2000: 101); and therefore, it aims to develop hypothesis based on the realities of the field through the primary data collected from the field. It is therefore considered as hypothesis and theory generating strategy, and is thus sometimes named as grounded theory. However, there exists also certain research for which it is difficult to consider either strategy in a much defined form. For example, a case study approach is not necessarily inductive research yet it could be associated with both generating theory and theory testing (Bryman, 2001: 51).

As far as this study is concerned, it adopted an inductive research approach since the nature of the study necessitated the collection and analysing primary data from the field before attempting to make some generalisations theory (Saunders, *et al.*, 2003: 85). In other words, this study utilises primary data collected through questionnaire and interviews in generating and testing the hypothesis. This by definition makes the research an inductive research.

5.5. RESEARCH DESIGN

Research design is an integrated statement and justification of technical decisions involved in planning a research project (Blaikie, 2000: 21). It deals with issues pertaining to choices of rational decision-making in exploring the purpose of the study. It focuses on the type of investigation that would be encountered throughout the study. Although there are many types of research design, this study will make use of exploratory study, case study and also survey in order to gain a good knowledge and practical experience on the subject matter.

Qualitative research is, by its nature, an exploratory work which investigates a new or rare social phenomenon about which there is little information beforehand. Thus, this type of study is undertaken to comprehend the relevant phenomenon in depth by applying techniques such as observation and also extensive interviews (Sekaran, 2003: 95). Exploratory research design is, therefore, considered as an appropriate research design for this study in obtaining intensive information of CSR from Islamic banking practices.

Case study research normally provides descriptive and intensive accounts from a specific selected sample, within a single social entity, for example family, social groups, communities, organisations, *etc.* (Bryman, 2001: 47; Hakim, 1987: 61). This study involves a specific industry, namely the Islamic banking industry. It attempts to expound a similar phenomenon on a larger scale as a practical means to define cases, and is not a means to analyse cases or model causal relations (Gerring, 2004: 341). Therefore data analysed helps to make some generalisation about the case. Thus, having Islamic banks including their customers and employees as subject matter in this study makes it a case study. However, being a study on Malaysian Islamic banking provides another reason as to why this is a case study.

The reason for adopting exploratory design for qualitative analysis is to understand the perceptions and practices in a specific bounded system which is expected to achieve an outcome that provides a description and interpretation of the phenomena (Vandestoepe and Johnston, 2009: 209 - 210). However, because the study also aims at exploring the attitudes and perceptions of Islamic banks stakeholders, the study is constructed as an exploration oriented case study, which utilises the survey design, as the primary data collected through questionnaire and interview surveys.

5.6. RESEARCH METHOD

Research method is an instrument used to achieve the result of the study, which specifically describes how data are collected and analysed. The main methods used by researchers are qualitative and/or quantitative by nature.

Quantitative research in general is related to the quantifiable or numerical representation of the subject matter through quantifiable data collected for the study, while qualitative research

generates a narrative or textual explanation on the phenomena of the study (Vandestoepe and Johnston, 2009: 7) by using discourse or wording based data as primary data. The disadvantage of using quantitative research method solely is that it will not help to answer the „why“ and „so what“ question that is inherent in the result. There is no in depth explanation of the reason a phenomenon happened (Vandestoepe and Johnston, 2009: 8). Therefore, it should be supported with other methods to generate further understanding in giving meaning to the data and the results.

A triangulation method is therefore considered, which is mainly about studying the same subject with multiple methods to achieve the best results (Johnson, *et al.*, 2007). Denzin (1978: 301) points out four types of triangulation method: (i) data (make use of variety of sources *i.e.* time, space, person, *etc.*); (ii) investigator (employ multiple investigator or researcher); (iii) theory (use of multiple theories to interpret the result of the study); and (iv) methodological (employ multiple methods to maximise validity of study). Further methodological triangulation is divided into two: (i) within a method that employs multiple methods within each qualitative or quantitative method individually; and (ii) between methods that make use of multiple methods between both qualitative and quantitative measures (Denzin, 1978; Johnson, *et al.*, 2007: 115). This study will make use of a joint method combining both qualitative and quantitative methods by conducting in-depth interviews, questionnaire survey and probably observing the same subject to get exhaustive details on the subject (Jick, 1979).

Triangulation as a method is commonly known as mixed method study, combining and conducting both qualitative and quantitative methodologies at the same time (Tashakkori and Teddlie, 1998: 17 - 18). This approach will allow both methods to complement each other, as the qualitative approach seeks a bird's eye view, giving a general overview of the industry, while a quantitative approach is like a worm's eye view, being more specific and providing scrutiny for the overall study. It is an efficient check-and-balance tool to compensate the weakness in each method (Jick, 1979: 604). As a result, the outcome of this study would suggest a pattern or trend of CSR in Islamic banking industry with further clarification and justification to causal process in the form of motivation.

5.6.1. Data collection

Since this is a mixed method research that is based on case study, hence this study is comfortable to use primary set of data to get invaluable first-hand information. This section further explains the specific method used in gathering primary data.

5.6.1.1. Primary Data Collection: Survey Questions

A structured questionnaire was designed in accordance with the research question. Questions are deduced from a theoretical literature related to CSR and also from similar case studies that have been conducted in Malaysia and also other parts of the world to ensure the validity of the content. Among the studies referred to was from Zinkin (2004), Amacanin (2005), Dusuki (2005), Sairally (2006), Farook (2008), and The Report on Social Responsibilities Trend at Islamic Financial Institutions: Based on 2009 Social Responsibility Survey (2009). The questionnaire aimed at gathering primary data on perception of CSR in Islamic banking described in the objective of the study. It attempts not only to answer the research questions but also to seek future anticipations in broadening the concept of CSR to take in activities around sustainable development and social banking.

(i) Questionnaire Content

Thus, the questionnaire was designed as closed-ended questions with several methods employed, such as multiple choice questions and the Likert scaling method. These questions are subdivided into five sections:

- (i) **Section A** questions with regard to respondents' details that specifically look into respondents' personal background such as gender, age, occupation, educational level, monthly income and etc. It also identifies the respondents' background as customers/depositors of Islamic banks.
- (ii) **Section B** attempts to gauge the respondents' awareness of Islamic banking and finance. Questions revolve around the definition and objectives of Islamic banking.
- (iii) **Section C** endeavours to gather information on the respondents' view of CSR. It considers the definition and practice of as well as contributions made to CSR at their respective Islamic banks.
- (iv) **Section D** aims to reveal the respondents' knowledge of the concept of sustainable development provided by their respective Islamic banks.

- (v) **Section E** examines the possibility of having an Islamic social banking system in Malaysia. Questions are designed to seek information on the definition of social banking and how to establish such an institution.

Pilot study

Prior to conducting the survey in Malaysia, a pilot study was tested in the UK targeting Malaysians that reside in the UK. It should be noted that the pilot study is important to ensure the validity and the reliability of the data. Most of the respondents were postgraduate students with various working backgrounds in Malaysia. The reason for targeting this group was to match the actual sample of the study who would also be Malaysian; so it was a relevant group to use for the pilot study. Besides, because they were students with a majority being postgraduates, the response rate to the survey was likely to be high. 50 survey questions were distributed directly to the respondents and also via email for respondents who were unreachable. 31 respondents returned the survey and made very constructive comments to improve the survey. The purpose of conducting a pilot study was to ensure the validity and success of the questionnaires in term of clarity of content and language and the results were used to improve the quality and efficiency of the original survey. It is normal to experiment on a smaller scale before launching the original survey to a larger group.

(ii) *Questionnaire Sampling*

Sampling is a subset of a population who will participate in the study and is an important process of the research investigation since studying the whole population is not practical. Thus, sampling is the best approach to reflect the population's idea or perception (Bryman, 2001: 85; Vandestoepe and Johnston, 2009: 26).

This study endeavours to present a bipartite review from both sides of the Islamic banking system, whereby target respondents will be Islamic banks' officers and Islamic banks' customers and depositors respectively. Besides, this study also uses snowball sampling whereby the researcher establishes initial contacts with relevant respondents before extending the sample to other related respondents (Bryman, 2001: 98). By using snowball sampling, the researcher could save a lot of time rather than having to distribute and collect the questionnaire survey to one respondent only.

(iii) Questionnaire Administration and Response Rate

Once the design of the final questionnaire is completed following pilot test, questionnaires were distributed through several approaches. Among the approaches used was random direct distribution to respondents not specifically at the banks premises and also email distribution circulated around private and public sector premises. In other words, the survey was distributed in two ways: (i) direct distribution to respondents at their premise; (ii) via email. The former approach took place at the respective Islamic banks itself, targeting mainly the staff of the bank and also customers and depositors, while the latter approach was specifically focused at the customers of Islamic banks randomly.

Email distributions were positively received by the public but not very well by the bankers. The bankers preferred the first method whereby the questionnaire was given directly to them. As a result, the researcher focused on distributing the survey at Islamic banks' headquarters and main branches. The email distributions targeted large and medium sized corporations and institutions.

It should be noted that questionnaire surveys were distributed mainly around Kuala Lumpur and Klang Valley. The researcher took more than two month to distribute and collect all the completed questionnaires. To control the distribution of the questionnaires, the researcher puts a time limit for every questionnaire distributed and also needed to make several follow ups to ensure a positive response rate. Normally, the respondents have a week to return back the survey. The returned questionnaire were gathered and thoroughly examined by the researcher to check the validity and make sure the questionnaire was fit to analyse.

This study attempts to investigate both components of Islamic banks, from the demand (customer/depositors view) and the supply (bankers view) side, hence a total of 800 surveys were distributed, with 500 copies going to the customers/depositors and the remainder to the bankers. A total of 511 questionnaires were returned and only 477 samples (59.6%) were fit to be analysed, with 76.1% of these from the customers, while the remaining 23.9% were from the bankers.

(iv) Reliability and Validity

Prior to analysing a set of data, a reliability and validity check is essential to ensure the credibility of the research findings. This helps to reduce possibilities of errors in the findings later.

Reliability is defined as „obtaining consistent responses“ (Vaus, 2002: 17) with the objective of leading to a confidence in the research findings. There are various methods in performing a reliability test and there is no one specific method to use as each research is different and unique in its way. For example, there is the Test-Retest Method, Panel-of-Judges Method, Parallel-Forms Method and Internal Consistency Method (Vaus, 2002).

Internal Consistency Method seems appropriate to this study since its key feature is to evaluate multi-item measures at a single point of time to a single sample. Furthermore, Vaus (2002: 19) explains that reliability of data is measured according to the consistency of different items expressed about the same concept, rather than measuring consistency of the same item answered over time. It measures either the consistency across all questions or a subgroup of questions from the questionnaire (Saunders, *et al.*, 2003: 310).

Although there are a few sets of test within this method, the researcher deemed it is appropriate to use the indicator most commonly cited in psychological and sociological studies (Maxim, 1999: 243), namely Cronbach’s Alpha test which builds the logic of the split-half method. Maxim (1999: 244) further explained that it is a robust yet easy technique to compute, since it does not require an even number of parallel items; in fact, the difficulty of splitting the items could be averted. Its strength is that it analyses thoroughly how a group of variables are related to other groups of variables (Vaus, 2002). It is not a statistical test, yet it is a coefficient of reliability or consistency test to measure the internal consistency between each variable in a group that uses a coefficient ranging from 0 to 1. The more reliable questions are indicated by obtaining a higher value nearest to the value of 1, ideally above 0.7 (Pallant, 2007; Vaus, 2002).

The questionnaire survey was designed using two styles of questions: multiple choice and Likert scale. In the main, it is essential to run a reliability test on the Likert scale questions to ensure the consistency of each variable. Thus, after identifying questions that use Likert scale style, 85 items were tested using Cronbach Alpha indicator which obtained an output of

0.940, as depicted in Table 5.1. Pallant (2007) and Vaus (2002) on the interpretation of results state that a high level of consistency between each variable is signified when the result is near to the value of 1, confirming that the scale designed in this survey is reliable.

Table 5.1.: Reliability Test

Cronbach's Alpha	N of Items
0.940	85

As regards to the validity, as the nature of this study is a social science analysis, there is no conclusive method to ensure the questions are valid as related to the concept under review. According to Vaus (2002: 25), validity is the use to a set of measures which should match the concept properly. Saunders *et al.* (2003: 101) further explains that “validity is concerned with whether the findings are really about what they appear to be about. Is the relationship between two variables a causal relationship?” However, reliability and validity are often confused, so fully understanding the two concepts is crucial.

5.6.1.2. Primary Data Collection: Interview

Similar to conducting a questionnaire survey, this study considers to gather primary data from in-depth interviews to gain first-hand knowledge on the subject matter. A semi-structured interview schedule was conducted to ensure that the interview is focused and well guided, yet still allowing flexibility and freedom to add further relevant questions during the session, depending on the answers given. Questions are designed in such a way as not to be exhaustive, but instead act as a guideline, to avoid deviation from the core objective of the study. During the interview, a digital voice recorder proved to be useful to gather and save information so that direct quotations from interviewee can be analysed carefully.

This research used both face-to-face and telephone interviews. Face-to-face interviewing is very effective since it gives the whole picture of the session, as non-verbal communication can also be used to avoid communication breakdown. Although it may be costly, when the travelling cost and suchlike are included, the satisfaction gained and most importantly, the level of trust built between the interviewee and interviewer ensures in depth and thorough information on the subject matter is collected (Maxim, 1999: 281). However, some

interviewees participated in this study are considered as elites who normally are not easy to approach because of their higher status. Hence, as a contingency plan to resolve this matter, telephone interviews were used to save time, cost and energy (Maxim, 1999: 280). In addition to telephone interviews, the internet is another effective tool to communicate and allows a similar face-to-face interview except the interview sessions are not conducted within the same room, as Yahoo Messenger, Skype and other similar internet based channels can be used.

The interview sessions were conducted successfully after appointments were made with the interviewees at their respective premises. Each appointment provided ample time to complete each of the questions.

(i) Interview content

The content of the semi-structured interview was designed similarly to the questionnaire survey with most of the questions being repetitive. However, it is divided into three sections only:

- (i) **Section A** aims to gauge respondents' understanding of the Islamic banking worldview;
- (ii) **Section B** attempts to discover ideas about and practices of CSR and Sustainable development concept at respondents' respective banks;
- (iii) **Section C** specifically aims to capture information on social banking and the possibility of realising this in Malaysia.

(ii) Interview Sampling

Qualitative research emphasises in depth and detailed information, and therefore it usually involves a small number of respondents, around 15 to 25 people, in a fairly specific piece of research (Hakim, 1987: 27). At present, the Islamic banking industry in Malaysia is still smaller compared to the conventional finance sector. Therefore, the researcher targeted 10 to 12 individuals to interview all of whom hold positions as Shari'ah Advisors, Shari'ah Manager or Executives, Bank Managers and Bank Executives. Hence, the focused sampling is particularly relevant to this study (Hakim, 1987: 141). The rationale for studying this group of people is to get an overview of CSR from various backgrounds and work experience.

(iii) Interview Administration and Response Rates

Interview responses were very positive, since the researcher achieved the targeted number of respondents. In short, 11 interviewees, representing managers and executives of various Islamic banks in Malaysia participated in these interview sessions; they were mainly contacted and provided with a copy of the interview questions beforehand. The interviews were conducted at the respective premise of Islamic banks and each session lasted for about 45 minutes to an hour. The interviewees were very supportive in giving relevant details on the research studied. The participants in the interview schedule and their institutional, position and categorical summary is provided in Table 5.2.

Table 5.2.: List of Participated Interviewees' Background

No.	Institution	Position	Category
1.	CIMB Islamic Bank Berhad	Shari'ah Development Officer	Islamic Subsidiary Bank (Local)
2.	Affin Islamic Bank Berhad	Operational Officer	
3.	Affin Islamic Bank Berhad	Shari'ah Advisor	
4.	RHB Islamic Bank Berhad	Shari'ah Manager	
5.	EON Capital	Corporate Planning Manager	
6.	Allianz Islamic Bank Berhad	Shari'ah Manager	Islamic Subsidiary Bank (Foreign)
7.	Standard Chartered Saadiq	Shari'ah Advisor	
8.	Standard Chartered Saadiq	Operational Officer	Fully-fledged (Foreign)
9.	Al-Rajhi Bank (Msia) SdnBhd	Shari'ah Manager	
10.	Bank Islam Malaysia Berhad	Operational Manager	
11.	Bank Islam Malaysia Berhad	Operational Manager	Fully Fledged (Local)

(iv) Reliability and Validity

The issue of reliability and validity are also normally raised with regard to qualitative research although the importance is not as paramount as in quantitative research. Researchers are concerned with quality checking to ensure credible research findings.

Validity in this sense closely refers to the quality, rigour and trustworthiness, honesty, richness, and depth of specific data (Cohen, *et al.*, 2007: 133; Golafshani, 2003: 602). In addition, Bryman (2001: 32) extended the aspects of trustworthiness with a similar criterion in quantitative research:

- (i) Credibility – how believable are the findings?
- (ii) Transferability – do the findings apply to other contexts?
- (iii) Dependability – are the findings likely to apply to other times?
- (iv) Confirmability – has the researcher allowed his or her values to intrude to a high degree?

Validity is divided into two groups, internal and external validity as asserted by LeCompte and Goetz (1982) in Bryman (2001: 271). According to the former, internal validity is said to be the strength of qualitative research since it assesses the good match between researchers' observations and the theoretical ideas that have developed. This type of validation is mostly suited to ethnographic studies. While for the latter, external validity refers to the degree in which the findings obtained could be generalised across social settings such as used in case studies and small sampling. Hence, the external validity is suitable to be employed for this particular study since this is a case study of CSR that specifically look into the Malaysians Islamic banking.

In interview, invalidity of data that almost always occur is bias. To validate a data, several methods are used such as reviewing the depth of the research, cross check with other source of informant or observation and triangulation (Ambert, *et al.*, 1995: 885). According to Cohen *et. al* (2007: 150), to validate an interview data is by comparing with another set of data that is already valid. Meanwhile, triangulation is a combining method used to control bias and to strengthen the validity or authenticity of the research (Golafshani, 2003: 603). There are other source of bias that could invalidate the interview, among them is leading questions that „put words into the interviewees' mouth“ and also misunderstanding developed from the interview questions. (Cohen, *et al.*, 2007). To avoid these situations, the researcher needs to ensure that the interview is conducted in a fair environment giving the interviewee the freedom to express their views. Besides, the researcher provides a copy of the interview question before conducting the interview session for interviewee to prepare the answers. In addition, the researcher should also ensure the absolute meaning of the answers given to avoid any ambiguity and misunderstanding

Reliability in qualitative research is regarded as a degree of accuracy and comprehensiveness of a data that is recorded and actually happens in reality (Cohen, *et al.*, 2007: 149). Different interpretation may be concluded by different researchers even in a same situation.

5.6.2. Developing Research Instruments for Analysis

This section explicitly discusses developing the research instrument to analyse both interview and questionnaire survey.

5.6.2.1. Interview Survey

In order to analyse the interview survey, a few processes have been carried out to ensure it is organised and structured in a systematic way to obtain the most out of the data. Although only 11 interviewees participated, without proper tools to analyse, the researcher may miss important facts or points from the interview.

In general, the interviews were recorded and transcribed later. The verbatim records of each interviewee were then organised and coded. At this point, a coding analysis was employed.

Coding analysis:

Coding analysis is a process of repetitively reviewing transcripts or field notes by giving them a label or title which contains the most significant points or values to the subject being studied (Bryman, 2001: 392). It is necessary to code all data gathered into numerical codes to enable the data to be entered quickly and to reduce errors (Saunders, *et al.*, 2003: 333). It is a challenging task to transform a set of verbal data into fragments of codes. Bryman (2001: 400) states that there are disadvantages to this analysis which could result in losing the context of what the interviewee said and also the narrative flow of the interviews may also be lost.

Thematic analysis:

Attride-Stirling (2001: 387) claims that thematic analysis seeks to reveal prominent themes in text at a different level. It is a style of writing that is organised according to its themes (Kumar, 2011: 391). In summary, it is a method to identify, recognise and report similar pattern of themes within the data obtained. It also organises and describes the data set (Braun and Clarke, 2006: 79). Although it is rarely acknowledged, it is widely used. In fact it is recognised as an analytical tool for qualitative research. The advantage of employing this method is its flexibility, which can provide a rich and detailed set of data (Braun and Clarke, 2006: 78). In coding the data and also in organising the information gathered from the documents, thematic analysis was used.

5.6.2.2. *Questionnaire Survey*

The data gathered through questionnaire survey were statistically analysed through the use of SPSSv.18, which provides several statistical methods to assess the results obtained, which are identified as follow.

Descriptive statistical method:

This method is generally the first phase of data analysis. The objective of this method is to describe the characteristics of samples, to check the variables (whether there is any violation of assumptions underlying the statistical methods that will be used in future) and to answer certain research questions, which are by definition qualitative. There are several means of obtaining descriptive statistics; among them are mean, standard deviation, percentage, range of scores, skewness and kurtosis. In this study, the researcher will measure using mean and percentage to achieve the stated objective (Pallant, 2007: 53).

Non-Parametric Statistic:

There are two statistical techniques commonly known as parametric and non-parametric statistics. A parametric test normally makes an assumption of a given population while non-parametric tests do not make assumptions about the population and does not have stringent requirements. Non-parametric test measures an ordinal and nominal set of data and is very useful for a small sample size. There are certain disadvantages with regard to this technique since it may be less sensitive and may fail to detect the differences between the two groups (Pallant, 2007).

Considering the nature of data collecting method through questionnaire being non-random and also considering the nature of the questions being categorical, non-parametric tests used in this study to analyse the data. Although there are many techniques offered in non-parametric statistics, this research focuses on the techniques below to compare between two or more groups:

- (i) Mann-Whitney U tests – is a popular technique used to test for differences between two independent groups on a continuous measure. Instead of comparing mean as in a t-test, it compares medians of two groups. It evaluates the score between the two groups that have significance differences (Pallant, 2007: 220; Vaus, 2002: 297).

- (ii) Kruskal-Wallis tests – it has a similar objective as one-way between-groups ANOVA which compares scores on a continuous variable for three or more groups. The nature of this test is similar to Mann-Whitney U test except that it compares the variables of more than two groups (Pallant, 2007: 226; Vaus, 2002: 298).

MANOVA:

This is an extension of analysis of variance that is used to analyse more than one dependent variable. This sophisticated technique compares groups and could identify which dependent variables are most affected by an independent variable (Pallant, 2007: 275; Vaus, 2002: 390).

Factor Analysis:

Factor Analysis is different from other statistical techniques normally used to analyse data. It uses reduction techniques to summarise or simplify a large sample size into a smaller set of factors or components. In social science it is normally applied to correlations between variables (Hair, *et al.*, 2006: 107; Kline, 1994: 3; Pallant, 2007: 179).

There are two major methods in Factor Analysis: exploratory and confirmatory. Exploratory Factor Analysis is similar to grounded theory in that researchers need to gather information in order to explore the inter-relationships among a set of variables. It is normally performed in the earlier stages of research to explore the field and to discover the main construct. On the other hand, confirmatory Factor Analysis is used to test and confirm theories or hypotheses, which is more sophisticated and conducted in the advanced stages (Pallant, 2007: 179; Tabachnick and Fidell, 2007: 609).

It is very important to assess the sample size and strength of the relationships among variables to consider the suitability for Factor Analysis (Pallant, 2007: 180). The overall measure of inter-correlation should be tested so that the data matrix has sufficient correlation to justify the application of Factor Analysis. Although there are no specific guidelines as to the size of sample, according to Tabachnick and Fidell (2007: 613), the data should have at least 300 cases for Factor Analysis because the correlation coefficients tend to be less reliable when estimated from a small sample. The ground rule is that the more the subjects, the better the results will be. Thus, this study is suitable to employ Factor Analysis since it has fulfilled this requirement by having 477 samples.

There are two statistical measures to determine the appropriateness of Factor Analysis available in SPSS: the Kaiser-Meyer-Olkin (KMO) test measure of sampling adequacy and Bartlett's Test of Sphericity. The rule of thumb, according to KMO, is to ensure the fitness of the data and whether it can be considered as practical and statistically significant; the partial correlation is considered high when the KMO value is above 0.7, while the Bartlett's Test of Sphericity is statistically significant when obtaining significant value lower than 0.05 (Hair, *et al.*, 2006: 114). According to Kaiser (1974), the interpretation of the magnitude of KMO values are as following: 0.90 and above is regarded as „marvellous“, 0.80 – 0.89 as „meritorious“, 0.70 – 0.79 as „middling“, 0.60 – 0.69 as „mediocre“, 0.50 – 0.59 as „miserable“ and less than 0.50 as unacceptable. To Kaiser (1974), 0.50 is still acceptable but only satisfactory.

After assessing the fitness of the data, the next step is factor extraction to determine the smallest number of factors that best represents the whole data set. Although there are a few techniques that could be employed for factor extraction, this study employs the most common approach, principal component analysis. The objective of principal component analysis is to be able to estimate the correlation matrix (Kline, 1994: 29). Therefore, to further assist with the analysis, three techniques are recommended: Kaiser's criterion, scree test and parallel analysis. The researcher has decided to use the Kaiser's criterion also known also as eigenvalue rule. Eigenvalue is a statistic that relates a factor indicating the amount of variance in the pool of an initial item that the particular factor explains. To retain and further investigate a factor, the eigenvalue should be of 1.0 or more (Pallant, 2007; Vaus, 2002).

The next step, after determining the deducted factors, involves interpretation through factor rotation. There are two main approaches for factor rotation that are orthogonal and oblique. Orthogonal rotation is when all factors are uncorrelated with each other, thus producing a loading matrix that consists of a matrix of correlation between observed variables and factors. Whereas oblique rotation is when the factors themselves are correlated, resulting in the production of several additional matrices (Tabachnick and Fidell, 2007: 609).

Orthogonal rotation method consists of three techniques: varimax, quartimax and equamax, which have different goals of analysis. The most commonly used is varimax that minimises the complexity of factors (simplify columns of loading matrix) while quartimax minimises the complexity of variables (simplify rows of loading matrix), both maximise variance of

loadings on each variable. Equamax, on the other hand, is a hybrid technique of varimax and quartimax. It simplify both variables and factors (rows and columns of loading matrix) (Pallant, 2007; Tabachnick and Fidell, 2007: 638; Vaus, 2002: 144). Factor loading is a process to identify the variables fall into respective components through correlations between variables and factors. To interpret the result, the higher the loading, the more the variable belongs to that particular factor. Normally, the loading value should be more than 0.30 in order to correspond to any factors (Vaus, 2002: 139).

5.7. LIMITATIONS AND DIFFICULTIES

It is undeniable that every research study faces various limitations and difficulties, which is the case in this study as well. The main challenge faced throughout was the data collection process, which was conducted in Malaysia. The main issues were time, cost, lack of manpower and cooperation from respondents of the survey.

The researcher had to limit the fieldwork to a particular time-frame: exactly three months which was approved by the researcher's sponsor; hence everything had to be systematically scheduled. Although approval from participating parties and Islamic banks for the survey and interviews was sought prior to the start of the fieldwork, it was still time consuming, as the researcher had to go through plenty of administrative processes before getting to the right person. As a result, time constraints made it almost impossible for the researcher to extend her travel across the country.

Since the researcher is still a student and does not obtain any fieldwork allowance, the area studied had to be covered at a reasonable price. This is one of the main reasons why this study took place around Kuala Lumpur and Klang Valley only, instead of being extended to a wider area across Malaysia.

With a tight budget, the researcher also endeavoured to conduct the survey without any assistance, in particular by not employing a research assistant. Although, the researcher managed to gather the necessary data, if given the opportunity to have an assistant, the number of respondents would probably have been higher.

On the whole, the researcher managed to get good cooperation from some of the banks. However, there are few banks which were very difficult to cooperate with and even to contact. This is the reason as to why the researcher had divided the Islamic banking industry into groups through sampling so that there was no need to gather data from each of the Islamic banks that exist in Malaysia.

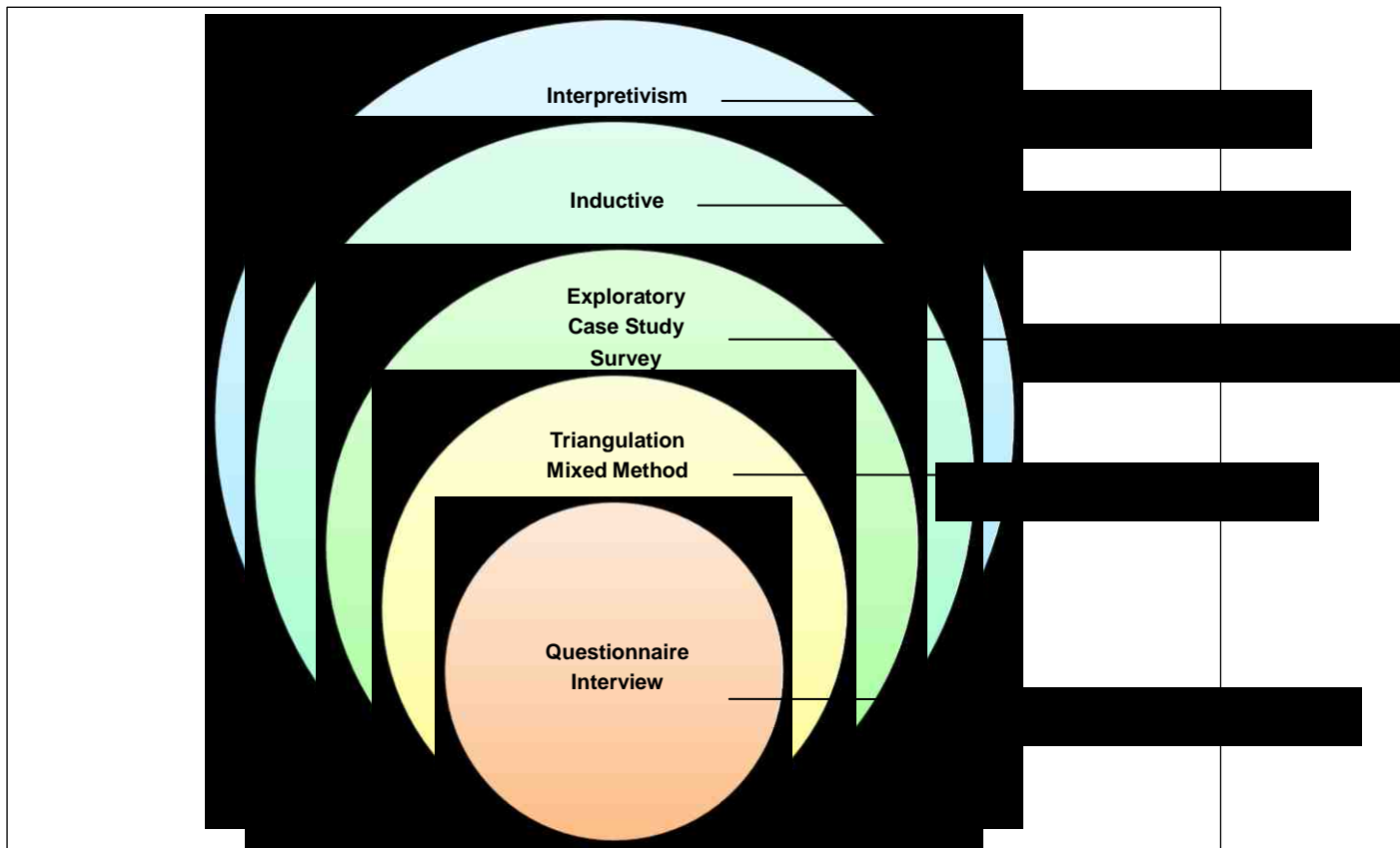
It should, however, be noted that encountering difficulties and challenges motivated the researcher to put in more effort and give the very best to move forward and ensure the success of the study.

5.8. SUMMARY AND CONCLUSION

This chapter comprehensively discuss the research framework and methodology of the study. The research framework of this study was explicitly identified which address the Islamic banking industry in Malaysia and were categorised into four groups to be analysed. The chapter, then, discuss on the hypothesis development that revolved around the knowledge and practices of respondents with regard to CSR and sustainable development in Islamic banks.

Subsequently, the chapter discussed in detail on the research process, methods, design and strategy employed in this study to ensure a valid and reliable data obtained. Figure 5.3. presents an overview of the research process of this study by adopting the idea of the research process „onion“ model from Saunders, *et al.* (2003).

Figure 5.3. Summary of Research Process



Source: Saunders, et al. (2003)

This study employed primary data collection through questionnaire and interview surveys to gauge the respondents' perception and knowledge on the research objective. This chapter also describes and discusses other issues related to the research methodology including, data sampling, questionnaire development, data analysis and also validity and reliability of the data. In conclusion, the data collection and analysis process was successfully completed as discussed in this chapter, although the research faces several limitation and difficulties.

Chapter 6

SEARCHING FOR THE PARTICIPANT PROFILE AND PERCEPTIONS ON CSR, SUSTAINABLE DEVELOPMENT AND SOCIAL BANKING: DESCRIPTIVE ANALYSIS

6.1. INTRODUCTION

This chapter aims to present the initial results obtained through analysis of the data from the questionnaire survey. Employing SPSS, data were keyed-in and analysed using descriptive analysis to locate the frequencies and distributions in the form of percentages and mean values to present a primary overview of the results generally known as preliminary finding. This is an essential process before extending the analysis using more sophisticated statistical methods.

This chapter is divided into seven sections beginning with an introduction. The findings from the data gathered through questionnaire survey presented in relation to the identified sections in the questionnaire. In the initial section, findings related to demographic profile (6.2. Profile Analysis) are presented, which is followed by respondents' general understanding of Islamic Banking (6.3. Knowledge on Islamic Banking and Finance), which then is followed by a discussion on the understanding and practice of CSR in Islamic banking in Malaysia (6.4. Knowledge and Practice of CSR). Further it examines respondents' perception of sustainable development (6.5. Knowledge on Sustainable Development) and social banking (6.6. Knowledge of Social Banking). The concluding remark is organised at the end of the chapter in section 6.7.

6.2. PROFILE ANALYSIS

This section presents the findings related to the respondents' profile background identifying the respondent categories, either customer or banker and within which of the four bank cluster they fall. Then it summarises the respondents' personal background by gender, age, ethnicity, religion, education, income and occupation.

Table 6.1: Summary of Sample Background

Respondents Category			
	Frequency	Percentage	Mean
Customer	363	76.1	
Banker	114	23.9	
Total	477	100.0	
Bank Cluster			
	Frequency	Percentage	Mean
Local fully-fledged	197	41.3	
Foreign fully-fledged	30	6.3	
Local Islamic subsidiaries	204	42.8	
Foreign Islamic subsidiaries	46	9.6	
Total	477	100.0	2.21

As can be seen in Table 6.1., a total of 477 respondents participated in this study; 76.1% were customers/depositors of Islamic banks and the remainder were employees of Islamic banks, ranging from supporting staff, executives and managers.

This categorised 17 Islamic banks in Malaysia into four groups: local fully-fledged, foreign fully-fledged, local Islamic subsidiaries and foreign Islamic subsidiaries. Table 6.1. depicts that the highest outcomes from this survey are from local Islamic subsidiaries marking 42.8% followed by local fully-fledged at 41.3%. While the foreign banks show very low participation with 6.3% from fully-fledged banks and 9.6% from the Islamic subsidiaries.

Table 6.2: Summary of Respondents' Profile Background

Gender			
	Frequency	Percentage	Mean
Male	201	42.1	
Female	276	57.9	
	477	100.0	
Age			
	Frequency	Percentage	Mean
Below 20	7	1.5	
20 – 30	278	58.3	
31 – 40	131	27.5	
41 – 50	43	9.0	
Above 50	18	3.8	
Total	477	100.0	2.55
Ethnicity			
	Frequency	Percentage	Mean
Malay	439	92.0	
Chinese	20	4.2	
Indian	14	2.9	
Others	4	.8	
Total	477	100.0	1.13

Religion			
	Frequency	Percentage	Mean
Muslim	448	93.9	
Christian	8	1.7	
Buddhist	12	2.5	
Hindu	7	1.5	
Others	2	.4	
Total	477	100.0	1.13

It can be seen from Table 6.2 that about 42% of the participants are male; which, as a result, implies that most of the participants are female.

The next category for personal background is age group. As Table 6.2. depicts, the majority of respondents come from the younger generation ranging from with 58.3% of the participants falling in 20 – 30 years old range. 27.5% of respondents are from 31 – 40 years old group and 3.8% from 41 – 50 years old group. Senior citizens and respondents below 20 years old are the smallest groups represented in this study with 3.8% and 1.5% respectively.

In term of ethnicity, the majority of respondents are Malays with 92%. Chinese and Indians participating in the study are only 4.2% and 2.9% respectively. The remainder of the participants are distributed among other faiths such as Buddhist (2.5%), Christians (1.7%), Hindu (1.5%) and others (0.4%). Since Malay participants dominate the study, Muslims are the dominant group with 93.9% of the participants. It is usual in Malaysia to assume Malays to be Muslim believers (see Chapter 4).

Table 6.3: Summary of Respondents' Educational Background, Monthly Income and Occupation

Highest Education Attainment			
	Frequency	Percentage	Mean
SPM	31	6.5	
Diploma/Matriculation/A-Level	69	14.5	
Bachelor (1st Degree)	275	57.7	
Professional Qualification	23	4.8	
Postgraduate (Masters/PhD)	79	16.6	
Total	477	100.0	3.10

Monthly Income			
	Frequency	Percentage	Mean
RM 1,000 and below	89	18.7	
RM 1,001 - RM 3,000	144	30.2	
RM 3,001 - RM 5,000	155	32.5	
RM 5,001 - RM 10,000	75	15.7	
RM 10,001 - RM 20,000	11	2.3	
More than RM 20,000	3	0.6	
Total	477	100.0	2.55
Occupation			
	Frequency	Percentage	Mean
Manager/Executive	167	35.0	
Professional (lawyer, engineer, accountant, banker, doctor etc.)	103	21.6	
Administrative staff (clerk, secretary, typist etc.)	40	8.4	
Academician/Education	49	10.3	
Housewife	5	1.0	
Student	90	18.9	
Merchant/Business	13	2.7	
Unemployed	2	0.4	
Others	8	1.7	
Total	477	100.0	3.04

Table 6.3. identifies the respondents' educational background, monthly income and also occupation, which shows that respondents in this survey are educated at least to high school certificate level or SPM of 6.5%. About 14.5% have achieved diploma/matriculation/A-level. The majority of the respondents' highest education attainment is bachelor degree marking 57.7%, while 16.6% of the respondents have Masters or PhD degrees and only 4.8% have professional qualifications.

Since the majority of the respondents' have at least a degree, hence Table 6.3. shows its relationships towards the respondents' occupation and monthly income. This demonstrates that most of the respondents fall into the middle class category with 32.5% monthly income ranging from RM3,001 – RM5,000 and 30.2% monthly income are RM1001 – RM3000. It also depicts that there is an equal distribution of respondents' falling in the low income category and high income receiver with 18.7% and about 18.6% of the respondents respectively.

This study considers wide ranges of occupational background: the highest percentage was from managers and executives with 35% and then comes professionals such as lawyers,

doctors, engineers, accountants *etc.* with 21.6%. University students' constitute 18.9% of the respondents and academician or educator 10.3%.

Table 6.4: List of Respondents' Islamic Banks and Duration of Banking Relationship

Participating Islamic Banks			
	Frequency	Percentage	Mean
Affin Islamic Bank Berhad	15	3.1	
Al-Rajhi Banking & Investment Corp. (M'sia)	22	4.6	
Alliance Islamic Bank Berhad	12	2.5	
Amlslamic Bank Berhad	8	1.7	
Bank Islam Malaysia Berhad	156	32.7	
Bank Muamalat Malaysia Berhad	39	8.2	
CIMB Islamic Bank Berhad	42	8.8	
EONCAP Islamic Bank Berhad	14	2.9	
Hong Leong Islamic Bank Berhad	4	0.8	
HSBC Amanah Malaysia Berhad	14	2.9	
Kuwait Finance House (M'sia) Berhad	8	1.7	
Maybank Islamic Berhad	84	17.6	
OCBC Al-Amin Bank Berhad	6	1.3	
Public Islamic Bank Berhad	10	2.1	
RHB Islamic Bank Berhad	18	3.8	
Standard Chartered Saadiq Berhad	25	5.2	
Total	477	100.0	8.65
Duration of Banking Relationship			
	Frequency	Percentage	Mean
Less than 1 year	50	10.5	
1 to 3 years	147	30.8	
3 to 5 years	106	22.2	
More than 5 years	174	36.5	
Total	477	100.0	2.85

Table 6.4. depicts the distribution of banks at which the customers are clients. It shows that Bank Islam Malaysia Berhad has a significant outcome to the study with 32.7% of the respondents using their financial services. This is followed by Maybank Islamic Berhad, with 17.6% of total respondents are enjoying products and services from this bank. Out of the total participating Islamic banks, CIMB Islamic and Bank Muamalat Malaysia Berhad scored 8.8% and 8.2% respectively. The lowest participation in this survey is from Hong Leong Islamic Bank Berhad with a percentage of 0.8.

The second tier of the table displays the results for the duration of respondents' relationship with their respective Islamic banks. Respondents who have been using Islamic financial services offered by the respective banks for more than 5 years are represented with the

highest percentage at 36.5%. About 22.2% have been with Islamic banks from 3 to 5 years and 30.8% for 1 to 3 years. Only 10.5% are relatively new to costuming with Islamic banks and their financial products for less than a year.

The next section reveals the number of Islamic bank customers having an active conventional bank account which were asked in the questionnaire survey.

Table 6.5.: Summary of Islamic Banks Customers having Conventional Bank Account

Islamic Banks Customers having Conventional Bank Account			
	Frequency	Percentage	Mean
Yes	359	75.3	
No	118	24.7	
Total	477	100.0	1.25

Table 6.5.depicts the demographic results related to the respondents that have conventional bank account together with their Islamic bank account. Evidently from the table, three quarter (75.3%) of respondents still choose to open account with conventional banks despite having an account in an Islamic bank.

Table 6.6.: Summary of Reasons for Not Having an Islamic Account

Reasons for Not Having An Islamic Account			
	Frequency	Percentage	Mean
Only for Muslims	38	8.0	
Financial Instability	32	6.7	
Product Offered are Expensive	62	13.0	
Slow Customer Services	67	14.0	
No Available Branch Nearby	168	35.2	
Not Enough Information	241	50.5	
Although it is called Islamic, I am not sure it is really Islamic	152	31.9	
Others	36	7.5	

When the respondents were asked to express their views as to why as an individual they general do not have an Islamic bank account, the following results are found, as depicted in Table 6.6.the majority of the respondents believe that this is because of insufficient information with regard to Islamic banking products with a percentage of 50.5%. In addition, 35.2% of the respondents stated that there are no available branches nearby and about 31.9% are doubt whether it is purely according to Islamic principles or not. Moreover, 27% of respondents also blame products and services provided by Islamic banks, complaining of slow customer services and expensive products. It should also be stated that 8% of the

respondents still have a sceptical mindset that Islamic banks are for Muslims only and 6.7% are concerned about Islamic banks being financially instable. The remaining 7.5% have other reasons on the pertaining issue.

6.3. KNOWLEDGE ON ISLAMIC BANKING AND FINANCE

This section presents descriptive results of the respondents' general understanding of Islamic banking from various factors.

Table 6.7: Summary of Respondents' General Islamic Banking Expressions

General Islamic Banking Expressions						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Having Shari'ah-compliant products	1.0	0.6	10.3	43.0	45.1	4.30
Banking without charging interest	4.4	10.3	7.8	42.6	35.0	3.94
An ethical banking	3.6	7.5	14.5	52.4	22.0	3.82
An alternative to capitalism and socialism	3.1	8.4	23.7	42.1	22.6	3.73
Promoting social welfare	1.7	9.6	27.3	44.0	17.4	3.66
Discourages debt-based finance	2.9	13.8	27.7	42.3	13.2	3.49
A charitable entity	8.0	21.2	33.8	28.9	8.2	3.08
Similar to other commercial banks	15.3	33.1	16.4	30.2	5.0	2.77
Banking for the poor	24.5	38.2	20.3	14.0	2.9	2.33
Banking for Muslims only	44.4	32.7	6.5	12.4	4.0	1.99

Table 6.7. shows the respondents' understanding of Islamic banks by associating it or expressing with several variables. From the mean provided, it is understood that Islamic banks are normally associated with having Shari'ah compliant products with the highest mean of 4.30. They are also perceived largely as 'interest-free' and 'ethical banking' with a sample mean of 3.94 and 3.82 respectively. Islamic banks are portrayed as an 'alternative to capitalism and socialism' with a mean of 3.73, while Islamic banks are shown to be associated with 'social welfare' with a mean of 3.66 and with 'discouraging debt based financing' with a mean of 3.49. Respondents relate Islamic banks with 'charitable entity' by a mean point of 3.08. As can be seen, however, Islamic banks are less associated with the following variables; 'similar to other commercial banks', 'banking for the poor' and 'only for

Muslims' with the mean values of 2.77, 2.33 and 1.99 respectively indicating a low agreement.

Table 6.8: Levels of Importance of Islamic Bank Objectives

Levels of Importance of Islamic Banks Objectives						
	Not important at all (%)	Not important (%)	Do Not Know (%)	Important (%)	Very important (%)	Mean
Prohibition of <i>riba'</i>	0.0	1.0	5.2	24.9	68.8	4.61
Providing Shari'ah-compliant products	0.0	0.6	4.6	29.1	65.6	4.60
Encouraging Islamic values at all levels	0.2	1.7	7.8	32.3	58.1	4.46
Promoting sustainable development	0.2	1.0	16.6	50.3	31.9	4.13
Contributing to social welfare	0.6	2.9	15.7	50.1	30.6	4.07
Non-debt based financing	0.4	4.6	23.9	40.9	30.2	3.96
Alleviating poverty	0.6	4.8	23.7	45.3	25.6	3.90
Maximising profits	2.1	11.1	16.1	50.3	20.3	3.76

The participants were provided a list of potential Islamic bank objectives and were asked to express their level of agreement with these objectives. In other words, these questions are raised to identify the levels of importance with regard to main objectives of Islamic banks. As can be seen in Table 6.8, prohibition of *riba'* and providing Shari'ah compliant products are among the most important objectives of Islamic banks with mean value of 4.61 and 4.60. Respondents also emphasised the importance of encouraging Islamic values, promoting sustainable development and contributing to social welfare with a mean score of 4.46, 4.13 and 4.07, respectively. The survey finds that maximising profits are perceived to be the least important objectives for Islamic banks with a score of 3.76, followed by alleviating poverty and providing non-debt based financing with a mean score of 3.90 and 3.96 respectively.

6.4. KNOWLEDGE ON AND PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY

This section provides insights on the respondents' understanding, practice and expectation of CSR in Islamic banking.

Table 6.9: Summary of Respondents' Familiarity with the Concept of CSR

Familiarity with the Concept of CSR			
	Frequency	Percentage	Mean
Yes, I am very familiar	235	49.3	
I am not that familiar	149	31.2	
No, I am not familiar at all	93	19.5	
Total	477	100.0	1.70

As can be seen in Table 6.9., almost half of the respondents (49.3%) declared familiarity with the concept of CSR, while 31.2% are not that familiar with the concept and about 19.5% are not familiar at all. Considering that CSR related issues are not necessarily discussed in everyday life, this is an encouraging result.

Table 6.10: List of Keywords Describing CSR

Keywords Describing CSR				
	Frequency	Percentage	Valid Percentage	Mean
Giving back to society	184	38.6	47.9	
Charity and/or philanthropy	40	8.4	10.4	
People, planet and profit	15	3.1	3.9	
Business and society	74	15.5	19.3	
Business ethics	25	5.2	6.5	
Corporate sustainability	23	4.8	6.0	
Responsible business	23	4.8	6.0	
Total	384	80.5	100.0	
Missing System	93	19.5		
Total	477	100.0		2.68

After establishing the understanding level of the participants on the CSR, they were provided a list of keywords describing CSR to reveal respondents' best understanding of the concept of CSR. As Table 6.10 shows, 'giving back to the society' as a description of the CSR managed to get the highest score of 47.9%. 19.3% of the respondents' also understands CSR as 'business and society'. An equal score of 6.0% expressed CSR as 'corporate sustainability' and 'responsible business'. CSR is least described as 'people, planet and profit' with a score of 3.9%. Thus, it can be seen that there is a general understanding of CSR prevailing among the participants. However, further comprehensive description is not necessarily expressed.

Table 6.11: Summary of Significance of CSR to Islamic Banking

Significance of CSR to Islamic Banking						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
CSR should be embedded in Islamic banks' policy	0.6	2.1	15.7	53.9	27.7	4.06
CSR relevant to Islamic banking concept	0.8	3.4	16.4	50.9	28.5	4.03
Islamic banks are obliged to practice CSR	1.3	3.4	18.9	51.2	25.4	3.96
The government should legislate for CSR	1.3	4.0	18.7	52.8	23.3	3.93
CSR upholds the social justice dimension of Islamic Economics	0.4	4.6	21.2	56.0	17.8	3.86
Social responsibility should be left up to the government	20.1	36.1	11.9	22.9	9.0	2.65
Social responsibility should be left up to the NGOs	22.2	37.5	14.9	20.8	4.6	2.48

As can be seen in Table 6.11, this study also examines the significance of CSR to Islamic banking as perceived by the participants. In other words, participants' perceptions on the relationship or the interaction between CSR and Islamic banking are aimed at. A significant number of respondents perceived that 'CSR should be embedded in Islamic banks' policy' with a mean value of 4.06; and the second highest mean score relates to the statement of 'CSR is relevant to Islamic banking concept' showing a mean score of 4.03. In fact, the survey shows that 3.96 mean score concurred that 'Islamic banks are obliged to practise CSR'. These three statements achieved among the highest mean score indicating a strong recommendation that the concept of CSR is significant and relevant to Islamic banking. Yet, those who feel that the 'government should take action by enforcing to legalise CSR instead of it being voluntarily enacted by the banks' scored 3.93 mean. Only a few of the respondents think that social responsibility should be left up to the government and NGOs with a less favourable mean score of 2.65 and 2.48 respectively. In sum, Islamic banking is related to CSR in general by the participants.

Table 6.12: Summary of Respondents' Awareness of CSR Practised in Islamic Banks

Awareness of CSR Practised in Islamic Banks			
	Frequency	Percentage	Mean
Yes, I am aware	238	49.9	
I am not interested	37	7.8	
No, I am not aware	202	42.3	
Total	477	100.0	1.92

In order to measure the awareness of CSR, Table 6.12 depicts the state of respondents' awareness towards CSR practised in their respective Islamic banks. The survey identified that half of the respondents (49.9%) are aware of CSR practices in their respective banks. Unfortunately, about 42.3% are not aware and only 7.8% of the respondents are not interested at all with CSR practises in their bank.

Table 6.13: List of CSR Contributions Expected to be Practiced in Islamic Banks

CSR Contributions Expected to be Practise in Islamic Banks						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Emphasis on ethical values and moral behaviour (e.g. honesty, respect, punctuality, justice, etc.)	0.4	1.0	4.4	52.4	41.7	4.34
Ensure investment in ethical and Shari'ah compliance products	0.4	1.9	6.3	46.1	45.3	4.34
Provides educational sponsorships	0.6	1.7	7.1	51.2	39.4	4.27
Alliance with charitable organisations (e.g. activities with orphanage, helping the poor, etc.)	0.4	2.1	5.0	62.9	29.6	4.19
Assist <i>Zakah</i> House (<i>pusat zakat</i>) for <i>zakah</i> collection and/or distribution	1.0	4.0	9.4	46.3	39.2	4.19
Guarantees investment will not harm the environment	0.4	2.5	10.7	52.2	34.2	4.17
Adoption of best practices in human resource management	0.4	2.7	10.7	55.6	30.6	4.13
Charity/donation to the community	0.8	2.5	7.5	62.5	26.6	4.12
Pro-active in environment conservation	0.4	2.3	13.8	53.0	30.4	4.11
Promote health and safety in the workplace	0.6	1.9	13.8	56.2	27.5	4.08
Actively target groups, communities or institutions that require assistance	0.6	2.3	10.1	62.3	24.7	4.08

CSR Contributions Expected to be Practise in Islamic Banks						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Provide benevolence loans (<i>qard al-hasan</i>)	0.4	4.0	14.0	54.7	26.8	4.04
None of the above, as bank is a financial institution	31.2	31.2	17.6	14.7	5.2	2.31

The respondents have great expectations when it comes to CSR activities that Islamic banks should provide as evident in Table 6.13. As can be seen from the table, a list of potential CSR activities as expected from Islamic banks is provided. The survey depicts that two variables score the highest mean point (4.34); the respondents would like Islamic banks contribution on CSR in the form of ‘emphasising on ethical values and moral behaviour’ and ‘ensuring investment in ethical and Shari’ah compliance products’. ‘Educational sponsorship’ as a potential CSR practice scored 4.27. Meanwhile, ‘alliance with charitable organisation’ and ‘assist *zakah* house for *zakah* collection and/or distribution’ both obtained a mean score of 4.19. Issues relating to the environment, employees’ rights and community development achieved a mean score of: ‘guarantees investment will not harm the environment’ (4.17), ‘adoption of best practices in human resource management’ (4.13), ‘charity/donation to the community’ (4.12), ‘pro-active in environment conservation’ (4.11), ‘promote health and safety in the workplace’ (4.08), and, ‘actively target groups, communities or institutions that require assistance’ (4.08). Unfortunately, *qard al-hasan* is still least expected to be practice in Islamic banks or probably the knowledge of *qard al-hasan* is still lacking, and therefore it is ranked second from bottom with a mean score of 4.04. In support of the CSR, respondents disagree with the statement that banks are only a ‘financial institution and does not need to perform social responsibility’ evidently from the least favourable mean score of 2.31.

Table 6.14: Summary of Islamic Banks Actively Performing CSR

Islamic Banks Actively Performing CSR			
	Frequency	Percentage	Mean
Yes	283	59.3	
No	194	40.7	
Total	477	100.0	1.41

Table 6.14 demonstrates that more than half of the respondents (59.3%) believed that their respective bank actively performs CSR activities. However, a substantial number at 40.7% argues on the contrary.

Table 6.15: Summary of Encouragement to Join CSR Activities Conducted by Islamic Banks

Encouragement to Join CSR Activities Conducted by Islamic Banks			
	Frequency	Percentage	Mean
Yes	131	27.5	
I am not interested	71	14.9	
No	275	57.7	
Total	477	100.0	2.30

Respondents were also asked if they are encouraged to join CSR activities conducted by their respective Islamic banks. Table 6.15 shows clearly that a majority of respondents with 57.7% states that there is no encouragement from their bank to join CSR activity conducted by their bank. However, 27.5% believes that there is encouragement from the bank to join CSR activities, while 14.9% of the respondents are not interested at all with regard to this matter.

Table 6.16: Summary of Percentage of Profits Goes to Social Welfare and Charitable Activities

Percentage of Profits Goes to Social Welfare and Charitable Activities			
	Frequency	Percentage	Mean
None	8	1.7	
Less than 2%	23	4.8	
2% to 5%	52	10.9	
More than 5%	21	4.4	
I am not aware	373	78.2	
Total	477	100.0	4.53

In search for evidence for the CSR activities of the Islamic banks with which the participants have been banking, they were asked to reveal the distribution of profit that is allocated to CSR activities by their respective banks. Table 6.16 lays out the percentage range of contribution. As can be seen, 78.2% of the respondents indicate that they are not aware of the percentage of profit allocated to welfare and charitable activities by their bank. About 10.9% indicate that 2 – 5% of the profits are contributed to society and about 1.7% states that none of the profit earned are contributed for the CSR programme.

This finding helps to corroborate the previous results as to the CSR activities of the Islamic banks the participants have been banking with. While the participants identified that their Islamic bank is CSR friendly, when it comes to the quantification or evidencing this, large majority of the respondents do not have much understanding. This could be either Islamic banks do not disclose such information, or the respondents do not have much interest to look into the CSR friendly nature of their banks as they may just consider that being Islamic bank fulfils the CSR expectations.

Table 6.17: List of Mediums for CSR Report

Mediums for CSR Report by Islamic Banks			
	Frequency	Percentage	Mean
None	22	4.6	
Annual Report	119	24.9	
Internal Newsletter	95	19.9	
Leaflet/brochure	70	14.7	
Banks' Webpage	149	31.2	
Public Media	164	34.4	
I am not aware	177	37.1	
Others	6	1.3	

The survey in this study also looks at the medium used by the respondents' respective Islamic banks to communicate CSR activities. According to Table 6.17, the respondents being not aware as to how CSR activities are reported by their banks scored the highest with 37.1%. On the other hand, 34.4% stated that CSR activities are reported in the public media such as newspapers, magazine, televisions *etc.*, while 31.2% reported that CSR activities are reported in the banks' webpage. About 1.3%, the lowest percentage indicated that CSR activities are reported elsewhere than the options given. Lastly, 4.6% from the survey mentioned that there are no CSR reporting from their respective banks.

Table 6.18: List of Advantages for Islamic Banks to Practise CSR

Advantages to be Gained by Islamic Banks to Practise CSR						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Being socially responsible gives better brand image to the bank	0.6	0.8	6.9	60.4	31.2	4.21
By practising CSR, the bank overcomes the barrier between bank and society	0.4	2.3	15.3	57.0	24.9	4.04
Through CSR activities, bank increases the awareness to be environmentally friendly	0.2	1.9	15.3	62.9	19.7	4.00
By implementing CSR, bank promises a better future for the community	0.0	2.7	17.2	59.7	20.3	3.98
Being a socially responsible bank, will increase loyalty among customers/depositors	0.2	3.4	15.5	60.8	20.1	3.97
Implementing CSR creates competitive advantage for the bank	1.3	4.2	15.3	56.2	23.1	3.96
Contributing to CSR increases appreciation of stakeholders	0.4	4.8	16.8	56.2	21.8	3.94
Practising CSR will increase employees satisfaction in the bank	0.2	6.3	21.2	57.4	14.9	3.81
CSR will help increase annual profit for the bank	0.2	9.2	38.4	41.5	10.7	3.53
Implementing CSR practices are costly and only suitable for a financially stable entity	7.5	33.3	18.9	34.0	6.3	2.98

With regards to advantages that can be gained by Islamic banks in performing CSR, as can be seen in Table 6.18, a significant number of respondents agree that by performing CSR provides a better brand image to Islamic banks. Table 6.18 shows the mean ranking of the opinions from the highest to the lowest, 'being socially responsible gives better brand image to the bank' scored the highest mean with 4.21. Moreover, the survey anticipated that by performing CSR, the barrier between bank and society could be overcome and could increase awareness of environmentally friendly issues with a mean score of 4.04 and 4.00 respectively. With the lowest mean score depicted in the table above, it revealed that respondents have doubt that 'CSR will increase annual profit' (3.53) and 'implementing CSR practices are costly and only suitable for a financially stable entity' (2.58).

Table 6.19: List of Factors Preventing Islamic Banks from Implementing CSR

Factors Preventing Islamic Banks from Implementing CSR						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Lack of commitment for CSR	0.8	7.1	15.9	56.6	19.5	3.87
Not prioritised as important	0.4	9.4	20.1	53.9	16.1	3.76
Lack of commitment to Islamic ethics	1.3	10.5	19.5	52.0	16.8	3.73
Commercial orientation	0.4	9.2	25.2	49.5	15.7	3.71
Bureaucracy	1.0	9.4	25.6	48.8	15.1	3.68
Lack of awareness	2.9	13.2	11.7	59.3	12.8	3.66
Not imposed by the government	1.3	14.9	22.6	46.3	14.9	3.59
Lack of adequate information on CSR	2.7	13.8	16.8	56.2	10.5	3.58
Not interested	2.5	13.8	24.7	44.9	14.0	3.54
Not profitable to the bank	1.9	20.3	24.3	39.2	14.3	3.44
Lack of human resources	13.8	19.7	17.0	51.6	8.0	3.40
Time constraint	3.6	22.0	18.7	48.2	7.5	3.34

As depicted by Table 6.19, the main obstacle for Islamic banks to implement CSR as indicated by the survey is ‘lack of commitment for CSR’ with the highest mean score of 3.87. Several other crucial reasons are that it is ‘not prioritised as important’, ‘lack of commitment to Islamic ethics’ and because of Islamic banks’ ‘commercial orientation’ scoring 3.76, 3.73 and 3.71 respectively. The three lowest mean score arranged in descending order are ‘not profitable to the bank’ (3.44), ‘lack of human resource’ (3.40) and ‘time constraint’ (3.34). This substantiates the current debated on the social failure of Islamic finance.

6.5. KNOWLEDGE ON SUSTAINABLE DEVELOPMENT

After presenting the initial findings on various dimensions of CSR in Islamic banking, this section generally aims at presenting the initial findings related to the understanding of sustainable development in the IBF industry, for which a number of questions were included in the questionnaire.

Table 6.20: Summary of Respondents' Familiarity with the Concept of Sustainable Development

Familiarity with the Concept of Sustainable Development			
	Frequency	Percentage	Mean
Yes, I am very familiar	181	37.9	
I am not that familiar	186	39.0	
No, I am not familiar at all	110	23.1	
Total	477	100.0	1.85

As can be seen in Table 6.20, 39% of the respondents stated that they are not that familiar with the concept of sustainable development and 23.1% of the participants are not familiar at all. Only 37.9% of the respondents are really familiar with the concept of sustainable development. Considering that Malaysia is a developing country and society, it is rather unfortunate that only 38% of the participants could consider themselves as familiar with sustainable development. It is important to note that this is despite the fact that majority of the participants have Islamic banking account, and they are supposed to have such accounts due also to social aspect of Islamic banking as articulated by the aspirational perspectives on Islamic moral economy.

In order to verify their understanding of the concept of sustainable development, the respondents were provided a number of statements describing the sustainable development to choose from. The results are depicted in Table 6.21.

Table 6.21: List of Descriptions of Sustainable Development

Descriptions of Sustainable Development				
	Frequency	Percentage	Valid Percent age	Mean
Satisfying present need without compromising the future generations' need	107	22.4	29.2	
Providing minimum essential needs	14	2.9	3.8	
Integration of economic, social & environmental responsibilities	146	30.6	39.8	
Establishing social justice	51	10.7	13.9	
Conducting economic and social activity with justice, equity and redistribution	49	10.3	13.4	
Total	367	76.9	100.0	
Missing System	110	23.1		
Total	477	100.0		2.78

As can be seen from Table 6.21, 39.8% of the participants described that sustainable development is about integration of economic, social and environmental responsibilities; 29.2% defined sustainable development according to UNDP definition that is ‘satisfying present need without compromising the future generations’ need. Only 3.8% expressed that it is about ‘providing minimum essential needs’. It is important to note that social justice related statements such as ‘establishing social justice’; ‘conducting economic and social activity with justice, equity and redistribution’: scored only 13.9% and 13.4% respectively. This indicates that social justice is not necessarily perceived as an integral element of the sustainable development process by the participants. The discouraging positions of the participants on sustainable development are also obvious from the overall mean value in this category, which is only 2.78.

Furthering the discussion, the study also evaluated the perceptions of the participants on the role they assign to Islamic banks in relation to social justice. The results are depicted in Table 6.22.

Table 6.22: List of Potential Roles of Islamic Banks in Providing Sustainable Development

Potential Roles of Islamic Banks in Providing Sustainable Development						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Islamic banks should promote good governance (e.g. transparency, no corruption, etc.)	0.0	1.5	5.2	52.6	40.7	4.32
Islamic banks should follow ethical strategy, from providing service to customer to employees rights	0.0	1.3	8.0	60.6	30.2	4.20
Islamic banks should invest in human capital development for employees (e.g. training, research, furthering education, etc.)	0.0	2.1	9.0	56.2	32.7	4.19
Islamic banks should promote microfinance (banking for the poor)	0.0	3.6	7.8	57.0	31.7	4.17

Potential Roles of Islamic Banks in Providing Sustainable Development						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Islamic banks should promote equal opportunity in its financial activities and operations regardless of gender, race, religion, disability and socioeconomic background	0.2	1.5	6.5	66.0	25.8	4.16
Islamic banks should promote equal opportunity for its management regardless of gender, race, religion, disability and socioeconomic background	0.4	3.8	8.4	62.7	24.7	4.08
Islamic banks' should be conscious of investing for environment	0.0	2.1	13.4	62.3	22.2	4.05
Islamic banks investment strategy should not undermine the environment	0.2	2.9	14.0	60.4	22.4	4.02
Islamic banks should directly contribute to community development projects	0.2	2.3	15.7	63.1	18.7	3.98
Islamic banks should contribute to the expansion of green areas (e.g. planting trees)	0.6	3.6	17.4	56.6	21.8	3.95
It is the banks' obligation to ensure a better living for the society in the future	0.2	13.8	15.1	61.4	9.4	3.66
It is the banks' obligation to alleviate poverty	1.0	17.8	22.0	51.6	7.5	3.47

The results in Table 6.22 are ranked accordingly to give a better understanding of the importance attached to each statement by the participants. As can be seen, the most important role is assigned for Islamic banks in providing sustainable developments is to 'promote good governance' with the highest mean score of 4.32. The results also show that Islamic banks are expected to 'follow ethical strategy' and 'invest in human capital development for employees' in serving sustainable development. This is indicated by a significant mean score of 4.20 and 4.19 respectively. As part of developmentalism, as an expectation in relation of sustainable development by Islamic banks, 'promoting microfinance' scored 4.17. However, respondents are not as supportive as other statement in their support for the statement that it is the 'Islamic banks' obligation to alleviate poverty',

which scored the minimum mean value, 3.47. These findings demonstrate an important conclusion on the social failure of Islamic banking in terms of the perception of the participants. However, the results indicate that in other areas of social responsibility and sustainable developments respondents are more positive about the role of Islamic banking.

In validating the expressed perceptions of the participants in the previous sections beyond aspirations, the respondents were asked about their views on the practices of their Islamic bank in terms of contributing to sustainable development. The results are demonstrated in Table 6.23.

Table 6.23: Summary of Islamic Banks Practices Contributes to Sustainable Development

Islamic Banks Practices Contributes to Sustainable Development			
	Frequency	Percentage	Mean
Yes	239	50.1	
I am not interested	88	18.4	
No	150	31.4	
Total	477	100.0	1.81

As can be seen in Table 6.23, the results show that 50.1% of the participants consider that the practice of their respective bank contributes to sustainable development. Yet, 18.4% has no interest at all with regard to this matter, while 31.4% states that Islamic banks do not contribute to sustainable development.

Table 6.24: List of Alternatives to Fulfil Expectations from Islamic Banking

Alternatives to Fulfil Expectations from Islamic Banking			
	Frequency	Percentage	Mean
Community Banking	115	24.1	
Social Banking	200	41.9	
Narrow Banking	52	10.9	
Microfinance	110	23.1	
Total	477	100.0	2.33

When asked about the alternative banking system to fulfil the expectations of Islamic banking considering the observed social failure of Islamic banking, Table 6.24 shows the perceptions of the participants on alternative forms of banking. In this regard, social banking seems to be the most favourable with 41.9% to be an alternative to fulfil expectations in relation to Islamic banking vis-à-vis CSR and sustainable development. The results are

followed with ‘community banking’ and ‘microfinance’ with 24.1% and 23.1% respectively. The results indicate that ‘narrow banking’ has the lowest score of 10.9% as an alternative.

6.6. KNOWLEDGE ON SOCIAL BANKING

The discussion so far revealed the perceptions of the participants on CSR and sustainable development. As part of the exploration, this last section discusses the understanding of social banking and the potentiality of establishing it in Malaysia.

Table 6.25: Summary of Respondents’ Familiarity with the Concept of Social Banking

Familiarity with the Concept of Social Banking			
	Frequency	Percentage	Mean
Yes, I am very familiar	106	22.2	
I am not that familiar	208	43.6	
No, I am not familiar at all	163	34.2	
Total	477	100.0	2.12

As can be seen in Table 6.25, very few participants are familiar with the concept of social banking, only 22.2% of the participants, who are followed by those who are not that familiar (43.6%) and those who are not familiar at all with the concept (34.2%), demonstrating that the respondents are less familiar with the concept of social banking.

Table 6.26: List of Objectives of Social Banking

Objectives of Social Banking						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Assisting community development	0.0	1.6	12.1	68.8	17.5	4.02
Financing small business enterprise	0.3	0.6	11.1	77.4	10.5	3.97
Encouraging social saving	0.0	3.5	13.4	67.8	15.3	3.95
Micro-enterprise for individual and family	0.0	1.6	18.2	68.4	11.8	3.90
Ecological enterprise	0.0	2.9	24.8	63.7	8.6	3.78
Social enterprise	0.3	4.8	21.7	64.3	8.9	3.77
Low-income consumer	1.0	7.6	19.7	64.3	7.3	3.69

In identifying the objectives of social banking, the respondents’ were provided a list of assigned objectives of Islamic banking. As can be seen in Table 6.26, in which the means are ranked, the majority of the respondents suggested that ‘assisting community development’

should be the main objective with a mean score of 4.02. This is followed by ‘financing small business enterprise’ and ‘encouraging social savings’ with a score of 3.97 and 3.95 respectively. However, the objectives of social banking need to focus on ‘low-income consumer’ only scored 3.69, being the lowest mean in this category. As can be seen, structural development assistance as manifested in different ways considered as the objectives of social bank.

Table 6.27: Summary of Whether Islamic Banks should be Social Banking

Whether Islamic Banks should be Social Banking			
	Frequency	Percentage	Mean
Yes	386	80.9	
No	91	19.1	
Total	477	100.0	1.19

To respond to the enhanced social role for Islamic banking, the respondents were asked if they consider that Islamic banks should be social banking. In other words, the views of the respondents were taken on the idea of transforming Islamic banks into social banks. As can be seen in Table 6.27, significantly, 80.9% of participants agree that Islamic banks should be social banking. This result may not be considered in support of some of the previous statements. In other words, it may not directly fit to the previously stated positions on similar or supportive issues.

Table 6.28: Summary of Islamic Banks Considered as Social Bank

Islamic Banks Considered as Social Bank			
	Frequency	Percentage	Mean
Yes	218	45.7	
No	259	54.3	
Total	477	100.0	1.54

In line with the above analysis, the respondents were questioned whether the Islamic banks are considered to be social banks in terms of nature. Table 6.28 depicts respondents’ views in considering their respective bank similar to a social bank. More than half (54.3%) of the respondents do not consider their respective bank as a social bank. Thus, this result in comparison to the above indicates the gap between aspirations and realities in terms of Islamic banking. In other words, there is an expectation that Islamic banks should also be socially oriented banks, but the reality that they are remains an important paradox.

Table 6.29: List of Ideas on Structuring and Organising Islamic Social Bank

Ideas on Structuring and Organising Islamic Social Bank			
	Frequency	Percentage	Mean
Islamic commercial bank should be converted into social bank	58	12.2	
Islamic commercial banks should stay as it is, but Islamic social banks should be institutionalised	198	41.5	
Islamic social banks should be operated under Islamic commercial banks as window/unit	180	37.7	
should be institutionalised as a government department	41	8.6	
Total	477	100.0	2.43

In responding to the gap between aspirations and realities on the social nature of Islamic banking, the respondents were asked their views on how the current Islamic banks could be re-structured to also serve social interest as Islamic social banks. As can be seen in Table 6.29, with the highest score of 41.5%, the respondents' calls for Islamic commercial banks to remain as they are and Islamic social banks to be institutionalised separately. However, 37.7% opposed this idea and believed that Islamic social banks should be operated under Islamic commercial banks as a window or unit. About 12.2% of the respondents would like to see Islamic commercial banks converted into social banks while 8.6% of respondents think that Islamic social banks should be institutionalised as a government department. As can be seen, despite the expressed social banking related expectations, the pragmatist attitude prevails under the realities of everyday life; and therefore commercial nature of Islamic bank is more prioritised or considered to be an integral and significant part of the process.

Table 6.30: List of Financial Sources for Islamic Social Bank

Financial Sources for Islamic Social Bank			
	Frequency	Percentage	Mean
Islamic commercial banks should provide the initial funding as a parent bank to its subsidiary	124	26.0	
Government should provide the initial funding	49	10.3	
NGOs should provide the initial funding	11	2.3	
Government, NGOs and Islamic commercial banks together should provide the initial funding	151	31.7	
Islamic social banking should be provided and sustained through <i>zakah</i> , <i>waqf</i> and <i>infaq</i> funding	142	29.8	
Total	477	100.0	3.29

Respondents were also asked to reveal their preferences on a number of items related to the financial sources for the creation of Islamic social banks, and the results are shown in Table 6.30. Accordingly, 31.7% of the respondents want Islamic social banks to be funded by the government, NGOs and Islamic commercial banks. About 29.8% of the respondents consider

funding from a third sector channel, which should be provided and sustained through *zakah*, *waqf* and *infaq*. Another source of funding is by Islamic commercial banks providing the initial funding identified by 26% of the participants. There are relatively low responses for initial funding provided by government agency and NGOs only with scores of 10.3% and 2.3%.

Table 6.31: List of Aspects of Social Banking that Can Help Malaysia's Economic Growth

Social Banking Can Help Malaysia's Economic Growth						
	Strongly Disagree (%)	Disagree (%)	Do Not Know (%)	Agree (%)	Strongly Agree (%)	Mean
Supporting small business enterprise	0.0	1.5	7.1	67.1	24.3	4.14
Improving community development	0.0	1.5	7.1	68.1	23.3	4.13
Increases job opportunity	0.2	2.9	8.6	65.4	22.9	4.08
Alleviation of poverty	0.2	2.5	11.5	66.2	19.5	4.02
Environmental friendly economy	0.0	1.7	12.2	68.3	17.8	4.02
Increases women's participation in economy	0.4	4.6	16.6	59.1	19.3	3.92

The respondents' perceptions of the benefits of social banking in helping Malaysia's economic growth are depicted in Table 6.31. In general, the survey results depict that Islamic social banks are considered to have potential to have positive effect on Malaysia's economic growth. The survey demonstrates that supporting small business enterprise and improving community development as the main factors that could help the economic growth with a mean score of 4.14 and 4.13 respectively. The statement 'social banking can help Malaysia through increasing job opportunity' scored 4.08. Respondents agreed that Islamic social banks could alleviate poverty and encourage environmentally friendly economy, each scoring 4.02. The least score was 3.92 that suggested Islamic social banks could increase women's participation in the economy.

6.7. CONCLUSION

A preliminary finding presented in this chapter provides an overview of the investigated results obtained from the survey, which will be subjected to further exploration in the next chapter.

Overall, the study reveals that from 477 participating respondents, 76.1% of them are the customers of Islamic banks while the remaining are the employees of Islamic banks. The majority of the participants are Malay Muslims with a percentage more than 90% a greater number of respondents are from the younger generation group ranging from 20 – 40 years old with a percentage of 85.8%. The findings show that most of the respondents' holds a bachelor degree and work as executives, managers or professional jobs for public and private institutions.

The majority of the participants (58.7%) have more than 3 years experience of Islamic banking services, which suggests their understanding and loyalty to the industry. Nonetheless, although they have Islamic accounts, the majority of the respondents (75.3%) also have conventional bank accounts. The highest reason suggested from the survey is that no adequate information was given pertaining to Islamic banking products and services with a percentage of 50.5%. Generally, Islamic banking is understood as having Shari'ah compliant products which are interest-free and some respondents regard Islamic banking as ethical banking.

From the survey, it is concluded that nearly half of the respondents are familiar (49.3%) and aware (49.9%) with the concept and practise of CSR in Islamic banking. Furthermore, 59.3% perceived that Islamic banks are actively performing CSR activities. The majority of the respondents described CSR as 'giving back to society' and perceived that it is relevant to the concept of Islamic banking.

In contrast to the findings on CSR, the survey demonstrated that more than half of the respondents are not very familiar with the concept of sustainable development (62.1%) or social banking (77.8%). The majority of the survey described sustainable development as an integration of economic, social and environmental responsibilities. Although respondents are

not very familiar with the concept of sustainable development, they considered that Islamic banks do contribute to sustainable development. According to the survey, social banking is an alternative to fulfil Islamic banking aspiration, suggesting that it should be institutionalised separately from existing Islamic commercial banking. An Islamic social bank is proposed by the majority to be funded by the government, NGOs and Islamic commercial banks.

Chapter 7

EXPLORING THE SOCIAL RESPONSIBLE DIMENSIONS OF ISLAMIC BANKING IN MALAYSIA: AN EMPIRICAL ANALYSIS

7.1. INTRODUCTION

The present chapter is an extension of the analysis presented in the previous chapter and it explores and further investigates the awareness, perception and understanding of respondents from demand (customers) and supply (employees) side of Islamic banking through comparative analysis with a number of identified control groups. In order to measure the significant difference between groups in terms of their responses to the given questions, the analyses presented in this chapter employ several inferential statistical tools under non-parametric techniques such as the Mann-Whitney U-test and the Kruskal-Wallis test to compare mean rank. In addition, other set of tests may be employed, such as Factor Analysis and MANOVA that will be presented later in the chapter. The set of questions is tested against a number of control variables that are identified from the profile section: gender, age, highest educational attainment, income, respondents' category and bank category. With the use of control variables, the objective is to search for the statistical significance in terms of the differences of opinion related to the control variables and statement categories. However, the test is not restricted to using control variables only and also utilised other variables considered being important and appropriate for analysis.

This chapter is organised into three important groups: the earlier sections will focus using the Mann-Whitney U test and Kruskal-Wallis test, then there will be a section elaborating on the findings employed by Factor Analysis and the last section will be the results using the MANOVA test.

The earlier sections include six sections which are considered to be important factors in locating a socially responsible Islamic bank and also aim to highlight the challenges ahead for Islamic banking in order to survive in the industry. Thus, this chapter begins with an analysis based on understanding the core of Islamic banking, analysis in section 7.2, therefore, focuses

on ‘knowledge and awareness of Islamic banking and finance’ and section 7.3. on the ‘perceived objectives of Islamic banking and finance’. The chapter, then, investigates the socially responsible dimension that is suggested as a roadmap for sustainable development in the industry, which is presented at section 7.4 under the title of ‘knowledge, awareness and practice of CSR’. Section 7.5 turns the discussion to sustainable development in relation to Islamic banking and finance identity under the title of ‘knowledge and awareness of sustainable development’. Section 7.6 offers an analysis based on the awareness and expectations of the participants on ‘social banking’. The summary of findings using Mann-Whitney U test and Kruskal-Wallis test will be presented in section 7.7.

Moving on to the next group, section 7.8 briefly introduced the analysis using Factor Analysis method for the following four sections. Section 7.9 will begin by examining the significance of CSR for Islamic Banking and followed by section 7.10 on the advantages of performing CSR. The factors preventing Islamic banking from conducting CSR will be offered in section 7.11, while the potential roles for Islamic banks in providing sustainable development is presented in section 7.12. The last group presents the analysis using MANOVA which is described in section 7.13. Finally, the chapter is concluded in section 7.14.

7.2. PERCEPTION ANALYSIS ON KNOWLEDGE AND AWARENESS OF ISLAMIC BANKING AND FINANCE

As a developing country, Malaysia is known for the most rapid development in the IBF industry in the world. It is therefore expected that the respondents as bankers and customers of Islamic banks, have at least fair knowledge of the objectives of Islamic banks. This section, hence, aims to present the analysis of the perceptions of the participants on Islamic banking related issues with the objective of singling out their understanding of as to how Islamic banks are related to social and moral economy of Islam. As essentialised in Chapter 2, the ideal aspiration of Islamic banks is not only to make profit but also deliver social responsibilities towards society and the environment as identified by Islamic moral economy.

7.2.1. General Knowledge on Islamic Banking

In order to gauge the respondents’ general knowledge on Islamic banking, Question 12 in the questionnaire provides a list of terms commonly related to Islamic banking with responses according to the level of approval.

Referring to Question 12(a), respondents ranked ‘banking without charging interest’ as the second highest identity for Islamic banking with a mean score of 3.94 in Table 6.7 in the previous chapter implying that most of the people agree with such a definition. The results from Table 7.1. (refer Appendix 3) show that there are no significant differences for the statement in Question 12(a) with regard to gender, age, monthly income and bank category since the estimated statistics are higher than the significance level of 0.05. However, the results suggest that there is a statistically significant difference between educational background and respondents’ category with the estimated statistics being 0.004 and 0.000 respectively. The mean result from the educational background shows that respondents with postgraduate education have the statistically highest mean score (265.96), followed by undergraduates, diploma/matriculation/A-level, professionally qualified and SPM holders. While in the respondents’ category, the results show that bankers have a statistically higher mean rank (279.04) compared to customers (226.42).

Question 12 (b) associated Islamic banking with ‘discouraging debt-based financing’ which seems rather an unpopular expression, since it is ranked at number six in terms of mean ranking in Table 6.7. The results shown in Table 7.1. (refer Appendix 3) explicitly indicates that there is no significant difference in any of the control variables. In general, it means that every group in each control variable has approximately similar views with regard to ‘discouraging debt-based finance’.

Question 12(c) refers to Islamic banking as an ‘alternative to capitalism and socialism’. Table 7.1., clearly shows that gender ($p=0.003$) and education ($p=0.011$) are statistically significant, showing differences between their respective subgroups in relation to the position taken for this statement, being lower than the statistical level of 0.05. It suggests that males have a statistically higher mean score (260.04) in expressing Islamic banking as an ‘alternative to capitalism and socialism’ than females (223.67). For the highest educational attainment group, respondents with postgraduate degrees have the statistically highest mean score (261.75), followed by undergraduates, the professionally qualified, diploma/matriculation/A-level and lastly SPM holders.

The statement in Question 12 (d) defines Islamic banks as providing ‘Shari’ah compliant products’, which was ranked highest in association with Islamic banking with a mean score of 4.30 in Table 6.7. The results in Table 7.1. (refer Appendix 3) indicate no statistically

significant difference between groups of gender ($p=0.709$), age ($p=0.167$), monthly income ($p=0.516$) and bank category ($p=0.692$), while the results show that there is a significant difference of expression in the education sub-categories and respondents' category with a p-value of 0.004 and 0.000 respectively. As can be seen from Table 7.1. (refer Appendix 3), referring to educational sub-categories, postgraduates are among the highest mean scored group reflecting their differences of opinion, with a mean score of 262.01, while the lowest mean score belongs to the professionally qualified. For respondents' category, the employees of Islamic banks have a statistically higher mean (277.7) compared with customers (226.85).

Question 12(e) asks whether Islamic banks are 'for Muslims only'. Table 7.1. (refer Appendix 3) shows that there are statistically significant differences in relation to gender, education and bank category with each p-value; 0.042, 0.000 and 0.050 respectively are lower than the critical p-value of 0.05. The results clearly be interpreted that females, SPM holders and local fully-fledged Islamic banks obtained the highest mean for each group. The other three groups conclusively show no significant difference in views for this factor. It is interesting to note that from the educational background group, SPM holders scored the highest with a mean rank of 331.55, followed by diploma/matriculation/A-level holders with a mean rank of 263.69, the professionally qualified (244.80), postgraduates (229.23) and undergraduates (224.69). The findings, therefore, show that those with higher educational attainment have a better understanding that Islamic banks are not only for Muslims but for everyone.

The statement stating that Islamic banking is also known as 'ethical banking' in Question 12(f) indicates statistically significant difference across the education and bank category group with a p-value of 0.047 and 0.029. Respondents with bachelor degrees ranked highest with a mean score of 252.05. SPM holders ranked second with a mean score of 233.32, then postgraduates (229.82), diploma/matriculation/A-levels (218.47), and lastly professionally qualified (183.74). The results also ranked the four banks category according to the highest mean score that depicts their differences of view with regard to this factor. The highest among the four bank categories are the foreign fully-fledged Islamic banks (mean=271.22), local fully-fledged Islamic banks (mean=254.11), local Islamic subsidiaries (mean=225.46) and foreign Islamic subsidiaries (mean=213.32). In other words, this indicates that fully-fledged Islamic banks are more overtly synonymous to ethical banking especially foreign banks, which might suggest that an ethical international corporate culture is embedded in

their policy as well. There are no significant differences for other groups besides the two mentioned above.

Question 12(g) provides another description for Islamic banks: ‘promoting social welfare’. The results from Table 7.1. (refer Appendix 3) suggest that there are no significant differences among the groups for gender, education and respondents with a score of 0.398, 0.282 and 0.373 respectively. On the other hand, there is a statistically significant difference among the groups for age ($p=0.020$), monthly income ($p=0.002$) and bank category ($p=0.029$). The results indicate that from each of the groups, those in the younger generation group aged 20 – 30 years old (mean rank=253.59), earning less than RM1,000 per month (mean rank=271.57) and local fully-fledged Islamic banks (mean rank=257.41) have the statistically highest mean score compared with other variables in each of their groups. In other words, these subgroups may perceive that Islamic banks are mostly associated with promoting social welfare.

The opinion on the Question 12(h)’s statement that Islamic banks are ‘charitable entity’ is provided in Table 7.1. (refer Appendix 3) As the results depicts in searching for the significance of difference in terms of various control groups, gender, educational background and respondents’ category show no significant difference on their response to this statement with scores of 0.084, 0.089 and 0.104 respectively. However, there are statistically significant differences across the groups for age, monthly income and bank category with the same p -value of 0.000 for each. Similarly to previous groups, the highest mean score for each group is from the age group of 20 – 30 years old (260.04), monthly income less than RM1,000 with a mean of 287.17, and lastly holds account in a local fully-fledged Islamic banks (271.18).

In Question 12(i), Islamic banks are related to the concept of ‘banking for the poor’, which as a concept implies targeting the financially excluded category. Table 7.1. (refer Appendix 3) shows that only two groups have statistically significant differences; gender ($p=0.027$) and bank category ($p=0.031$). The remaining four groups, age ($p=0.699$), education ($p=0.224$), monthly income ($p=0.456$) and respondents’ category ($p=0.221$) show no significant differences in their responses. To elaborate further, female respondents are deemed to have more influence on this, since female category has a higher statistical mean score, 250.43, than male are (223.31). The bank category mean results depict that local fully-fledged Islamic banks ranked highest (mean=257.72) compared to local Islamic subsidiaries (mean=231.76),

foreign Islamic subsidiaries (mean=219.75) and foreign fully-fledged Islamic banks (mean=194.77). This, in other words, shows that for local Islamic banks the notion of Islamic banking assimilates the idea of ‘banking for the poor’ as perceived by the participants.

Statement in Question 12(j) regards Islamic banks as ‘similar to other commercial banks’ with the objective of locating as to whether the participants can see and appreciate the differences. Table 7.1. (refer Appendix 3) shows that there is no statistically significant difference among the control variables selected for this study. Although the results are not significant, as can be seen from Table 7.1. (refer Appendix 3), males with a mean value of 242.48 are more inclined towards this statement, and the same applies to the 41 – 50 age group with a 252.78 mean value, and the group of SPM holders with a mean value of 269.79. Respondents who earn RM5,000 – RM10,000 monthly (270.41), those categorised as employees of Islamic banks (248.49) and local Islamic subsidiary banks (245.27) achieved the highest mean in their respective groups, which also supports this position.

7.3. FINDINGS ON THE PERCEIVED OBJECTIVES OF ISLAMIC BANKING AND FINANCE

In this section, the analysis focused on the second part of the questionnaire, which is on the level of importance of each objective to the operation of Islamic bank (see Question 13). The results from the revealed perceptions of the participants on the given potential or expected objectives of Islamic banks (in terms of ‘what should be?’) are depicted in Table 7.2. (refer Appendix 3)

Question 13(a) – *prohibition of riba*’: the results suggested that there are no significant differences across all groups: gender ($p=0.269$), age ($p=0.068$), educational background ($p=0.135$), monthly income ($p=0.396$) and respondents’ category ($p=0.226$); except for bank category with a p-value of 0.041 which is lower than the critical p-value of 0.05. Further, the results indicate that foreign fully-fledged Islamic banks have the highest statistical mean rank of 276.25, followed by local fully-fledged Islamic banks (mean=242.72), local Islamic subsidiaries (mean=237.98) and foreign Islamic subsidiaries (mean=203.32). The results could be interpreted as foreign fully-fledged Islamic banks strongly emphasising on the importance of prohibiting *riba*’ in any earnings or transactions more than compared to the others.

Question 13(b) – *providing Shari’ah compliant products*: Table 7.2. (refer Appendix 3) depicts significant differences in two groups only: the respondents’ category and the bank category, with a score of 0.025 and 0.041 respectively. Yet, it is clear from the table that there are no significant differences in the respondents’ view for groups between gender, age, education and monthly income with a score of 0.869, 0.086, 0.511 and 0.871 respectively. Based on the results given, employees of Islamic banks have a statistically higher mean score of 260.00 compared to customers with mean score of 232.40. For the bank category, it is significant that foreign fully-fledged Islamic bank again ranked highest with a mean of 283.33, then, local fully-fledged Islamic banks (240.32), local Islamic subsidiaries (238.59), and lastly foreign Islamic subsidiaries with a mean point of 206.25. To be brief, these two groups (bankers and foreign fully-fledged Islamic bank) have underlined *providing Shari’ah compliant products* as important in contrast to other groups.

Question 13(c) refers to *non-debt based financing*. Table 7.2. (refer Appendix 3), shows that there is no significant differences for any group except for gender with a score of 0.012 which is lower than the statistical level of 0.05. The results suggested that female participants have a statistically higher mean score of 251.81 than male with 221.41 only. This position could be understood as female respondents strongly viewing *non debt-based financing* as an important objective in contrast to male respondents. Even though the remaining control groups are not significant, the highest mean rank from each group, however would suggest the inclination of these specific groups to the statement above: more than 50 years old (mean=255.22), SPM holders (mean=277.66), monthly income more than RM20,000 (mean=349.00), customers of Islamic banks (mean=240.64) and local fully-fledged Islamic banks (mean=247.60).

Question 13(d) concerns with another statement related to the operational definition of Islamic banks: *contributing to social welfare*. Table 7.2. (refer Appendix 3) shows no significant differences of views across gender ($p=0.609$), age ($p=0.176$), education ($p=0.279$) and monthly income ($p=0.319$). Yet there are statistically significant differences in respondents’ category and bank category with a p-value of 0.003 and 0.012 respectively. Moreover, from the table given, customers of Islamic banks have statistically higher mean score (248.71) than the mean score of the bankers (208.09). Besides, local fully-fledged Islamic banks has statistically highest mean rank (260.34) as compared to foreign Islamic subsidiaries (233.95), local Islamic subsidiaries (225.20) and foreign fully-fledged Islamic

bank (200.43). The results suggest that customers of Islamic banks and local fully-fledged Islamic banks highly regard 'contributing to social welfare' as an important function of Islamic banks that should be undertaken.

Question 13(e) refers to *promoting sustainable development*. Table 7.2. (refer Appendix 3) results suggest that there is a statistically significant difference only in the respondents' category with 0.051 of p-value. The remaining groups depict no significant differences, since gender (p=0.997), age (p=0.225), education (p=0.120), monthly income (p=0.446) and bank category (p=0.336) are all higher than the significant level of 0.05. The results obtained show that customers of Islamic bank have a higher statistical mean rank of 245.32 than the bankers which is only 218.88. This implies that customers of Islamic banks believe that *promoting sustainable development* is an important objective to be manifested in Islamic banks.

Question 13(f) concerns *alleviating poverty*. The results for this factor show a similar pattern to the previous factor. There is a statistically significant difference only in the respondents' category with a p-value of 0.000. The remaining groups, gender (p=0.120), age (p=0.365), education (p=0.227), monthly income (p=0.295) and bank category (p=0.068) have no significant difference with scores higher than the 0.05 confidence level. Again, the mean score result puts customers of Islamic banks (253.93) statistically higher as compared to employees of Islamic banks (191.47). Clearly, *alleviating poverty* is considered among the important objectives that should be undertaken by Islamic banks as perceived by customers.

Question 13(g) refers to *maximising profit*. Table 7.2. (refer Appendix 3) clearly depicts that there are no significant differences for gender, age, monthly income, respondents' category and bank category with significance point of 0.100, 0.408, 0.071, 0.825 and 0.896 respectively. However, for the educational background group there is a statistically significant difference with a p-value of 0.057. In other words, SPM holders ranked highest with mean score of 288.16. They were followed by postgraduates with a mean score of 257.06, undergraduates (mean=234.15), diploma/matriculation/A-level (228.49) and lastly professionally qualified respondents (mean=200.26). Hence, SPM holders strongly believe *maximising profit* to be among the important objectives for Islamic banking, although Table 6.8 depicted it as the least important objective voted for as compared to other objectives listed. This would concur with the idea of economist Friedman (1970) that SPM holders believe the 'social responsibility of business is to increase profit'.

Statement in Question 13(h) refers to *encouraging Islamic values* as a potential objective of Islamic banks. As the results in Table 7.2. (refer Appendix 3) indicate, there are statistically significant differences in educational background and bank category with a significance level of 0.013 and 0.031 respectively. However, there are no significant differences among the remaining groups, namely gender, age, monthly income and respondents' category with a p-value of 0.396, 0.511, 0.712 and 0.679 respectively. Specifically, the results from the educational background group showed that postgraduate degree holders ranked highest with a mean rank of 255.39. There followed by SPM holder with a mean score of 242.39, then undergraduates with 241.53, diploma/matriculation/A-level (236.64) and lastly professionally qualified with a mean score of 154.89. From the bank category, foreign fully-fledged Islamic bank ranked highest (mean=267.17), which is, followed by local fully-fledged Islamic banks with mean point of 247.86, local Islamic subsidiaries with 236.25 mean point and lastly foreign Islamic subsidiaries with 194.88. In the main, these results show that postgraduate degree holders and foreign fully-fledged Islamic banks hold the strongest perspective in *encouraging Islamic values* as an important objective of Islamic banks.

7.4. FINDINGS ON KNOWLEDGE, AWARENESS AND PRACTICE OF CSR IN ISLAMIC BANKS

This section presents the findings developed from the analysis of the revealed opinions and preferences of the participants on their knowledge in relation to CSR in relation to Islamic banks in Malaysia. In other words, the findings in this section revolves around the understanding, awareness and also practices of Islamic banks with regard to realising socially responsible culture in its operation.

7.4.1. Knowledge of the Concept of CSR

Question 14 focused on the respondents' level of *familiarity with the concept of CSR*. The results obtained in Table 7.3. (refer Appendix 3) show that there are statistically significant differences across almost all groups: gender (p=0.006), age (p=0.000), educational background (p=0.000), monthly income (p=0.000) and respondents' category (p=0.001). However, only the bank category showed no significant difference, with p=0.738, which is higher than the 0.05 confidence level. The result simply explain that females have a better understanding of CSR, with a statistically higher mean score of 252.57, as compared to males, 220.37. Interestingly, it shows that those in the group aged less than 20, holding a

diploma/matriculation/A-level, obtaining a monthly salary of less than RM1,000 and basically being a customer of an Islamic bank ranked highest in each of the respective groups, reflecting a better understanding of the concept of CSR.

Question 15 took the familiarity issue a step further asking the respondents to describe the meaning of CSR to validate their familiarity. From the results obtained in Table 6.10. (see Chapter 6), the majority of respondents defined CSR above all as ‘giving back to society’, scoring 47.9%, and leaving a huge gap before second place, ‘business and society’, scoring 19.3%. ‘Charity and/or philanthropy’ with 10.4% comes in third place.

7.4.2. CSR practice in Islamic Banks

Mainly Question 16 considers the significance and possible practice of CSR in relation to Islamic banking through participants expressing their opinion on the given statements. In other words, Question 16 is designed by determining several points to highlight the magnitude of CSR that is presented in Table 7.3. (refer Appendix 3)

Question 16(a) - *CSR upholds the social justice dimension of Islamic economics*: Table 7.3. (refer Appendix 3) suggests that there are no significant differences across the respondents’ category ($p=0.815$) nor bank category ($p=0.676$). However, there is a statistically significant difference between the groups for gender, age, educational background and monthly income, with a significance point of 0.018, 0.004, 0.000 and 0.002 respectively. In sum, the results indicated that the highest mean ranked from each group are male respondents, aged between 30 – 40, holding a postgraduate degree and earning RM10,000 – RM 20,000 per month, who concur that *CSR upholds the social justice dimension of Islamic economics*.

Statement in Question 16(b) states that *Islamic banks are obliged to practise CSR*. The answers for this as in Table 7.3. (refer Appendix 3), shows that only age and educational background have a statistically significant difference with significance levels of 0.002 and 0.001. The remaining groups, namely gender, monthly income, respondents’ category and bank category have no significant differences in their views with p-values of 0.196, 0.111, 0.112 and 0.316 respectively. Based on the results obtained, senior citizens (more than 50 years old) ranked highest (273.83), then those aged 41 – 50 years old with a mean score of 261.72, followed by those aged 31 – 40 years old (mean=252.28). The smallest score is from the younger generation aged 20 – 30 years old (mean=231.07) and below 20 years old

(mean=76.21). The mean result for educational background suggests that the highest ranking are those with postgraduate degrees (mean=285.86), followed by undergraduate degrees, diploma/matriculation/A-level, professionally qualified, and lastly, SPM holders. In other words, the results suggest that mature and highly educated respondents demand CSR to be practised by Islamic banks.

Question 16(c) - *CSR is relevant to Islamic banking concept*: this position is ranked second in Table 6.11 (see Chapter 6) as the most favoured statement with regard to CSR's relevance to Islamic banks. Table 7.3. (refer Appendix 3) indicates that there are no significant differences across the groups for gender ($p=0.226$), respondents' category ($p=0.936$) and bank category ($p=0.315$). However, there are statistically significant differences across the groups for age, education and monthly income with significant points of 0.050, 0.000 and 0.004 respectively. Based on the above groups, the results further indicate that those aged 31 – 40, who hold a postgraduate degree and have a monthly income of RM3,001 – RM5,000 strongly support this position relative to others, as depicted by the mean value.

Question 16(d) - *CSR should be embedded in Islamic banks' policy*: Table 6.11 from the previous chapter suggests that respondents strongly concur with this statement, as it is placed at the top of the table. Therefore, Table 7.3. (refer Appendix 3) shows that there are no significant differences across gender, monthly income, respondents' category and bank category, with significant points of 0.245, 0.073, 0.712 and 0.319 respectively, which are higher than the statistically significant level of 0.05. However, there are significant differences across age (0.056) and educational background (0.003). Based on the mean results of those two groups, the senior citizens (aged more than 50 years old) and postgraduate degree holders ranked highest according to each group. In other words, these two subgroups, compared to others, strongly believe that *CSR should be embedded in Islamic banks' policy*.

Question 16(e) - *The government should legislate to enforce CSR through regulation as one of the requirements to operate an Islamic bank*: results from Table 7.3. (refer Appendix 3) suggests that there are no significant differences in terms of the expressed opinions by gender, age, monthly income and bank category with p -values of 0.401, 0.109, 0.504 and 0.748 respectively, which are higher than the critical p -value of 0.05. Nonetheless, educational background ($p=0.050$) and respondents' category ($p=0.045$) show statistically

significant differences with regard to this statement. In detail, the results showed that from the educational background group, postgraduate degree holders ranked highest with a mean score of 273.74: with undergraduates (mean=237.80), professionally qualified (mean=227.11), diploma/matriculation/A-level (mean=218.75) and SPM holders (mean=215.00). The respondents' category suggests that customers of Islamic banks have a statistically higher mean score (245.48) than bankers (mean=218.37). Thus, it could be argued that generally those with a better educational background and customers of Islamic banks prefer the intervention of the government to endorse regulation on CSR in Islamic banks operation.

The statement in Question 16(f) '*Social responsibility should be left up to government*' aimed at measuring the opinions of the participants on the observed 'financialisation' and divergence between 'aspirations and realities' of Islamic banking. The results in Table 7.3. (refer Appendix 3) depict significant differences across groups for age, educational background, monthly income and also bank category, with significant levels of 0.007, 0.001, 0.000 and 0.000 respectively. Yet, there are no statistically significant differences of view for the gender or respondents' category, with a p-value of 0.195 and 0.935 respectively. In brief, the mean result from each group indicates that the subgroups who hold this position strongly are those in the younger age groups (20 and below), who possess an SPM certificate, who earn RM1,000 or less per month and who have a banking relationship with a local fully-fledged Islamic bank.

In following up the previous statement, the opinions of the participants on the statement in Question 16(g) that '*Social responsibility should be left up to NGOs*' were also analysed. As can be seen in Table 7.3. (refer Appendix 3), similar pattern to the above statement is found: there are statistically significant differences across age, educational background, monthly income and bank categories with 0.034, 0.000, 0.000 and 0.002 respectively. Nevertheless, it is clear that there are no significant differences for either gender or the respondents' category, with p-values of 0.396 and 0.647. Again, the same subgroups as in the previous question (*i.e.* aged 20 and below, SPM holders, with a monthly income of less than RM1,000, and having relationship with a local fully-fledged Islamic bank) have a high regard for this statement.

7.4.3. Awareness on the CSR Practice of Islamic Banks

Question 17 investigates the respondents' awareness of CSR practice in their respective Islamic banks. Table 6.12 (see Chapter 6) shows that 49.9% of the participants are aware to CSR contributions and activities in their respective Islamic banks. However, a small number or 7.8% of the respondents simply did not show any interest at all and the remaining 42.3% in the survey are unaware. Table 7.4. (refer Appendix 3) suggests that statistically significant differences in terms of their awareness of the CSR activities of their respective banks are established except for the bank category with a score of 0.328. Thus, there are significant differences in the remaining groups that are gender, age, education background, monthly income and also respondents' category with p-values of 0.027, 0.036, 0.007, 0.000 and 0.000 respectively. To summarise, the mean result for each group suggests that female respondents', those aged 50 years and above, those of highest qualification at SPM level, those of a monthly income of RM1,000, and below and customers of Islamic banks are among the subgroups that are highly aware of CSR practices in Islamic banks.

7.4.4. Practice of CSR Contributions in Islamic Banks

In Question 18, the survey investigates the whether the listed potential CSR practices are observed in the respective Islamic banks of the participants in the sense of Islamic banks to be socially responsible not only in their business but also towards the society and environment. Thus the findings over the statements provided in this section are presented according to the results in Table 7.4. (refer Appendix 3)

The respondents were asked to express their opinion on the social activity presented in the statement Question 18 Statement (a) - '*Charity/donation to the community*'. As can be seen in Table 7.4. (refer Appendix 3), there is a statistically significant difference only for the bank category with a p-value of 0.014, which is less than the critical p-value of 0.05. The bank category mean results further indicate that foreign fully-fledged Islamic banks highly support this activity with a mean score of 272.33. Second on the list are local Islamic subsidiaries with a mean of 244.76, then local fully-fledged Islamic banks with a mean of 239.25, and lastly foreign Islamic subsidiaries with a mean point of 190.65. The remaining groups of gender (p=0.707), age (p=0.370), highest educational attainment (p=0.068), monthly income (p=0.189) and respondents' category (p=0.065) show no significant differences since all the results are higher than the 0.05 critical value. Although these groups show no significant

differences, the highest mean result obtained in each group indicates the strong support and practice for *charity/donation to the community* to be expected from the practice of Islamic banks. These groups are male (mean=241.39), aged 31 – 40 years old (mean=246.70), postgraduate degree holder (mean=268.63), earning RM10,001 – RM20,000 (mean=259.45) and employee of Islamic banks (mean=256.86).

Question 18 Statement (b) - *Alliance with charitable organisations (e.g. activities with orphanages, helping the poor, etc.)*: results in Table 7.4. (refer Appendix 3) show that there are no significant differences across gender (0.810), age (0.523), and monthly income (0.077) as the p-values obtained are higher than the significant level of 0.05. On the other hand, there are statistically significant differences across the groups for educational background, respondents' category and also bank category, with scores 0.007, 0.013 and 0.005 respectively. Interestingly, the mean results acquired from each of the groups suggest that postgraduate holders, the employees of Islamic banks and also foreign fully-fledged Islamic banks are among the highest ranked in their respective groups. This result would lead to a proposition that it is preferable for Islamic banks to be seen working together with charitable organisations in order to be closer to the community.

Question 18 Statement (c) - *Actively target groups, communities or institutions that require assistance*: Table 7.4. (refer Appendix 3) shows that those in the group of highest educational attainment are the only group that has a statistically significant difference with a p-value of 0.001. According to the mean results, postgraduates ranked highest, followed by SPM holders, undergraduates, diploma/matriculation/A-level and lastly those with professional qualification, with mean scores of 279.02, 253.55, 235.64, 221.39 and 174.96 respectively. There is no significant difference for the remaining groups: gender (p=0.308), age (p=0.600), monthly income (p=0.314), respondents' category (p=0.259) and bank category (p=0.306), all scoring higher than the critical value of 0.05.

Question 18 Statement (d) - *Provides benevolence loans (qard al-hasan)*: the results from Table 7.4. (refer Appendix 3) indicate that there is no statistical significance for any of the groups since the results are all higher than the statistically significant level of 0.05. Thus, the results suggest that there is no difference of opinion with regard to this particular social activity is perceived to be practised by the respective Islamic banks of the participants. In other words, every group equally anticipates that this activity will be offered by Islamic

banks. Table 6.13 from the previous chapter, indicated that *qard al-hasan* has a very low expectation in the survey, being second to last in the table.

Question 18 Statement (e) - *Provides educational sponsorship*: Table 7.4. (refer Appendix 3) shows that there is no statistically significant difference for any group, which generally implies that respondents have the same view in relation to their bank providing educational support. However, these groups may have strong expectations with regard to the above statement according to the highest mean rank obtained in each group: female (239.94), age more than 50 years old (251.50), postgraduate degree holder (262.26), earn less than RM1,000 (250.05), customers of Islamic banks (242.44) and foreign fully-fledged Islamic banks (261.10). According to Table 6.13 from Chapter 6, 90.6% of the respondents agree that Islamic banks should provide educational sponsorship as a way to contribute to community development.

Question 18 Statement (f) - *Emphasis on ethical values and moral behaviour (e.g. honesty, respect, punctuality, justice, etc.)*: Table 6.13 in the previous chapter depicted respondents' opting for this as the most likely CSR activity to be realised by Islamic banks. Table 7.4. (refer Appendix 3) shows that there are no significant differences of opinions in gender, age, educational background, and bank category regarding whether the respective Islamic banks conduct their business and finances according to such high values as part of being socially responsible. The p-values for these groups are 0.948, 0.461, 0.168, 0.858 and 0.248 respectively, which are statistically higher than the critical value of 0.05. Nonetheless, there is a statistically significant difference in the monthly income group with a score of 0.015. Based on the mean results, those who earn RM3,001 – RM5,000 per month ranked higher than the others, with a mean score of 268.69. Those earning less than RM1,000 per month ranked second with a mean value of 227.46. Then, followed monthly income-earners of RM5,001 – RM10,000 with a mean of 226.13, RM1,001 – RM3,000 with mean value of 223.40, RM10,001 – RM20,000 with mean value of 222.82 and lastly RM20,001 and above with a mean value of 177.67.

Question 18 Statement (g) - *Assist Zakah House (pusat zakat) with zakah collection and/or distribution*: The results in Table 7.4. (refer Appendix 3) depicts that there is only a significant difference for the monthly income group, with a p-value of 0.050. The remaining groups are identified as having no statistically significant difference in considering this option

as practised in their respective Islamic banks. Specifically, these groups are gender ($p=0.156$), age ($p=0.349$), educational background ($p=0.084$), respondents' category ($p=0.347$) and bank category ($p=0.147$). The mean results for the monthly income group suggest that the highest ranked are those who received a monthly income of RM3,001 – RM5,000. This is followed by those who received monthly income of RM10,001 – RM20,000, a monthly income of less than RM1,000, a monthly income of RM1,001 – RM3,000, a monthly income of RM5,001 – RM10,000 and lastly those with a monthly income more than RM20,000.

Question 18 Statement (h) - *Ensures investing in ethical and Shari'ah compliance products*: referring to Table 6.13 from Chapter 6, this activity is suggested as considered to be the most common practice seen in Islamic banks. Table 7.4. (refer Appendix 3) indicates that there are no significant differences across gender, age, respondents' category and bank category with p-values of 0.665, 0.867, 0.987 and 0.546 respectively. However, there is a significant difference for the educational background ($p=0.005$) and monthly income ($p=0.002$) categories. Using the mean results obtained from both groups, postgraduate degree holders and those earning between RM3,001 and RM5,000 monthly ranked highest in each group.

The analysis of the responses given to the statement in Question 18(i) that Islamic banks '*Guarantees investment will not harm the environment*', shows the educational background group as the only one with a statistically significant difference with 0.050p-values. The results further suggest that postgraduate degree holder rank highest with a mean score of 264.49. This is followed by SPM holders (mean=263.23), diploma/matriculation/A-level (mean=235.66), undergraduates (mean=234.27) and, lastly, those with professional qualification (mean=185.33). On the other hand, there is no significant difference for the remaining groups: gender, age, monthly income, respondents' category and bank category with p-values of 0.584, 0.752, 0.134, 0.087 and 0.196 respectively.

The statement in Question 18(j) – '*Pro-active in environment conservation*' queried about another potential CSR activity by the respective Islamic banks of the participants. The results in the table shows that there are no significant differences for gender, age, monthly income, respondents' category and bank category with p-values of 0.305, 0.777, 0.173, 0.097 and 0.729 respectively. Yet, there is a significant difference for the educational background group indicating a p-value of 0.047, which is lower than the critical p-value of 0.05. The results further indicate that postgraduates are ranked higher than others with a mean score of 264.90,

which is followed by diploma/matriculation/A-level (mean=250.38), SPM holders (mean=240.42), undergraduates (mean=233.47) and those with professional qualifications (mean=180.11).

Question 18(k) queried whether the respective Islamic bank of the participants '*adopted of best practices in human resource management*'. Table 7.4. (refer Appendix 3) indicates that there are no significant differences across certain groups: gender ($p=0.332$), age ($p=0.889$), monthly income ($p=0.592$) and bank category ($p=0.761$). However, the results suggest that the educational background and respondents' category groups are the only two with statistically significant differences, 0.045 and 0.017 respectively. The mean results for these two groups place those with postgraduate degrees and customers of Islamic banks at the top of the list.

Question 18(l) - *Promotes health and safety in the workplace*: the results from Table 7.4. (refer Appendix 3) shows that there are no significant differences across the groups for age, respondents' category and bank category with p-values of 0.542, 0.927 and 0.534. Instead, there are significant differences across gender, educational background and also monthly income with p-values of 0.042, 0.038 and 0.050 respectively, which is less than the significant level of 0.05. Briefly, the mean result from each group identified that female respondents (mean=248.78), postgraduates (mean=271.76) and those with a monthly income of RM3,001 – RM5,000 (mean=254.58) ranked highest in each group.

The last statement in this section in Question 18(m) provided an opportunity to the participants to reject the CSR nature of the Islamic banks by opting for '*None of the above, as a bank is a financial institution*'. The results in Table 7.4. (refer Appendix 3) shows no significant differences among the groups for gender, age, monthly income, respondents' category and bank category since all the results are higher than the statistical critical value of 0.05. Nonetheless, there is a statistically significant difference for educational background with a p-value of 0.017. The results also show that SPM holders have the highest statistical mean (294.56), compared with holders of a professional qualification (268.28), diploma/matriculation/A-level (256.50), postgraduate (248.44) and undergraduate (223.18). Thus, it is implied that those of a lower educational background see banks as financial institutions, which should not be incorporated with any social activities that do not benefit the institution financially. It should be this is rather a contradictory result for this group.

As regards to the practice of CSR in Malaysian Islamic banks, Table 6.14. (see Chapter 6), shows that 59.3% stated that their respective Islamic banks actively perform CSR which is addressed in Question 19. Table 7.5. (refer Appendix 3) shows that only in the respondents' category with a p-value of 0.007 there is a statistically significant difference, while the remaining groups with no significant differences are shown since the results obtained are higher than the 0.05 critical value. In response to the respondents' category, the customers of Islamic banks have a statistically higher mean point (247.12) than bankers (213.13).

Regarding the issue of Islamic banks *encouraging their customers to participate in CSR activities conducted by them*, (see Question 20), Table 6.15. in the previous chapter suggests that more than half of the respondents (57.7%) believe no encouragement was made on behalf of the Islamic banks. In expanding this, Table 7.5. (refer Appendix 3) shows that there is a significant difference for the respondents' category with a p-value of 0.000. This suggests that customers of Islamic banks have statistically higher mean (266.31) than bankers (152.03). However, there are no significant differences among the remaining groups: gender (p=0.860), age (p=0.214), educational background (p=0.931), monthly income (p=0.084) and bank category (p=0.064).

In following up the CSR activities of respective banks, an inquiry as to the *amount of profit allocated to social welfare and charity activities* was made (see Question 21). The results in the previous chapter suggest that 78.2% are not aware of how much profit is contributed to social welfare and charity activities (see Table 6.16). Meanwhile, the findings in Table 7.5. (refer Appendix 3) suggests that there is no significant differences for any group since the results are all higher than the critical value of 0.05.

7.4.5. Perceived Benefits of CSR Practice for Islamic Banks

Question 23 concerns the benefits of practising CSR for Islamic banks as understood by the participants. The questions are designed by providing a number of advantages in terms of statements, as follows.

Question 23 Statement (a) - *Being socially responsible gives a better brand image to the bank*: Table 7.5. (refer Appendix 3) shows that there are no significant differences for gender (p=0.303), respondents' category (p=0.381) or bank category (p=0.079). Nonetheless, there are significant differences for the groups: age, educational background and monthly income

with p-values of 0.031, 0.008 and 0.046 respectively. The mean result indicates that those from the age range of 31 – 40 years old, have postgraduate degree and have monthly income of RM3,001 – RM5,000 ranked highest in each group.

Question 23 Statement (b) - *Contributing to CSR increases the appreciation of stakeholders:* The results in Table 7.5. (refer Appendix 3) demonstrate the presence of significant differences only in the educational background group and respondents' category with a score of 0.021 and 0.050 respectively, which is lower than the critical p-value of 0.05. This result signifies that postgraduate degree holders and customers perceive that CSR may increase the appreciation of stakeholders. This is because both sub-category statistical mean results ranked highest in each group.

Question 23 Statement (c) - *Implementing CSR creates competitive advantages for the bank:* Table 7.5. (refer Appendix 3) indicates that there are no significant differences for any groups since the results obtained are higher than the critical statistical level of 0.05. According to the mean rank results, it depicts that female respondents (243.88), aged 41 – 50 years old (250.67), postgraduate degree holders (256.03), monthly income of RM3,001 – RM5,000 (255.81), customers of Islamic banks (244.25) and foreign fully-fledged Islamic banks (248.57) obtained the highest rank in their respective groups indicating agreement with the statement.

Question 23 Statement (d) - *Implementing CSR practices is costly and only appropriate for a financially stable entity,* for which in Table 7.5. (refer Appendix 3), no significant differences for gender, age, educational background and respondents' category, with p-values of 0.292, 0.302, 0.417 and 0.191 can respectively be established. However, there is a statistically significant difference for the monthly income group and bank category, with p-values of 0.001 and 0.050. It can be deduced from the results that those earning RM1,000 per month strongly support this view as this is the highest mean result obtained. There follows those earning RM3,001 – RM5,000, more than RM20,000, RM1,0001 – RM3,000, RM10,001 – RM20,000, and lastly RM5,001 – RM10,000. While the bank category mean result identifies that local fully-fledged Islamic banks have a statistically highest mean of 256.29 compared to foreign Islamic subsidiary banks (mean=238.25), local Islamic subsidiary bank (mean=228.84) and foreign fully-fledged Islamic banks (mean=195.70) respectively. In brief, respondents who earn less than RM1,000 monthly and also account holders of local fully-

fledged Islamic banks perceive that *CSR contributions and activities are costly and only appropriate for a financially stable entity.*

Question 23 Statement (e) - *CSR will help increase a bank's annual profit:* The results for this statement identifies only two groups having statistically significant differences, which are respondents' category and bank category, both with p-values of 0.001. The mean results, show that customers (mean=205.12) have a statistically higher mean than employees of Islamic banks (mean=203.59). Further, the bank category shows that local fully-fledged Islamic banks rank highest with a score of 267.04, followed by local Islamic subsidiary banks with 246.97. The two lowest scoring are foreign Islamic subsidiary banks and foreign fully-fledged Islamic banks. To summarise, the results suggest that customers of Islamic banks and local Islamic banks strongly support the statement.

Question 23 Statement (f) - *Being a socially responsible bank, will increase loyalty among customers/depositors:* the results in Table 7.5. (refer Appendix 3) generally indicate that there is no significant difference for any group. According to Table 6.18 in Chapter 6, 80.9% of the respondents in the survey support that being a socially responsible bank could increase loyalty among customers/depositors. Hence results from Table 7.5. (refer Appendix 3) unanimously support this statement.

Question 23 Statement (g) - *Practising CSR will increase employees' satisfaction with the bank:* the results suggest a similar pattern as the previous sub-question. There are no statistically significant differences of opinion with regard to the increment of employees' satisfaction with CSR for any groups. Nevertheless, the highest mean rank in each group suggests strong support for the statement above. These groups: female respondents (246.16), aged 41 – 40 years old (271.69), postgraduate degree holders (259.42), monthly income of RM3,001 – RM5,000 (254.35), customers of Islamic banks (239.48) and local fully-fledged Islamic banks (243.46).

Question 23 Statement (h) - *By implementing CSR, a bank promises a better future for the community:* the results from the analysis of the given answers to this statement suggest that there is no significant differences for any groups except for educational background with p-value is 0.000. It is deduced from the results that respondents of a higher educational level believe that the implementation of CSR would have a good future impact on the community.

This is based on the mean result obtained, where postgraduate degree holders ranked highest, followed by undergraduates, diploma/matriculation/A-level, SPM and the professionally qualified with a mean score of 261.09, 248.64, 224.88, 182.63 and 166.24 respectively.

Question 23 Statement (i) - *Through CSR activities, bank increases the awareness to be environmentally friendly*: the results from Table 7.5. (refer Appendix 3) show no significant differences for age group, monthly income, respondents' category or bank category, with scores of 0.246, 0.170, 0.548 and 0.613 respectively. However, there are statistically significant differences only for the gender and educational background groups, with p-values of 0.037 and 0.013 respectively. The results also suggest that female respondents are more highly concerned than male respondents with CSR activities leading to make awareness of what is environmentally friendly. In terms of educational background, the results identify a similar pattern, which indicates that postgraduate degree holders ranked highest and the professionally qualified ranked lowest.

Question 23 Statement (j) - *By practising CSR, a bank overcomes the barrier between bank and society*: Table 7.5. (refer Appendix 3) shows that there are significant differences for the groups of age and educational background only, scoring 0.004 and 0.015. There are lower than the statistically significant level of 0.05. The results further suggest that respondents 41 – 50 years old ranked highest with a mean score of 269.13. This is followed by those aged 31 – 40 (mean=249.89), 20 – 30 (mean=236.34), less than 20 years old (mean=201.14), and over 50 years old (mean=143.50). Meanwhile, the educational background mean result suggests that highly educated respondents strongly support this statement, with postgraduate degree holders ranked highest and SPM holders lowest.

7.4.6. Factors Hindering Islamic Banking and Finance being CSR

After identifying the potential contributions of CSR to Islamic banks, this section, then, discusses factors that could prevent Islamic banks from performing CSR activities. For this, a list of potential factors of hindrance that may hold back the implementation of CSR in Islamic banks was provided for the participants to choose from in Question 24. The results are presented in Table 7.6. (refer Appendix 3)

Question 24 Factor (a) - *Bureaucracy*: The results in Table 7.6. (refer Appendix 3) suggests that there are no significant differences of view with regard to bureaucracy in any group since

the results obtained are higher than the 0.05 critical level. Although there are no significant differences, the highest mean rank from each group would represent the perception of these specific groups about bureaucracy as a factor of hindrance. The groups are presented as follows, according to highest mean rank: male (242.49), aged 31 – 40 years (249.64), postgraduate degree holders (266.42), monthly income of RM3,001 – RM5,000 (250.28), employees of Islamic banks (246.85) and foreign fully-fledged Islamic banks (255.95).

Question 24 Factor (b) - *Time constraint*: The results identify that the respondents' category is the only group that has a statistically significant difference with a score of 0.004. It is deduced from the results that bankers in Islamic banks have statistically higher mean (269.19) than customers (229.52). In other words, employees of Islamic banks agree that *time constraint* is one of the hindrance factors.

Question 24 Factor (c) - *Lack of adequate information on CSR*: Table 7.6. (refer Appendix 3) shows that no groups demonstrate significant differences in term of 'lack of adequate information on CSR', except for that of educational background (p-value=0.012). According to the results obtained, respondents with SPM certificates ranked highest with a mean score of 274.18, and those with a professionally qualified ranked last with a mean score of 188.30. Postgraduates, undergraduates and diploma/matriculation/A-level ranked second, third and fourth in the table. The results therefore suggest that respondents with working experience, referring to those with a professional qualification, are better informed on CSR than those with an academic background only. This is supported with the results from Table 6.19. in the previous chapter depicting this factor as not of one of the major reason preventing Islamic banks from implementing CSR.

Question 24 Factor (d) - *Lack of awareness*: The results indicate that there are no significant differences for any group as the results are all higher than the significant level of 0.05. However, the mean results indicate that the specific groups that obtained highest mean rank strongly support the statement above, which are male (242.49), aged 31 – 40 (249.64), hold a postgraduate degree (266.42), earnings RM3,001 – RM5,000 (250.28), Islamic bankers (246.85) and foreign fully-fledged Islamic banks (255.95).

Question 24 Factor (e) - *Lack of human resources*: Table 7.6. (refer Appendix 3) shows that there is a significant difference only in the respondents' category with a p-value of 0.038. The mean results show that employees of Islamic banks have a statistically higher mean (260.53)

than customers of Islamic banks (232.24). In other words, employees of Islamic banks find it difficult to implement CSR because of lack of human resources.

Question 24 Factor (f) - *Lack of commitment to CSR*: The results in Table 7.6. (refer Appendix 3) shows no significant differences for any group. This is supported with the result in Table 6.19. (see Chapter 6) positioning this factor at the top of the table. Albeit there is no significant difference, each group with the highest mean score may suggest 'lack of commitment to CSR' as one of the factors that hinders Islamic banking from CSR. These groups are: male (mean=241.51), age 41 – 50 years (mean=247.64), postgraduate degree holders (mean=260.24), monthly income of RM5,001 – RM10,000 (mean=263.29), customers of Islamic banks (mean=242.89) and foreign fully-fledged Islamic banks (mean=273.00).

Question 24 Factor (g) - *Lack of commitment to Islamic ethics*: Referring to Table 6.19. in Chapter 6, this factor ranked third as the most preventing factors for Islamic banks to perform CSR. As can be seen in Table 7.6. (refer Appendix 3), there are no significant differences for any group except for the monthly income group, with a p-value of 0.048. Looking at the results, those earning more than RM20,000 a month strongly support this position with a mean score of 328.17. There follows those earning RM5,001 – RM10,000, RM1,001 – RM3,000, RM3,001 – RM5,000, less than RM1,000 and RM10,001 – RM20,000 accordingly. The results suggest that high income earners demand a commitment to Islamic ethics by Islamic bankers.

Question 24 Factor (h) - *Not interested*: The results in Table 7.6. (refer Appendix 3) show that generally, there are no significant differences for any group. Even though no significant result is achieved, the groups that obtained the highest mean rank suggest a strong inclination towards the above statement. These groups include: female (244.97), aged less than 20 (276.14), SPM holders (250.03), earns more than RM20,000 per month (397.17), customers of Islamic banks (239.82) and foreign Islamic subsidiary banks (277.02).

Question 24 Factor (i) - *Not profitable to the bank*: The results for this factor suggest that there are no statistically significant differences for any group. The mean result depicts that the highest mean score in each group may suggest strong support for this position. The groups that obtained the highest mean score are: male (244.85), aged 31 – 40 (244.41), holds

a professional qualification (257.63), earns more than RM20,000 per month (315.00), Islamic bankers (240.57) and foreign Islamic subsidiary banks (272.86).

Question 24 Factor (j) - *Not imposed by the government*: As can be seen, the results indicate no statistically significant differences for any group. Despite the non-significant differences, the groups that may agree with the above position are male (mean=243.97), aged over 50 (mean=251.39), obtained a professional qualification (mean=250.83), earn more than RM20,000 per month (mean=289.83), customers (mean=243.86) and foreign Islamic subsidiary banks (mean=272.86), based on the highest mean score obtained from the respective groups.

Question 24 Factor (k) - *Not prioritised as important*: The results in Table 7.6. (refer Appendix 3) show no statistically significant differences for any group since the results obtained are higher than the critical value of 0.05. The result in Table 6.19 in Chapter 6 supports this position depicting this factor at second place on the table. However, the groups with the highest mean score would strongly support the position above: male (244.46), aged 31 – 40 (256.61), postgraduate degree holder (263.11), monthly income above RM20,000 (328.83), customers of Islamic banks (239.93) and foreign Islamic subsidiary banks (257.30).

Question 24 Factor (l) - *Commercial orientation*: The results depicted in Table 7.6. (refer Appendix 3) shows a statistically significant difference only for the educational background and monthly income groups with scores of 0.050 and 0.006 respectively. However, for the remaining groups: gender, age, respondents' category and bank category, there are no significant differences. From the results, postgraduate degree holders and those earning above RM20,000 ranked highest in each group.

7.5. KNOWLEDGE AND AWARENESS OF SUSTAINABLE DEVELOPMENT

Since CSR practices represent the articulation of sustainable development, the inferential statistical analysis in this section presents the findings from the respondents' knowledge and awareness with regard to sustainable development. As this study assumes that sustainable development is the essential expectation of Islamic moral economy from Islamic banks beyond and in relation to CSR practice, which is considered to ensure the robustness and stability of Islamic bank. While the results for the following questions will be presented in

Table 7.7. (refer Appendix 3), this section starts with the basic understanding of the concept of sustainable development.

Question 25 aims to gauge the familiarity of the participants with the concept of sustainable development. As the results in Table 7.7. (refer Appendix 3) shows, there are no significant differences for gender, respondents' category and bank category. Nevertheless, there are statistically significant differences across age, educational background and monthly income with p-values of 0.008, 0.000 and 0.000 respectively. From the results given, it can be concluded that respondents aged 20 – 30, those who obtain diploma/matriculation/A-level certificates and those who earn less than RM1,000 per month ranked highest from each group.

The research also aims at exploring the perception of the participants on the sustainable development role of Islamic banks, which is a pre-requisite for Islamic banks as identified by Islamic moral economy. Question 27, hence, is mainly on the role of Islamic banks to provide sustainable development. Hence these questions are organised into a list of potential roles that Islamic bank should offer in order to meet the objectives of sustainable development.

Question 27 Statement (a) - *It is Islamic banks obligation to alleviate poverty*: The results in Table 7.7. (refer Appendix 3) shows no significant differences for any group in terms of their opinion that alleviation of poverty should also be tackled by Islamic banks. As can be seen from Table 6.22 in previous chapter, poverty alleviation was ranked lowest with 59% of the participants only agreeing to this statement. The mean results in Table 7.7. (refer Appendix 3) depicts that female respondents, aged 41 – 50, postgraduate degree holders, those earning RM3,001 – RM5,000 per month, customers of Islamic banks and also local fully-fledged Islamic banks obtained the highest mean rank in their respective groups. This indicates the strong support for the particular statement above.

As part of the sustainable development objective, the participants were asked to state their opinion on the statement expressed in Question 27 Statement (b) that '*It is the banks obligation to ensure a better living of the society in the future*'. Table 7.7. (refer Appendix 3) suggests no statistically significant differences for any group except for the educational background, with a p-value of 0.033. The results show that postgraduate degree holders ranked highest with a mean score 262.73. At second is diploma/matriculation/A-level holder with a mean score of 247.09. There follows undergraduates, SPM holders and the

professionally qualified scoring 237.32, 222.81 and 175.20 respectively. Although the monthly income group has no significant difference, it is still worth mentioning that respondents with the lowest monthly income (those earning less than RM1,000 per month) have strong support for this position; same goes to female respondents as well with both categories obtained highest mean score from each respective group.

Question 27 Statement (c) - *Islamic banks should promote equal opportunity in its financial activities and operations regardless of gender, race, religion, disability and socioeconomic background*: As can be seen, the results in Table 7.7. (refer Appendix 3) depict no significant difference for any group. Despite that there is no significant differences among all groups, the highest mean score obtained by each category suggest the strong support for the above statement. These groups are: male (239.60), aged 31 – 40 (254.69), postgraduate degree holders (252.72), earning above RM20,000 per month (270.00), customers of Islamic banks (240.09) and local fully-fledged Islamic banks (249.11).

Question 27 Statement (d) - *Islamic banks should promote equal opportunity in its management regardless of gender, race, religion, disability and socioeconomic background*: The results in Table 7.7. (refer Appendix 3) completely indicate no significant differences for any group. Even though so, these respective groups have inclination towards the above statement based from the highest mean result achieved for each group. The groups with highest mean score are: female (244.09), aged 31 – 40 (250.89), undergraduates (248.09), those earning above RM20,000 per month (279.50), Islamic bankers (242.69) and local fully-fledged Islamic banks (254.82).

Question 27 Statement (e) - *Islamic banks should promote good governance (e.g. transparency, no corruption, etc)*: As the results in Table 7.7. (refer Appendix 3) demonstrate there is only one group that has statistical significant difference which is educational background with a p-value of 0.000. In reference to Table 6.22 (see Chapter 6), promoting good governance are the most valued role that Islamic bank should offer with 93.3% of respondents supports this position. Based on the mean scores in Table 7.7. (refer Appendix 3), it can be stated that those with better education qualification deem Islamic bank to promote good governance in its operation. This is evidenced by the results depicting the highest mean scored by postgraduate degree holders. There follows undergraduates and

diploma/matriculation/A-level come second and third place, while SPM holders and the professionally qualified, have the lowest mean score in the table.

Question 27 Statement (f) - *Islamic banks should promote microfinance (banking for the poor)*: Table 7.7. (refer Appendix 3) shows no significant differences for gender, age, respondents' category with p-values of 0.495, 0.410, 0.285 and 0.429 respectively. However, there are significant differences for educational background ($p=0.017$) and monthly income ($p=0.038$) only. The results show that undergraduates (mean=248.77) has the highest mean compared to postgraduate (mean=239.77), diploma/matriculation/A-level (mean=239.63), SPM holders (mean=197.95) and the professionally qualified (mean=172.96). Meanwhile, the results also identifies that those earning above RM20,000 per month has more concern with this statement

Question 27 Statement (g) - *Islamic banks should follow ethical strategy from providing service to customer to employees' rights*: The results in Table 7.7. (refer Appendix 3) suggests that the educational background group ($p=0.029$) is only significant control group, which is lower than the critical p-value of 0.05. The results also show that respondents with better educational background strongly support this proposition. Evidently, postgraduate degree holders, undergraduates and diploma/matriculation/A-level are among the groups with highest mean score, while the professionally qualified ranked lowest in the table. Besides, being ethical is the second most important role as stated by the respondents in Table 6.22 (see Chapter 6) for Islamic banks to achieve sustainable development.

Question 27 Statement (h) - *Islamic banks should invest in human capital development for employees (e.g. training, research, furthering education, etc)*: The results in Table 7.7. (refer Appendix 3) show that the educational background group ($p=0.021$) again is the only significant group. Based on the results shown, undergraduates ranked highest with mean score of 250.11, followed by postgraduate with mean score of 246.98. The remaining groups were ranked accordingly; SPM (mean=228.13), diploma/matriculation/A-level (mean=208.18) and professionally qualified (mean=185.80).

Question 27 Statement (i) - *Islamic banks should be conscious in investing for the environment*: Table 7.7. (refer Appendix 3) shows no significant differences for groups except for monthly income ($p=0.003$). Based on the results, those who earns above RM20,000 per month highly supports this statement.

Question 27 Statement (j) - *Islamic banks investment strategy should not undermine the environment*: Table 7.7. (refer Appendix 3) shows significant differences for educational background, monthly income and respondents' category with a p-values of 0.050, 0.002 and 0.041 respectively. In sum, the mean results suggest that respondents' with bachelor degree, those earning above RM20,000 per month and customers of Islamic banks ranked highest in each of their respective group.

Question 27 Statement (k) - *Islamic banks should contribute to the expansion of green areas (e.g. planting trees)*: Table 7.7. (refer Appendix 3) shows no significant differences for the age, educational background, monthly income and bank category. However, there are statistically significant differences for gender and respondents' category with p-values of 0.035 and 0.042 respectively. According to the table, female respondents has statistically higher mean than male, besides, customers also has higher mean value than employees of Islamic banks.

Question 27 Statement (l) - *Islamic banks should directly contribute to community development projects*: Table 7.7. (refer Appendix 3) shows no significant differences across all control variables. However, based on the highest mean result in each groups, it signified the strong inclination towards the above statement. These groups with highest mean score are female (240.70), aged below 20 years old (286.57), undergraduates (246.64), earnings above RM20,000 per month (424.50), customers of Islamic banks (242.68) and foreign Islamic subsidiary banks (246.95).

In addition to participants' understanding on the meaning and nature of sustainable development implications on Islamic banking, Question 28 aims to gauge the respondents' opinion whether their respective bank contributes to 'sustainable development' which half of the survey (50.1%) do believe so as referred to Table 6.23. from previous chapter. However, Table 7.7. (refer Appendix 3) shows that there are completely no significant differences for any groups, which implies that respondents have similar views with regard to practices of their Islamic banks. Nevertheless, the highest mean score obtained from each group may represent the positive perception of these groups towards the statement above. These groups are known as male (246.04), senior citizens (those above 50) (310.81), obtained a professional qualification (271.26), earnings RM5,001 – RM20,000 monthly (265.11), customers of Islamic banks (242.50) and foreign fully-fledged Islamic banks (249.35).

7.6. SOCIAL BANKING AS A POTENTIAL INSTITUTIONAL FORM FOR ISLAMIC BANKS: AWARENESS AND EXPECTATIONS

Social banking, as an alternative institutional form, is known to realise the expectations related to CSR and sustainable development. Therefore, as a solution to the observed social failure of Islamic banking, this study aims to measure respondents' opinions on social banking and whether they think that it can be an alternative institutional form for commercial Islamic banking. In responding to this aim, this section begins by presenting the respondents' basic understanding of the concept and objectives of social banking. Then it will further investigate the connection between social banking and Islamic banking, which will lead to a proposition to harmonise the two banking sectors into Islamic social banking.

7.6.1. Knowledge of Social Banking

In order to assess whether the participants has any understanding of as to what social banking is, Question 30 queried the respondents' familiarity with the concept of social banking. Table 6.25. (see Chapter 6) shows that only 22.2% are familiar with the concept of social banking. As can be seen in Table 7.8. (refer Appendix 3), significant differences among age and monthly income groups exist with scores of only 0.000 and 0.006 respectively. Based on the results given for these two groups, it could be interpreted that respondents under 20 years old and those who earn less than RM1,000 per month are more familiar with this concept than the others.

Question 31 is a continuation of the previous question revolving around the understanding of the fundamentals of social banking, which provides a number of statements related to the target groups of Islamic banks for respondents to express their opinion on. The lists of target groups are as follows:

Question 31 Target Groups (a) - *Low-income consumers*: This target group is ranked at the bottom in Table 6.26. (see Chapter 6) which indicates that respondents regard this target group as low importance in terms of expressing the objective of social banks. The results from Table 7.8 show that there are no completely significant differences for all of the groups. Although there are no significant differences, the highest mean result presented in the table may suggest the strong inclination of the respondents towards the above position. The groups with the highest mean score are: male (163.68), senior citizen (50 years old and above)

(171.64), SPM holders (173.53), monthly income of RM3,001 – RM5,000 (165.24), Islamic bankers (161.78) and foreign fully-fledged Islamic banks (170.09).

Question 31 Target Group (b) - *Financing small business enterprises (supporting individual and group activities for economic environment)*: Table 7.8. (refer Appendix 3) shows that there are no significant differences for any group except for the bank category with a p-value of 0.050, which is lower than the significant level of 0.05. The mean results for the bank category are arranged from the highest mean to lowest mean: foreign Islamic subsidiary banks, local fully-fledged Islamic banks, foreign fully-fledged Islamic banks and local Islamic subsidiary banks with mean scores of 173.77, 165.04, 159.94 and 146.03 respectively. Thus, the results suggest that foreign Islamic subsidiary banks have a high regard for this objective.

Question 31 Target Group (c) - *Social enterprise (not entirely profit oriented nor is it a charity)*: Table 7.8. (refer Appendix 3) depicts that there are no statistically significant differences for any of the control group. However, from the mean results obtained, it can be proposed that these groups: female (159.04), aged 41- 50 years old (162.38), diploma/matriculation/A-level holders (165.98), earning above RM20,000 per month (185.50), Islamic bankers (160.22) and local fully-fledged Islamic banks (167.49) have statistically highest mean compared to others in their respective group, indicating a strong inclination towards the above statement.

Question 31 Target Group (d) - *Ecological enterprise (undertakes environmental project for sustainable development)*: Table 7.8. (refer Appendix 3) suggests that there is only one significant difference for the bank category group ($p=0.005$). The results also indicate that foreign fully-fledged Islamic banks strongly support this position, having the highest statistical mean of 178.81. It is followed by local fully-fledged Islamic banks with 173.11. Both Islamic subsidiaries, foreign and local are at bottom of the table with a mean score of 149.58 and 141.12 respectively.

Question 31 Target Group (e) - *Micro-enterprise for individual and family*: Table 7.8. (refer Appendix 3) shows that there are no statistically significant differences among the groups except for the bank category ($p=0.006$). The results show that foreign fully-fledged Islamic banks have the statistically highest mean (176.72) than local fully-fledged Islamic banks

(170.13), foreign Islamic subsidiary banks (164.32) and local Islamic subsidiary banks (139.98). In other words, the results suggest that foreign fully-fledged Islamic bank support *micro-enterprise for individual and family* as one of the objectives of social banking.

Question 31 Target Group (f) - *Assisting community development (e.g. education, medical services, discouraging social ills, etc.)*: Table 6.26. in the previous chapter depicts that assisting community development as the most popular objective for social banking. The results in Table 7.8. (refer Appendix 3) show that there are statistically significant differences across the respondents' category and bank category with a p-value of 0.050 and 0.027 respectively. The results imply that customers and also local fully-fledged Islamic banks ranked highest in each of their groups suggesting these two groups strongly agree with this objective.

Question 31 Target Group (g) - *Encouraging social savings for marriages, children's education, community-based programmes and other social welfare programmes*: As can be seen from the results depicted in Table 7.8. (refer Appendix 3), there are no statistically significant differences for any group except for the respondents' category with a significant value of 0.040. The customers of Islamic banks have a statistically higher mean (162.67) than the employees of Islamic bank (142.88). In other words, this indicates that customers of Islamic banks desire this element to be included in the objective for social banking.

7.6.2. Perspectives on Institutionalising Islamic Social Banking

After exploring participants views on social banking and developing further on the earlier questions, this section aims to investigate the institutionalisation of social banking within the Islamic paradigm through opinions of the participants. The findings are as follows:

Question 32 looks for the respondents' view as to whether '*Islamic bank should be social banking*'. The results from Table 6.27. (see Chapter 6), indicates that the majority of the respondents (80.9%) are in favour. Table 7.9. shows that there is no significant differences in the opinion of any group with regard to this suggestion since the results obtained are all higher than the critical p-value of 0.05.

Statement in question 33 asked the respondents whether they would '*consider their respective Islamic banks as a social banking*'. As established in Chapter 6, Table 6.28, more than half of

those surveyed (54.3%) disagree with this statement in Table 6.28 (see Chapter 6). However, Table 7.9. (refer Appendix 3) shows that there are statistically significant differences across gender, educational background and monthly income with scores of 0.027, 0.012 and 0.048 respectively. The results obtained, suggest that male respondents, those with professional qualification and those earning RM5,001 to RM10,000 monthly ranked highest for each group.

Question 34 seeks respondents' opinions on '*how should an Islamic social bank be structured and organised?*' Table 6.29. (see Chapter 6) identifies that respondents are in favour of Islamic social banking as a new institution separate from the existing Islamic commercial bank with a percentage of 41%. While Table 7.9. (refer Appendix 3) shows that there are no significant differences across the whole group with regard to this idea since the p-values obtained for each group are higher than the significant level of 0.05.

Question 35 is a continuation of the previous question and aims to find answers to the question as to '*how an Islamic social bank should be financed?*' From Table 6.30. (see Chapter 6), it is clear that for Islamic social banking to be successful, 31.7% respondents suggest they should be funded by the government, NGOs and also Islamic commercial banks. The present Table 7.9. (refer Appendix 3), however, depicts that there are significant differences only across educational background and monthly income groups with p-values of 0.046 and 0.044 respectively. The results also suggest that diploma/matriculation/A-level holders and those earning a monthly income between RM1,001 and RM3,000 have statistically the highest mean in each group.

The last question in this research investigates the potential contribution of social banking in assisting Malaysia's economic development by taking a functionalist approach, the answers for which are analysed below:

Question 36 Statement (a) – '*Islamic social banking can help to alleviate poverty in Malaysia*': Table 7.10. (refer Appendix 3) shows that there is no significantly difference for neither of the groups. Although there are no significant differences across all groups, the highest mean score obtained for some of the groups, as follows: are male (241.60), age 41 – 50 (260.34), postgraduate degree holders (251.35), earning more than RM20,000 per month (294.67), customers of Islamic banks (242.75) and local fully-fledged Islamic banks (249.96).

Question 36 Statement (b) – ‘*Islamic social banking can help to create environmentally friendly economy*’: Table 7.10. (refer Appendix 3) shows a statistically significant difference only for the bank category with a p-value of 0.013. It suggests that foreign fully-fledged Islamic banks have the highest statistical mean (258.25) compared to local fully-fledged Islamic banks (255.61), local Islamic subsidiary banks (226.97) and foreign Islamic subsidiary banks (208.66).

Question 36 Statement (c) – ‘*Islamic social banking can support small business enterprises in Malaysia*’: Table 7.10. (refer Appendix 3) suggests that there are no statistically significant differences among the entire group. The mean scores suggest that these groups obtained a statistically higher score compared to others in each group: male (240.15), aged 31 – 40 (244.57), postgraduate degree holders (249.03), earning above RM20,000 (346.83), customers of Islamic banks (243.36) and foreign fully-fledged Islamic banks (252.37). Hence, these groups may show a strong inclination towards *supporting small business enterprise*.

Question 36 Statement (d) – ‘*Islamic social banking can improve community development in Malaysia*’: Similarly to the above results, Table 7.10. (refer Appendix 3) depicts no significant differences across any of the groups. However, the mean result shows that the following groups achieve the highest score: female (241.81), aged 41 – 50 years (251.36), postgraduate degree holder (251.04), earning more than RM20,000 (276.67), customers of Islamic banks (243.10) and foreign fully-fledged Islamic bank (252.37); indicating strong support.

Question 36 Statement (e) – In considering that development requires job creation, the respondents asked to comment on the statement that ‘*Islamic social banks can create job opportunities in Malaysia*’: The results given in Table 7.10. (refer Appendix 3) show a statistically significant difference only for the respondents’ category with the score of 0.031 which is lower than the 0.05 significant levels. Customers of Islamic banks have a statistically higher mean than bankers: 245.44 and 218.51 respectively.

Question 36 Statement (f) – ‘*Islamic social banking can help to increase women’s participation in the economy*’: Table 7.10. (refer Appendix 3) shows significant differences across gender, respondents’ category and bank category, scoring 0.001, 0.009 and 0.009 respectively. As can be seen, female respondents have a statistically higher mean than the

male, 255.41 and 216.47 respectively. Customers of Islamic banks also ranked higher than employees, scoring 247.47 and 213.07 respectively. For the bank category, local fully-fledged Islamic banks ranked highest. Therefore, the results suggest that female respondents, customers of Islamic banks and local fully-fledged Islamic banks are more likely to consider social banking will lead to an increase in the participation of women in the economy.

7.7. SUMMARY OF FINDINGS THROUGH MANN-WHITNEY U TEST AND KRUSKAL-WALLIS TEST

This section is a summary of the analyses presented in this chapter through the use of Mann-Whitney U test and Kruskal-Wallis test, which are presented in table form to give snapshot of the results. The tables are according to subcategories and highlight the significant difference in several control variables in response to a specific question according to the opinion and perspective of the participants.

7.7.1. Summary of Findings on Knowledge and Awareness as related to Islamic Banking

Table 7.11. summarises respondents' knowledge and awareness of Islamic banking in Malaysia. As can be seen, in general, respondents with a higher level of education are more aware of Islamic banking.

Table 7.11.: Summary of Findings on Knowledge and Awareness as Related to Islamic Banking

Question 12 No.	Islamic Banking is mostly associated with...		
	Variables	Category	Significant Differences
(a)	Banking without charging interest	Awareness	<ul style="list-style-type: none"> • Higher level of education • Employees
(b)	Discourages debt-based finance	Awareness	<ul style="list-style-type: none"> • <i>No –female respondents, lower age group, professionally qualified, higher income level, employees, local fully-fledged IB*</i>
(c)	An alternative to capitalism and socialism	Awareness	<ul style="list-style-type: none"> • Male respondents • Higher level of education
(d)	Having <i>Shari'ah</i> -compliant products	Awareness	<ul style="list-style-type: none"> • Higher level of education • Employees

(e)	Banking for Muslims only	Awareness	<ul style="list-style-type: none"> • Female respondents • Lower level of education • Local fully-fledged IB
(f)	An ethical banking	Awareness	<ul style="list-style-type: none"> • Higher level of education • Foreign fully-fledged IB
(g)	Promoting social welfare	Awareness	<ul style="list-style-type: none"> • Higher age group • Lower income level • Local fully-fledged IB
(h)	A charitable entity	Awareness	<ul style="list-style-type: none"> • Lower age group • Lower income level • Local fully-fledged IB
(i)	Banking for the poor	Awareness	<ul style="list-style-type: none"> • Female respondents • Local fully-fledged IB
Question 12	Islamic Banking is mostly associated with...		
No.	Variables	Category	Significant Differences
(j)	Similar to other commercial banks	Awareness	<ul style="list-style-type: none"> • No – male respondents, higher age group, lower educational level, middle income level, employees, local Islamic subsidiary bank*
Question 13	How important are the following objectives to Islamic banking?		
No.	Variables	Category	Significant Differences
(a)	Prohibition of <i>riba'</i>	Knowledge	<ul style="list-style-type: none"> • Foreign fully-fledged IB
(b)	Providing <i>Shari'ah</i> -compliant products	Knowledge	<ul style="list-style-type: none"> • Employees • Foreign fully-fledged IB
(c)	Non debt-based financing	Knowledge	<ul style="list-style-type: none"> • Female respondents
(d)	Contributing to social welfare	Knowledge	<ul style="list-style-type: none"> • Customers • Local fully-fledged IB
(e)	Promoting sustainable development	Knowledge	<ul style="list-style-type: none"> • Customers
(f)	Alleviating poverty	Knowledge	<ul style="list-style-type: none"> • Customers
(g)	Maximising profits	Knowledge	<ul style="list-style-type: none"> • Lower level of education
(h)	Encouraging Islamic values at all levels	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Foreign fully-fledged IB

Note: (*) results based upon highest mean score

7.7.2. Summary of Findings for Knowledge, Awareness and Practice of CSR

This section summarises and simplifies results for knowledge, awareness and practice of CSR in Islamic banking in Malaysia. The results given underline the specific control variable for each question where there is a significant difference in views.

Table 7.12.: Summary of Findings for Knowledge, Awareness and Practice of CSR

Question 14	Are you familiar with the concept of CSR?		
No.	Variables	Category	Significant Differences
		Awareness	<ul style="list-style-type: none"> • Female respondents • Lower age group • Lower level of education • Lower monthly income • Customers

Question 16			
How much do you agree with the following statements?			
No.	Variables	Category	Significant Differences
(a)	CSR upholds the social justice dimension of Islamic economics	Knowledge	<ul style="list-style-type: none"> • Male respondents • Higher age group • Higher level of education • Higher monthly income
(b)	Islamic banks are obliged to practise CSR	Knowledge	<ul style="list-style-type: none"> • Higher age group • Higher level of education
Question 16			
How much do you agree with the following statements?			
No.	Variables	Category	Significant Differences
(c)	CSR is relevant to Islamic banking concept	Knowledge	<ul style="list-style-type: none"> • Higher age group • Higher level of education • Higher monthly income
(d)	CSR should be embedded in Islamic banks' policy	Knowledge	<ul style="list-style-type: none"> • Higher age group • Higher level of education
(e)	The government should legislate to enforce CSR through regulation as one of the requirements for operating an Islamic bank	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Customers
(f)	Social responsibility should be left up to government	Knowledge	<ul style="list-style-type: none"> • Lower age group • Lower level of education • Lower monthly income • Local fully-fledged IB
(g)	Social responsibility should be left up to NGOs	Knowledge	<ul style="list-style-type: none"> • Lower age group • Lower level of education • Lower monthly income • Local fully-fledged IB
Question 17			
Are you aware whether CSR is practised in your bank?			
No.	Variables	Category	Significant Differences
		Awareness	<ul style="list-style-type: none"> • Female respondents • Higher age group • Lower level of education • Lower monthly income • Customers
Question 18			
What form of CSR contributions would you like to see practised in your bank?			
No.	Variables	Category	Significant Differences
(a)	Charity /donation to the community	Practice	<ul style="list-style-type: none"> • Foreign fully-fledged IB
(b)	Alliance with charitable organisations (e.g. activities with orphanage, helping the poor, etc)	Practice	<ul style="list-style-type: none"> • Higher level of education • Employees • Foreign fully-fledged IB
(c)	Actively target groups, communities or institutions that require assistance	Practice	<ul style="list-style-type: none"> • Higher level of education
(d)	Provide benevolence loans (<i>qard al-hasan</i>)	Practice	<ul style="list-style-type: none"> • No – male respondents, higher age group, higher educational level, middle monthly income, customers, local fully-fledged IB*

(e)	Provides educational sponsorship	Practice	• No – female respondents, higher age group, higher educational level, middle monthly income, customers, local fully-fledged IB*
(f)	Emphasise on ethical values and moral behaviour (e.g. honesty, respect, punctuality, justice, etc)	Practice	• Higher monthly income
(g)	Assist <i>Zakah</i> House (<i>pusat zakat</i>) for <i>zakah</i> collection and/or distribution	Practice	• Higher monthly income
(h)	Ensures investing in ethical and Shari'ah compliance products	Practice	• Higher level of education • Higher monthly income
Question 18	What form of CSR contributions would you like to see practised in your bank?		
No.	Variables	Category	Significant Differences
(i)	Guarantees investment will not harm the environment	Practice	• Higher level of education
(j)	Pro-active in environment conservation	Practice	• Higher level of education
(k)	Adoption of best practises in human resource management	Practice	• Higher level of education • Customers
(l)	Promotes health and safety in the workplace	Practice	• Female respondents • Higher level of education • Higher monthly income
(m)	None of the above, as bank is a financial institution	Practice	• Lower level of education
Question 19	Considering your experience so far, would you consider your bank actively performs CSR?		
No.	Variables	Category	Significant Differences
		Awareness	• Customers
Question 20	Does your bank regularly encourage you to join any CSR activities performed by them?		
No.	Variables	Category	Significant Differences
		Awareness	• Customers
Question 21	How many percent from the banks' profit goes to social welfare and charity activity?		
No.	Variables	Category	Significant Differences
		Awareness	• No – male respondents, higher age group, lower educational level, middle monthly income, employees, local fully-fledged IB*
Question 23	How much do you agree with the following statements with respect to your banks practise		
No.	Variables	Category	Significant Differences
(a)	Being socially responsible gives better brand image to the bank	Practice	• Higher level of education • Higher monthly income
(b)	Contributing to CSR increases the appreciation of stakeholders	Practice	• Higher level of education • Customers
(c)	Implementing CSR creates competitive advantage for the bank	Practice	• No – female respondents, higher age group, higher educational level, middle monthly income, customers, foreign fully-fledged IB*

(d)	Implementing CSR practices are costly and only suitable for a financially stable entity	Practice	<ul style="list-style-type: none"> • Lower monthly income • Local fully-fledged IB
(e)	CSR will help increase annual profit for the bank	Practice	<ul style="list-style-type: none"> • Customers • Local fully-fledged IB
(f)	Being a socially responsible bank, will increase loyalty among customers/depositors	Practice	<ul style="list-style-type: none"> • Higher monthly income
(g)	Practising CSR will increase employees satisfaction in the bank	Practice	<ul style="list-style-type: none"> • No – female respondents, higher age group, higher educational level, middle monthly income, customers, local fully-fledged IB*
Question 23	How much do you agree with the following statements with respect to your banks practise		
No.	Variables	No.	Variables
(h)	By implementing CSR ,a bank promises a better future for the community	Practice	<ul style="list-style-type: none"> • Higher level of education
(i)	Through CSR activities, a bank increases awareness of being environmental friendly	Practice	<ul style="list-style-type: none"> • Female respondents • Higher level of education
(j)	By practising CSR, a bank overcomes the barrier between bank and society	Practice	<ul style="list-style-type: none"> • Higher age group • Higher level of education
Question 24	How much do you agree with the following factors preventing Islamic banks from implementing CSR		
No.	Variables	Category	Significant Differences
(a)	Bureaucracy	Knowledge	<ul style="list-style-type: none"> • No – male respondents, middle age group, higher educational level, middle monthly income, employees, foreign fully-fledged IB*
(b)	Time constraints	Knowledge	<ul style="list-style-type: none"> • Employees
(c)	Lack of adequate information on CSR	Knowledge	<ul style="list-style-type: none"> • Lower level of education
(d)	Lack of awareness	Knowledge	<ul style="list-style-type: none"> • No – female respondents, middle age group, higher educational level, middle monthly income, employees, foreign fully-fledged IB*
(e)	Lack of human resources	Knowledge	<ul style="list-style-type: none"> • Employees
(f)	Lack of commitment to CSR	Knowledge	<ul style="list-style-type: none"> • No – male respondents, higher age group, higher educational level, middle monthly income, customers, foreign fully-fledged IB*
(g)	Lack of commitment to Islamic ethics	Knowledge	<ul style="list-style-type: none"> • Higher monthly income
(h)	Not interested	Knowledge	<ul style="list-style-type: none"> • No – female respondents, lower age group, lower educational level, higher monthly income, customers, foreign Islamic subsidiary banks*
(i)	Not profitable to the bank	Knowledge	<ul style="list-style-type: none"> • No – male respondents, middle age group, professionally qualified, higher monthly income, customers, foreign Islamic subsidiary banks*

(j)	Not imposed by the government	Knowledge	<ul style="list-style-type: none"> • No – male respondents, higher age group, professionally qualified, higher monthly income, customers, foreign Islamic subsidiary banks*
(k)	Not prioritised as important	Knowledge	<ul style="list-style-type: none"> • Higher level of education
(l)	Commercial orientation	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Higher monthly income

Note: (*) results based upon highest mean score

7.7.3. Summary of Findings on Knowledge and Awareness of Sustainable Development

Table 7.13. shows the results for the knowledge and awareness of respondents regarding the implementation of sustainable development in Islamic banking. The results indicate that there highly educated respondents that have more understanding and awareness of sustainable development.

Table 7.13.: Summary of Findings for Knowledge and Awareness of Sustainable Development

Question No.	Are you familiar with the concept of sustainable development?		
No.	Variables	Category	Significant Differences
		Awareness	<ul style="list-style-type: none"> • Higher age group • Lower educational level • Lower monthly income
Question No.	How much do you agree with the following statements related to the potential roles for Islamic banks in providing sustainable development?		
No.	Variables	Category	Significant Differences
(a)	It is the banks' obligation to alleviate poverty	Knowledge	<ul style="list-style-type: none"> • No – female respondents, higher age group, higher educational level, middle monthly income, customers, local fully-fledged IB*
(b)	It is the banks' obligation to ensure a better living of the society in the future	Knowledge	<ul style="list-style-type: none"> • Higher level of education
(c)	Islamic banks should promote equal opportunity in their financial activities and operations regardless of gender, race, religion, disability and socioeconomic background	Knowledge	<ul style="list-style-type: none"> • Higher level of education
(d)	Islamic banks should promote equal opportunity in their management regardless of gender, race, religion, disability and socioeconomic background	Knowledge	<ul style="list-style-type: none"> • No – female respondents, middle age group, higher educational level, higher monthly income, employees, local fully-fledged IB*
(e)	Islamic banks should promote good governance (e.g. transparency, no corruption, etc)	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Higher monthly income

(f)	Islamic banks should promote microfinance (banking for the poor)	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Higher monthly income
(g)	Islamic banks should follow an ethical strategy from providing services to customers to employees rights	Knowledge	<ul style="list-style-type: none"> • Higher level of education
(h)	Islamic banks should invest in human capital development for employees (e.g. training, research, furthering education, etc)	Knowledge	<ul style="list-style-type: none"> • Higher level of education
(i)	Islamic banks should consciously investing for the environment	Knowledge	<ul style="list-style-type: none"> • Higher monthly income
Question 27	How much do you agree with the following statements related to the potential roles for Islamic banks in providing sustainable development?		
No.	Variables	No.	Variables
(j)	Islamic banks investment strategy should not undermine the environment	Knowledge	<ul style="list-style-type: none"> • Higher level of education • Higher monthly income • Customers
(k)	Islamic banks should contribute to the expansion of green areas (e.g. planting trees)	Knowledge	<ul style="list-style-type: none"> • Female respondents • Customers
(l)	Islamic banks should directly contribute to community development projects	Knowledge	<ul style="list-style-type: none"> • higher level of education
Question 28	Do you consider your bank's practices contribute to sustainable development?		
No.	Variables	Category	Significant Differences
		Awareness	<ul style="list-style-type: none"> • No – male respondents, higher age group, professionally qualified, middle monthly income, customers, foreign fully-fledged IB*

Note: (*) results based upon highest mean score

7.7.4. Summary of Findings for Knowledge of Social Banking

Table 7.14. summarises the findings for knowledge of the participants on social banking, which is proposed as another form of institutionalisation for Islamic finance focusing more on social responsibility. The results signify that foreign Islamic banks are more interested and knowledgeable with regard to social banking.

Table 7.14.: Summary of Findings for Knowledge of Social Banking

Question 30	Are you familiar with the concept of social banking?		
No.	Variables	Category	Significant Differences
		Knowledge	<ul style="list-style-type: none"> • Lower age group • Lower monthly income

Question 31	How much do you agree with the following statements describing the objectives of social banking?		
No.	Variables	Category	Significant Differences
(a)	Low-income consumers	Knowledge	• No – male respondents, higher age group, lower educational level, middle monthly income, employees, foreign fully-fledged IB*
(b)	Financing small business enterprise (supporting individual and group activities for economic environment)	Knowledge	• Foreign Islamic subsidiary bank
(c)	Social enterprise (not entirely profit oriented nor is it a charity)	Knowledge	• No – female respondents, higher age group, lower educational level, higher monthly income, employees, local fully-fledged IB*
Question 31	How much do you agree with the following statements describing the objectives of social banking?		
No.	Variables	No.	Variables
(d)	Ecological enterprise (undertakes environmental project for sustainable development)	Knowledge	• Foreign fully-fledged IB
(e)	Micro-enterprise for individual and family	Knowledge	• Foreign fully-fledged IB
(f)	Assisting community development (e.g. education, medical services, discouraging social ills, etc)	Knowledge	• Customers • Local fully-fledged IB
(g)	Encouraging social savings for marriages, children's education, community based programmes and other social welfare programmes	Knowledge	• Customers
Question 32	Should Islamic bank be social banking?		
No.	Variables	Category	Significant Differences
		Knowledge	• No – male respondents, lower age group, lower educational level, higher monthly income, customers, foreign fully-fledged IB*
Question 33	Considering your experience so far, would you consider your Islamic bank as a social bank?		
No.	Variables	Category	Significant Differences
		Knowledge	• Male respondents • Professionally qualified • Higher monthly income
Question 34	How should an Islamic social bank be structured and organised?		
No.	Variables	Category	Significant Differences
		Knowledge	• No – male respondents, lower age group, lower educational level, middle monthly income, employees, foreign fully-fledged IB*

Question No.	How should and Islamic social bank be funded?		
No.	Variables	Category	Significant Differences
		Knowledge	<ul style="list-style-type: none"> • Higher educational level • Higher monthly income
Question No.	How do you think Islamic social banking can help Malaysia's economic development?		
No.	Variables	Category	Significant Differences
(a)	Alleviation of poverty	Knowledge	<ul style="list-style-type: none"> • No – male respondents, higher age group, higher educational level, higher monthly income, customers, local fully-fledged IB*
(b)	Environmentally friendly economy	Knowledge	<ul style="list-style-type: none"> • Foreign fully-fledged IB
(c)	Supporting small business enterprises	Knowledge	<ul style="list-style-type: none"> • No – male respondents, middle age group, higher educational level, higher monthly income, customers, foreign fully-fledged IB*
Question No.	How do you think Islamic social banking can help Malaysia's economic development?		
No.	Variables	No.	Variables
(d)	Improving community development	Knowledge	<ul style="list-style-type: none"> • No – female respondents, higher age group, higher educational level, higher monthly income, customers, foreign fully-fledged IB*
(e)	Increases job opportunities	Knowledge	<ul style="list-style-type: none"> • Customers
(f)	Increases women's participation in economy	Knowledge	<ul style="list-style-type: none"> • Female respondents • Customers • Local fully-fledged IB

Notes: (*) results based upon highest mean score

In concluding, this chapter extensively examined and performed investigations on the respondents' perception, awareness and also knowledge of CSR, sustainable development and social banking with regard to Islamic banking. Various statistical inferential instruments have been employed in the analysis of data.

In earlier sections of this chapter, a non-parametric technique is employed for comparing mean ranking and mean differences, namely Mann-Whitney U Tests and also Kruskal-Wallis Tests. The results obtained further give elaboration to the previous chapter on descriptive analysis by presenting breakdowns of each subgroup of control variables.

7.8. IDENTIFYING ISLAMIC BANKS CONTRIBUTION TO CSR AND SUSTAINABLE DEVELOPMENT THROUGH FACTOR ANALYSIS

This section attempts to further analyse the data obtained through questionnaire with the objective of giving further meaning to data. For this Factor Analysis is utilised, and the purpose in employing Factor Analysis for specific questions is to find a way to summarise the information contained in a number of identified control variables into a smaller set (Hair, *et al.*, 2006: 107). As discussed in Chapter 5, Kaiser-Meyer-Olkin (KMO) Test and Bartlett’s Test of Spherity is employed to ensure the data matrix are appropriate to further analyses using Factor Analysis, as each question needs to pass through several tests before achieving its end result. In certain cases of the application of Factor Analysis, the analysis is further extended with the use MANOVA test to locate the significant differences of the established categories with the control variables.

7.9. SIGNIFICANCE OF CSR FOR ISLAMIC BANKING

The analysis in this section aims to further examine the significance of CSR to Islamic banking as stated in Question 16 through the opinion of the participants. As part of the Factor Analysis process, first the factorability of the data is tested through KMO and Bartlett’s test.

Table 7.15.: KMO and Bartlett’s Test Results for the Significance of CSR for Islamic Banking (Q.16)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.727
Bartlett’s Test of Spherity	Approx. Chi Square	1466.190
	df	21
	Sig.	.000

Table 7.15. shows that the KMO result obtained a ‘middling’ value of 0.727, regarded as high partial correlation indicating the suitability of sample size to conduct Factor Analysis. The result obtained from the Bartlett’s Test of Spherity also indicates that it is statistically significant: the result being lower than 0.05 indicates that sufficient correlation exists among the variables. Thus, factor analysis is considered to be applicable to the data. The initial part of the Factor Analysis is to find the loadings of each of the factor, for which Principle Component Analysis is utilised, and the result of this presented in Table 7.15.

Table 7.15(a): Total Variance Explained for the Significance of CSR for Islamic Banking

Component	Initial Eigenvalues			Extraction Sums of Squared Loading			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.118	44.548	44.548	3.118	44.548	44.548	3.082	44.033	44.033
2	1.791	25.588	70.136	1.791	25.588	70.136	1.827	26.103	70.136
3	.705	10.071	80.207						
4	.501	7.157	87.364						
5	.377	5.386	92.750						
6	.316	4.514	97.264						
7	.192	2.736	100.000						

Extraction Method: Principle Component Analysis

The results in Table 7.15(a) contain the information regarding the seven variables and their relative explanatory power as expressed by their eigenvalues. From the outcomes, as can be seen that factors can be reduced to two factors only, each of which explains 44.5% and 25.6% of the total variations. Thus, both the factors together explain 70% of the variation.

The process continues with the rotated component matrix, which distributes the factors under the two main factors established above, which is depicted in Table 7.15(b).

Table 7.15(b): Rotated Component Matrix^a on the Significance of CSR for Islamic Banking

Variables	Factor		Communalities
	1 Socioeconomic Justice/ Mandatory	2 Government and Voluntary Sector	
CSR Upholds the Social Justice Dimension of Islamic Economics	.779	-.046	.608
Islamic Banks are Obligated to Practise CSR	.788	-.011	.621
CSR Relevant to Islamic Banking Concept	.823	-.104	.689
CSR should be Embedded in Islamic Banks' Policy	.814	-.117	.676
The Government should Legislate to Enforce CSR	.714	.109	.522
Social Responsibilities should be left up to government	.000	.948	.899
Social Responsibilities should be left up to NGOs	-.073	.943	.895

Extraction Method: Principle Component Analysis

Rotation Method: Varimax with Kaiser

Normalization

a. Rotation converged in 3 iterations

The results in Table 7.15(b) suggest that the seven variables have a significant loading above 0.5. The results indicate that the individual variables fit into one of the two factors. After the

distribution completed, both the components are named to give a common named for the allocated factors to each of them. These are: Factor 1: Socioeconomic justice/Mandatory and Factor 2: Government and Voluntary Sector. The former component consists of elements that highlight the strength of socioeconomic justice in CSR which is relevant to Islamic banks. In addition, it also suggests that CSR should be embedded in the bank's policy, in fact to the extent it should be made mandatory as a 'license-to-operate'. The latter component refers to the social responsibility of Islamic banks, which should be the concern of both NGOs and government since CSR is a voluntary action.

The established two components and the distribution of each of the factors under these components provide further evidence to the earlier findings.

In searching for *CSR contributions in Islamic banks*, the same procedure as above, applied to Question 18 to develop better meaning of the data.

Table 7.16.: KMO and Bartlett's Test Results on CSR Contributions in Islamic Banks (Q.18)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.920
Bartlett's Test of Sphericity	Approx. Chi Square	3086.467
	df	78
	Sig.	0.000

The results in Table 7.16. shows a high partial correlation with KMO test being 0.920, which indicates an excellent outcome for furthering with Factor Analysis. The result also shows that there is a statistically significant result for Barlett's Test of Sphericity, since the associated probability is less than 0.05.

Table 7.16(a): Total Variance Explained on CSR Contributions in Islamic Banks

Component	Initial Eigenvalues			Extraction Sums of Squared Loading			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.303	48.488	48.488	6.303	48.488	48.488	4.555	35.041	35.041
2	1.069	8.85	56.713	1.069	8.85	56.713	2.802	21.552	56.594
3	1.019	7.835	64.548	1.019	7.835	64.548	1.034	7.955	64.548
4	.785	6.039	70.588						
5	.712	5.475	76.063						
6	.599	4.605	80.668						
7	.516	3.969	84.636						
8	.443	3.404	88.041						
9	.396	3.043	91.084						
10	.338	2.601	93.685						
11	.296	2.276	95.961						
12	.282	2.171	98.132						
13	.243	1.868	100.000						

Extraction Method: Principle Component Analysis

Principle Component Analysis in Table 7.16(a) show that from the 13 factors given, the factorable extraction retained three factors. The first factor accounts for 48.5% of the total variations, the second 8.2%, and the third 7.8%, resulting in about 65% of the variation is explained by these three factors.

Table 7.16(b): Rotated Component Matrix^a on CSR Contributions in Islamic Banks

Variables	Factor			Communalities
	1 Social Responsibility	2 Charity	3 Profit oriented	
Charity/Donation	.216	.834	.030	.743
Alliance with Charitable Organisations	.343	.814	-.079	.787
Actively Aim at People that Require Assistance	.311	.749	-.122	.672
Provides Benevolence Loans	.505	.382	.127	.418
Provides Educational Sponsorships	.584	.420	.054	.520
Emphasis on Ethical Values and Moral Behaviour	.650	.409	-.048	.592
Assist Zakah House	.577	.334	.105	.456
Ensures Investing in Ethical and Shari'ah Compliant Products	.723	.314	.002	.622
Guarantees Investment will not harm Environment	.792	.179	-.076	.666
Pro-active in Environment Conservation	.814	.167	-.095	.699
Adoption of Best Practices in Human Resources Management	.812	.214	-.143	.725
Promotes Health and Safety in the Workplace	.683	.274	.004	.542
Bank is a Financial Institution	-.053	-.060	.972	.951

Extraction Method: Principle Component Analysis
 Rotation Method: Varimax with Kaiser
 Normalization

a. Rotation converged in 3 iterations

After establishing the three main components, as can be seen from Table 7.16(b) that the three factors extracts were rotated using the Varimax Technique. The 13 factors were successfully loaded into three main factors named as Component1: 'Social responsibility', Component 2: 'Charity', and Component 3: 'Profit oriented'. Each factors have an acceptable loading value of 0.5 and above, which is higher than 0.32 (Tabachnick and Fidell, 2007). According to the factor loaded to Component 1, the contributions of CSR in Islamic banks are categorised as social responsibility, which includes various activities involving internal and external stakeholders. These activities support community development, employees' rights and also environmental protection. The factors under Component 2 are related to Islamic banks' charity activities distinguishing them from other socially responsible activities, suggesting that Islamic banks are not charitable organisations. In addition,

Component 3, meanwhile refers to the economic responsibility of Islamic banks, which need to give attention to profit yielding.

Through Factor Analysis, as can be seen, three main components are established which explains the nature of CSR contributions of Islamic banks. The results in this section substantiate the findings established in Chapter 7.

7.10. THE ADVANTAGES OF PERFORMING CSR FOR ISLAMIC BANKS

In order to locate the significance of the advantages of performing CSR for Islamic banks with the objective of substantiating the results established in the earlier chapter, Question 23 of the questionnaire subjected to Factor Analysis, as Question 23 provides a number of factor considered to be consequences of performing CSR for Islamic banks.

Table 7.17.: KMO and Bartlett’s Test Results on Advantages of Performing CSR (Q.23)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.882
Bartlett’s Test of Spherity	Approx. Chi Square	2063.383
	df	45
	Sig.	.000

As the application of Factor Analysis requires conducting the KMO test, the results in Table 7.17. shows that the value of KMO test is 0.882, which is considered as meritorious according to Kaiser (1974). This implies that this question with its factors can be considered appropriate on the adequacy of sample to use Factor Analysis. Furthermore, the Bartlett’s Test of Spherity also shows a positive result for carrying out Factor Analysis. The results indicate that it is statistically significant since the p-value is 0.000.

Table 7.17(a): Total Variance Explained on Advantages of Performing CSR

Component	Initial Eigenvalues			Extraction Sums of Squared Loading			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.859	4.8594	48.594	4.859	48.594	48.594	4.810	48.105	48.105
2	1.070	1.0704	59.299	1.070	10.704	59.299	1.119	11.194	59.299
3	.883	.8831	68.129						
4	.741	.7474	75.543						
5	.587	.5871	81.414						
	.488	.4880	86.294						
6									
7	.410	.4103	90.397						
8	.385	.3853	94.250						
9	.317	.3172	97.422						
10	.258	.2588	100.000						

Extraction Method: Principle Component Analysis

The results of the Principle Component Analysis in Table 7.17(a) suggest that from the 10 factors identified, the factorable extraction method has deduced all the factors to two only. The first factor accounts for the 48.6% of the total variation, and the second factor accounts for 10.7%, totalling to about 60% of the total variation. The other factors are loaded to these two components through Rotated Component Matrix, as depicted in Table 7.17(b).

Table 7.17(b): Rotated Component Matrix^a on Advantages of Performing CSR

Variables	Factor		Communalities
	1 Marketing/Social welfare/Environmental awareness	2 Profit oriented	
Better brand image	.707	.009	.500
Increase the appreciation of stakeholder	.712	.251	.570
Creates competitive advantage	.732	.172	.565
Only suitable for a financially stable entity	-.039	.929	.864
Increase annual profit for the bank	.599	.370	.496
Increase loyalty among customers/depositors	.759	.047	.578
Increase employees' satisfaction	.747	.060	.562
Promises better future for community	.761	-.086	.587
Increases awareness to be environmentally friendly	.804	.002	.647
Overcomes barriers between bank and society	.739	-.116	.560

Extraction Method: Principle Component Analysis

Rotation Method: Varimax with Kaiser

Normalization

a. Rotation converged in 3 iterations

By using the Varimax Method, the orthogonal rotation technique reduces the 10 factors into two components and distributes the factors according to their loading level to the identified components. The present results show a suitable loading value of 0.5 and above for each factor. Component 1 is named as 'Market/Social Welfare/Environmental Awareness' due to such relevant factors being distributed under this component, while Component 2 is named as 'Profit Oriented'. According to Component 1, the advantages for Islamic banks performing CSR are gathered together on the issues of competitive advantage strategy, performing social welfare and also conserving the environment. On the other hand, Component 2 specifically raises the issue of profit orientation and mainly foresees performing CSR as a costly activity.

The results in this section provide further support for the findings established in the previous chapter. It is thus considered that performing CSR can bring further profitability to the Islamic banks while it helps to improve their image as 'ethical' banks.

7.11. FACTORS PREVENTING ISLAMIC BANKING FROM CONDUCTING CSR

In furthering the findings established in the previous section on the contribution of CSR practices for Islamic banks, this section aims to categorise the factors, which prevents Islamic banking from conducting CSR. A list of prevention factors is stated in Question 24 to gather the respondents' views as to why CSR is not practised at their Islamic banks. Factor Analysis is used to summarise the information into a set of meaningful factors.

Table 7.18.: KMO and Bartlett's Test Results for Factors Preventing Islamic Banks from Conducting CSR (Q.24)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.853
Bartlett's Test of Spherity	Approx. Chi Square	2327.226
	df	66
	Sig.	.000

Table 7.18. suggests the KMO result obtained (0.853) as partially highly correlated, which indicates that the sample size is adequate to perform Factor Analysis. Further, the result from Bartlett's Test of Spherity also shows a significant value of 0.000 which is a positive indication to proceed with Factor Analysis.

Table 7.18(a): Total Variance Explained on Factors Preventing Islamic Banking from Conducting CSR

Component	Initial Eigenvalues			Extraction Sums of Squared Loading			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.893	40.773	40.773	4.893	40.773	40.773	3.549	29.576	29.576
2	1.710	14.246	55.019	1.710	14.246	55.019	3.053	25.442	55.019
3	.885	7.372	62.390						
4	.843	7.025	69.415						
5	.773	6.445	75.860						
6	.703	5.854	81.714						
7	.494	4.118	85.832						
8	.431	3.590	89.422						
9	.355	2.957	92.379						
10	.337	2.805	95.183						
11	.309	2.576	97.759						
12	.269	2.241	100.000						

Extraction Method: Principle Component Analysis

As can be seen from Table 7.18, through Principle Component Matrix, 12 factors through the factors extractability method deduced it into two components. The results show that the first component can explain 40.8% of the total variance, while 14.2% of the total variance is attributed to the second component.

Table 7.18(b): Rotated Component Matrix^a on Factors Preventing Islamic Banking from Conducting CSR

Variables	Factor		Communalities
	1 Motivation/ Profitability/ Government	2 Administrative/ Knowledge/ Commitment	
Bureaucracy	.258	.518	.335
Time Constraint	-.037	.671	.452
Lack of Adequate Information on CSR	.219	.725	.574
Lack of Awareness	.285	.735	.622
Lack of Human Resource	.007	.717	.514
Lack of Commitment for CSR	.463	.535	.501
Lack of Commitment to Islamic Ethics	.461	.592	.563
Not Interested	.711	.168	.534
Not Profitable to the Bank	.773	.139	.616
Not Imposed by the Government	.776	.143	.623
Not Prioritised as Important	.845	.115	.728
Commercial Orientation	.711	.189	.542

Extraction Method: Principle Component Analysis

Rotation Method: Varimax with Kaiser

Normalization

a. Rotation converged in 3 iterations

The Table 7.18(b) depicts the results of the rotation method, which reduced the number of factors according to the highest value of loading. The factor loading process shows that all 12 items have an acceptable loading value of 0.5 and above that fits into one of the established two components. With these results, Component 1 is named as Motivation/Profitability/Government and Component 2 as Administrative/Knowledge/Commitment. The factors preventing Islamic banks from performing CSR as gathered under Component 1, give attention to the motivations of individuals who do not think CSR will bring profit to the bank, and who believe that the social responsibility of business is to increase profit. In addition, blame is assigned to the government for not playing an important role in encouraging CSR. Component 2, on the other hand, focuses more on internal questions where employees raise issues of administration, inadequate knowledge of CSR and also issues of commitment.

The results in this section provides further explanation to the findings established in Chapter 6 and 7, and provides a more systematic way of looking at the findings.

7.12. POTENTIAL ROLES FOR ISLAMIC BANKS IN PROVIDING SUSTAINABLE DEVELOPMENT

In discussing the potential roles for Islamic banks in providing sustainable development as mentioned in Question 27, Factor Analysis is employed to develop a better understanding. The end result will extract information into several factors to be analysed.

Table 7.19.: KMO and Bartlett’s Test Results on Potential roles for Islamic banks in Providing Sustainable Development (Q.27)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.874
Bartlett’s Test of Sphericity	Approx. Chi Square	2724.843
	df	66
	Sig.	.000

The results in Table 7.19. show that the KMO tests of measure for sampling adequacy are a positive indication to proceed to Factor Analysis, since a high partial correlation value of 0.874 was obtained. The significant result in Bartlett’s Test of Sphericity also achieved a highly significant value of 0.000, suggesting that the factors listed can be factorable.

Table 7.19(a): Total Variance Explained on Potential Roles for Islamic banks in Providing Sustainable Development

Component	Initial Eigenvalues			Extraction Sums of Squared Loading			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.409	45.075	45.075	5.409	45.075	45.075	3.392	28.126	28.126
2	1.567	13.059	58.134	1.567	13.059	58.134	2.882	24.019	52.284
3	1.045	8.706	66.840	1.045	8.706	66.840	1.747	14.555	66.840
4	.804	6.703	73.542						
5	.641	5.338	78.880						
6	.516	4.303	83.183						
7	.425	3.545	86.728						
8	.380	3.170	89.898						
9	.374	3.113	93.011						
10	.304	2.531	95.542						
11	.286	2.386	97.928						
12	.249	2.072	100.000						

Extraction Method: Principle Component Analysis

The results in Table 7.19(a) show that from the 12 factors given, the Principle Component Analysis reduced it to three factors with eigenvalues more than 1. As can be seen these three factors explain about 67% of the total variation, each of which respectively explains 45.1%, 13.1%, and 8.7% of the total variation.

Table 7.19(b): Rotated Component Matrix^a on Potential Roles for Islamic banks in Providing Sustainable Development

Variables	Factor			Communalities
	1 Socioeconomic justice/ Ethical values	2 Environment/ Community development	3 Social welfare	
Banks' obligation to alleviate poverty	.045	.126	.903	.833
Banks' obligation to ensure a better living for society	.131	.073	.902	.836
Islamic banks should promote equal opportunity in their financial activities	.808	.162	.137	.698
Islamic banks should promote equal opportunities in their management	.783	.141	.081	.640
Islamic banks should promote good governance	.744	.312	-.040	.653
Islamic banks should promote microfinance	.621	.367	.098	.530
Islamic banks should follow an ethical strategy	.693	.373	.147	.641
Islamic banks should invest in human capital development for employees	.596	.506	.007	.612
Variables	Factor			Communalities
	1 Socioeconomic justice/ Ethical values	2 Environment/ Community development	3 Social welfare	
Islamic banks should consciously investing for environment	.369	.776	.090	.746
Islamic banks' investment strategy should not undermine the environment	.294	.796	.041	.721
Islamic banks should contribute to the expansion of green areas	.149	.821	.069	.701
Islamic banks should directly contribute to community development projects	.293	.528	.214	.410

Extraction Method: Principle Component Analysis

Rotation Method: Varimax with Kaiser

Normalization

a. Rotation converged in 4 iterations

By employing Varimax Technique in orthogonal rotation method, the factors are further tested to organise the factors according to their meaning established through the loading values. The factor loading values obtained are 0.5 and above, which suitably fit one of the

three established components. After the distribution, the components are named as Component 1: ‘Socioeconomic justice/Ethical values’, which brought together the factors in relations to the activities of Islamic banks with regard to upholding socioeconomic justice and also ethical values in their main operation. Component 2, which is on environmental care/community development, concerns with the activities that Islamic banks conduct in order to preserve the environment and to aid community development. Component 3 refers to the factors related to social welfare as the most important activities that Islamic banks should consider, especially with regard to poverty alleviation and to ensuring a better future life, consistent with the concept of sustainable development.

As can be seen these three components are the essential components of sustainable development, and Islamic banks are expected to contribute to these areas, which are also discussed in detail in Chapters 6 and 7.

7.13. INVESTIGATING CSR AND SUSTAINABLE DEVELOPMENT IN ISLAMIC BANKING THROUGH MANOVA

After establishing the potential role related to sustainable development for Islamic banks in terms of expectations in the previous section, this chapter aims to analyse the CSR and sustainable development contributions of Islamic banks as perceived by the participants of the survey conducted for this study. In order to investigate the significant difference between the components established MANOVA analysis is employed for each of the results obtained from Factor Analysis, which helps to relate the identified variables with the identified control variable to locate whether there are any significant differences. The process of conducting MANOVA suggest that certain questions should be drop off since there might be violation of assumptions of normality, linearity, univariate and multivariate outliers, homogeneity of variance-covariance matrices, and multicollinearity; and hence the results may not be significant. Therefore, only the MANOVA results that has positive effect is presented, indicating no violation of assumptions and is significant.

7.13.1. Significance of CSR for Islamic Banking and Educational Background

The investigate the relationship between the significance of CSR to Islamic banking in Question 16 with the respondents’ educational attainment in Question 5, in this section MANOVA analysis is employed by cross-tabulating with educational background. For this,

Factor Analysis results presented in Section 7.9., and the MANOVA analysis is based on those results. It should be noted that the end result indicates whether educational background significantly influence respondents' views on the significance of CSR for Islamic banking.

Table 7.20.: Box's Test of Equality of Covariance Matrices between Significance for CSR to Islamic banking (Q.16) and Educational Attainment (Q.5)

Box's Test of Equality of Covariance Matrices	
Box's M	11.983
F	0.979
df1	12
df2	65029.603
Sig.	0.466

Tests the null hypothesis that the observed covariance matrices of the dependent variable are equal across groups.

a. Design: Intercept + Q.5

The results in Table 7.20. identify that it is statistically significant, since 0.466 is higher than the critical value of 0.001. To ensure the significant value does not violate the assumption of homogeneity of variance-covariance matrices, the results obtained should be higher than 0.001 (Pallant, 2007: 258; Tabachnick and Fidell, 2007).

Table 7.20(a): Levene's Test of Equality of Error and Variances between Significance of CSR to Islamic Banking and Educational Attainment

Levene's Test of Equality of Error Variances				
	F	df1	df2	Sig.
Socioeconomic justice/Mandatory	0.521	4	472	0.721
Government and Voluntary sector	2.144	4	472	0.074

In the second state of testing, the results obtained from the Levene's Test in Table 7.20(a) depict a statistically significant difference between both components, 'Socioeconomic justice/Mandatory' (p=0.721) and 'Government and Voluntary sector' (p=0.074), being higher than the critical value of 0.05. Therefore, these factors do not violate the assumption of equality of variances.

Table 7.20(b): Multivariate Test between Significance of CSR to Islamic Banking and Educational Attainment

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.5	Wilk's Lambda	0.908	5.853	8.000	942.000	0.000	0.047

A multivariate test is performed to further examine the positive results obtained from conducting Levene's test of equality of error variances. As the results in Table 7.20(b)

indicates, the results of Wilk’s Lambda depicts a statistically significant difference between educational attainment and significance of CSR to Islamic banking since the significant value obtained is 0.000, which is lower than the critical significant value of 0.05.

Table 7.20(c): Test of Between-Subjects Effects on Significance of CSR to Islamic Banking and Educational Attainment

Test of Between-Subjects Effects							
Source	Dependent Variable	Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q5.	Socioeconomic justice/Mandatory	10.120	4	2.530	6.749	0.000	0.054
	Government and Voluntary Sector	29.255	4	7.314	5.596	0.000	0.045

Satisfying with the results in previous test, a further investigation is conducted using Test of Between-Subject Effects to decide whether the respondents’ educational background has a significant difference on both dependent variables in terms of the established two components, the results of which depicted in Table 7.20(c). Thus, to reduce the chances of Type 1 error, the significant level is set higher using the Bonferroni adjustment. The critical level of 0.05 is divided according to the number of dependent variables (Pallant, 2007; Tabachnick and Fidell, 2007). In this case, 0.05 is divided by 2 giving a new alpha of 0.025. The results depicted for ‘socioeconomic justice/mandatory’ and ‘government and voluntary sector’, both obtained a significant value of 0.000 which is lower than the critical value of 0.0025. Therefore, there is a significant difference between ‘socioeconomic justice/mandatory’ and ‘government and voluntary sector’ in relation to the control variable, namely educational attainment. Thus, in verifying the results established in the earlier chapter, MANOVA analysis states that educational background is an explanatory variable in terms of the variation of the answers given to the components established for CSR being significant for Islamic banks.

From the same test, Partial Eta Squared is used to estimate the coefficient of determination in relation to the impact of independent variables on dependent variables, which is estimated through the proportion of variance obtained in dependent variables that can be explained by independent variables (Pallant, 2007: 287). In other words, partial Eta squared is used in this section to identify the impact of educational attainment (independent variable) on ‘socioeconomic justice/mandatory’ and ‘government and voluntary sector’ (dependent variable). The results in Table 7.20(c) shows that ‘socioeconomic justice/mandatory’ and

‘government and voluntary sector’ obtained 0.054 and 0.045 respectively which can be considered a medium effect according to Cohen (1988). He identifies the effect size and categorised into three levels, ‘small effect if obtained 0.01’, ‘0.06 as medium effect’ and ‘large effect is considered when the results is 0.14’. In sum, the results respectively represent 5.4% and 4.5% of the total variances for the dependent variables that could be explained by educational attainment. In other words, educational background can explain 5.4% of the total variation observed in the first component and 4.5% of the total variations in the second component.

7.13.2. The Significance of CSR to Islamic Banking with Duration of Bank Relationship

The same statistical procedure, as above, is also applied to the same variable and its components this time with another control variable, namely ‘duration of bank’. This section hence examines the relationship of the significance of CSR to Islamic banking as aimed at Question 16 with the respondents’ banking relationship duration in Question 9. For this again the two components established for Question 16 in Section 7.9. is utilised. This analysis in this section attempts to see the impact of respondents’ banking relationship duration on the significance of CSR to Islamic banking.

Table 7.21.: Box’s Test of Equality of Covariance Matrices between Significance of CSR to Islamic Banking (Q.16) and Duration of Banking Relationship (Q.9)

Box’s Test of Equality of Covariance Matrices	
Box’s M	3.533
F	0.389
df1	9
df2	316537.370
Sig.	0.941

Tests the null hypothesis that the observed covariance matrices of the dependent variable are equal cross groups.

a. Design: Intercept + Q.9

By following the same statistical procedure as above, the one-way between-groups MANOVA was performed to investigate the duration of banking relationship with the components established for ‘the significance of CSR to Islamic banking’ variable. The investigation involved two dependent variables: socioeconomic justice/mandatory and; government and voluntary sector, as established in Section 7.9. The independent variable in this section is the duration of the respondents’ banking relationship with their respective Islamic banks. As usual, a preliminary assumption test is conducted to ensure there is no

violation of assumption identified in normality, linearity, univariate and multivariate outliers, homogeneity of variance-covariance matrices, and multicollinearity. These results in Table 7.21. suggest that there is a statistically significant difference, since the significance value obtained is 0.941 which is higher than the critical significant level of 0.001.

Table 7.21(a): Levene's Test of Equality of Error and Variances between Significance of CSR to Islamic Banking and Duration of Banking Relationship

Levene's Test of Equality of Error Variances				
	F	df1	df2	Sig.
Socioeconomic justice/Mandatory	0.119	3	473	0.949
Government and Voluntary Sector	1.157	3	473	0.326

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

a. Design: Intercept + Q.9

Proceeding with the next investigation, the results from Table 7.21(a) indicate that 'duration of banking relationship' indicates significant differences for both the dependent variables 'Socioeconomic justice/Mandatory' (p-value=0.949), and 'the Government and Voluntary sector' (p-value=0.326), as the results are higher than 0.05. This signifies that there is no violation of assumption for these two factors.

Table 7.21(b): Multivariate Test between Significance of CSR to Islamic Banking and Duration of Banking Relationship

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.9	Wilk's Lambda	0.974	2.066	6.000	944.000	0.050	0.013

The Multivariate test in Table 7.21(b) shows that Wilk's Lambda result suggests that there is no significant difference between the respondents' duration of banking relationship with the significance of CSR to Islamic banking, since the significance value is 0.050.

Table 7.21(c): Test of Between-Subjects Effects on Significance of CSR to Islamic Banking and Duration of Banking Relationship

Test of Between-Subjects Effects								
Source	Dependent Variable		Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.9	Socioeconomic justice/Mandatory		3.054	3	1.018	2.617	0.050	0.016
	Government and Voluntary Sector		7.090	3	2.363	1.749	0.156	0.011

The Tests Between-Subjects Effects are performed as depicted in Table 7.21(c) to identify the significance of difference between of the duration of the banking relationship with the ‘importance of CSR for Islamic banking’. Similarly to the previous investigation, the alpha level of 0.05 is divided by two according to the number of dependent variables. Therefore, the results shows that there is no significant difference between ‘duration of banking relationship’ in relation to the independent variables, namely ‘socioeconomic justice/Mandatory’ (p-value=0.050), and the ‘Government and Voluntary sector’ (p-value=0.156), since it is higher than 0.025 of the critical level in relation to the duration of the banking relationship.

The results for Partial Eta Squared reveals that there is a small effect of the ‘banking duration variable’ on the dependent variables: for ‘Socioeconomic justice/Mandatory ’the impact is 1.6% and for ‘the Government and Voluntary sectors’ the impact is 1.1% , implying that ‘the banking duration variable’ can only explain 1.6% and 1.1% of the total variations respectively in the respective dependent variables.

7.13.3. Factors Preventing Islamic Banking from Conducting CSR with Educational Attainment

In further examining ‘factors preventing Islamic banking from conducting CSR’ in Question 24, it is subjected to MANOVA test through ‘educational attainment variable’. The dependent variables are the produced components in Section 7.11.

Table 7.22.: Box’s Test of Equality of Covariance Matrices between Factors Preventing Islamic Banking from Conducting CSR (Q.24) and Educational Attainment (Q.5)

Box’s Test of Equality of Covariance Matrices	
Box’s M	16.158
F	1.320
df1	12
df2	65029.603
Sig.	0.199

Tests the null hypothesis that the observed covariance matrices
 Of the dependent variable are equal across groups.
 b. Design: Intercept + Q.5

In following the same procedure as before, the Box’s Test in Table 7.22. depict that there is a statistically significant difference between ‘factors preventing Islamic banking from conducting CSR’ and the ‘respondents’ educational attainment’ with a significant value scoring 0.199, which is higher than the critical value of 0.001.

Table 7.22(a): Levene’s Test of Equality of Error and Variances between Factors Preventing Islamic Banking from Conducting CSR and Educational Attainment

Levene’s Test of Equality of Error Variances				
	F	df1	df2	Sig.
Motivation/Profitability/ Government	1.098	4	472	0.357
Administrative/Knowledge/ Commitment	1.567	4	472	0.182

In addition, the Levene’s Test results in Table 7.22(a), suggest that educational attainment shows statistically significant difference for both the dependent variables: ‘Motivation/Profitability/Government’ (p-value=0/357) and ‘Administrative/Knowledge/Commitment’ (p-value=0.182), as the p-values higher than the significant level of 0.05. This indicates that the results obtained do not violate the assumption of equality of variance for the variable.

Table 7.22(b): Multivariate Test between Factors Preventing Islamic Banking from Conducting CSR and Educational Attainment

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.5	Wilk’s Lambda	0.969	1.851	8.000	942.000	0.064	0.015

The results for Wilk’s Lambda as part of the Multivariate Test in Table 7.22(b) shows that there is no significant difference between the educational attainment groups since the significance level achieved is 0.064 which is higher than the critical significance level of 0.05.

Table 7.22(c): Test of Between-Subjects Effects on Factors Preventing Islamic Banking from Conducting CSR and Educational Attainment

Test of Between-Subjects Effects							
Source	Dependent Variable	Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q5.	Motivation/Profitability/ Government	1.971	4	0.483	0.890	0.470	0.007
	Administrative/Knowledge/ Commitment	3.797	4	0.989	2.324	0.056	0.019

The results in Table 7.22(c) of the Test of Between-Subjects Effects indicate that both there is a significant difference between ‘educational background’ and both the dependent variables: ‘Motivation/Profitability/Government’ and ‘Administrative/Knowledge/Commitment’ with the p-values of 0.007 and 0.019 respectively which are lower than the new critical value of

0.025. As a result, there is significance of difference between educational attainment groups on ‘Motivation/Profitability/Government’ and ‘Administrative/Knowledge/Commitment’.

In Table 7.22(c), the Partial Eta Squared result explains the effect size of educational attainment on both dependent variables. It shows that ‘educational background’ has small effect size on the both of the variables it is 0.007 for ‘Motivation/Profitability/Government’ 0.019 for ‘Administrative/Knowledge/Commitment’.

The same exercise in this section repeated for ‘duration of banking relationship’ as an independent variable on the same dependent variables, namely ‘factors preventing Islamic banking from conducting CSR’. As before, two components are established for the dependent variable through the factor analysis as explained above, being the new dependent variables. The same statistical procedure applied in this section in using MANOVA analysis with the objective of locating whether there are any significant differences between the ‘duration of banking relationship’ in relation to the identified dependent variables.

7.13.4. Factors Preventing Islamic Banking from Conducting CSR with Duration of Banking Relationship

The results established for ‘factors preventing Islamic banking from conducting CSR’ (Question 24) is further tested utilising MANOVA analysis with another variable namely ‘duration of banking relationship’ (Question 9).

Table 7.23.: Box’s Test of Equality of Covariance Matrices between Factors Preventing Islamic Banking from Conducting CSR (Q.24) and Duration of Banking Relationship (Q.9)

Box's M	16.130
F	1.775
df1	9
df2	316537.370
Sig.	0.067

Tests the null hypothesis that the observed covariance matrices of the dependent variable are equal across groups.

c. Design: Intercept + Q.9

The results obtained from Table 7.23. depict that the significance level of 0.067 is higher than the critical level of 0.001, implying that there is no violation of the statistical assumptions of homogeneity of variance-covariance matrices.

Table 7.23(a): Levene’s Test of Equality of Error and Variances between Factors Preventing Islamic Banking from Conducting CSR and Duration of Banking Relationship

Levene’s Test of Equality of Error Variances				
	F	df1	df2	Sig.
Motivation/Profitability/ Government	0.303	3	473	0.823
Administrative/Knowledge/ Commitment	1.691	3	473	0.168

Since the previous test does not violate the assumptions, thus another investigation is conducted using Levene’s Test. Based on the results in Table 7.23(a), the impact of ‘duration of banking relationship’ has significant impact on the dependent variables, as the p-values for ‘Motivation/Profitability/Government’ (0.823) and ‘Administrative/Knowledge/Commitment’ (0.168) are higher than the 0.05 critical value. Therefore, the results do not violate the assumption of equality of error and variances for these two factors.

Table 7.23(b): Multivariate Test between Factors Preventing Islamic Banking from Conducting CSR and Duration of Banking Relationship

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.9	Wilk’s Lambda	0.980	1.561	6.000	944.000	0.156	0.010

The multivariate test results in Table 7.23(b) shows no significant difference amongst the ‘duration of banking relationship’ groups in relations to the dependent variables, since the significant value is 0.156.

Table 7.23(c): Test of Between-Subjects Effects on Factors Preventing Islamic Banking from Conducting CSR and Duration of Banking Relationship

Test of Between-Subjects Effects							
Source	Dependent Variable	Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.9	Motivation/Profitability/ Government	2.474	3	0.825	1.527	0.207	0.010
	Administrative/Knowledge/ Commitment	2.416	3	0.805	1.962	0.119	0.012

The results in Table 7.23(c) shows that ‘duration of banking relationship’ does not have any significant differences for either of the dependent variables, since the p-values for both ‘Motivation/Profitability/Government’ (0.207) and ‘Administrative/Knowledge/Commitment’ (0.119) are higher than the critical value of 0.025.

The Partial Eta Squared in Table 7.23(c) also suggest a small effect size representing 1.0% of the variance in ‘Motivation/Profitability/Government’ and 1.2% of the variance in ‘Administrative/Knowledge/Commitment’ in perceived stress scores explained by the duration of banking relationship.

7.13.5. Factors Preventing Islamic Banking from Conducting CSR Compared with Banks Actively Performing CSR

The MANOVA process in this section aims to provide further insight on the correlation of Islamic banks actively performing CSR in Question 19 with regard to the factors preventing Islamic banking from conducting CSR in Question 24. For this again the two components produced in the earlier section through factor analysis is utilised as dependent variables.

Table 7.24.: Box’s Test of Equality of Covariance Matrices between Factors Preventing Islamic Banking from Conducting CSR (Q.24) and Banks Actively Performing CSR (Q.19)

Box’s M	3.315
F	1.100
df1	3
df2	1.106E7
Sig.	0.348

Tests the null hypothesis that the observed covariance matrices of the dependent variable are equal across groups.
 d. Design: Intercept + Q.19

The Box’s Test result in Table 7.24 indicates that there is a statistically significant difference for ‘factors preventing Islamic banking from conducting CSR’ and ‘bank actively performing CSR’ since the significant value obtained is 0.348 which is higher than the critical value of 0.001. Thus, the test of the variables does not violate the assumptions.

Table 7.24(a): Levene’s Test of Equality of Error and Variances between Factors Preventing Islamic Banking from Conducting CSR and Banks Actively Performing CSR

Levene’s Test of Equality of Error Variances				
	F	df1	df2	Sig.
Motivation/Profitability/ Government	1.278	1	475	0.259
Administrative/Knowledge/ Commitment	0.669	1	475	0.414

The investigation is continued by conducting Levene’s Test, the results of which is presented in Table 7.24. The results depict that the impact of the independent variable that ‘Islamic

banks actively performing CSR’ produced significant results for both the dependent variable, as the test results for ‘Motivation/Profitability/Government’ (0.259) and ‘Administrative/Knowledge/Commitment’ (0.414) are higher than the critical value of 0.05. Therefore, the dependent variables do not violate the assumption of equality of error and variances and further investigations may be conducted.

Table 7.24(b): Multivariate Test between Factors Preventing Islamic Banking from Conducting CSR and Bank Actively Performing CSR

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.19	Wilk's Lambda	0.987	3.198	2.000	474.000	0.042	0.013

The Wilk’s Lambda result in Table 7.24(b) suggests that there is a statistically significant difference among the groups, since the significant value is 0.042 which is slightly lower than the critical value of 0.05.

Table 7.24(c): Test of Between-Subjects Effects on Factors Preventing Islamic Banking from Conducting CSR and Bank Actively Performing CSR

Test of Between-Subjects Effects							
Source		Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.19	Motivation/Profitability/ Government	3.399	1	3.399	6.343	0.012	0.013
	Administrative/Knowledge/ Commitment	0.421	1	0.421	1.020	0.313	0.002

Table 7.24(c) depicts the results of the Test of Between-Subjects Effects indicating that there is a significant difference of ‘Islamic banks actively performing CSR’ and the dependent variable ‘Motivation/Profitability/Government’, since the significant value is 0.012, which is lower than the new critical level of 0.025.

Further, the Partial ETA Squared result in Table 7.24(c) also reveals that there is a small effect size on both dependent variables: ‘Motivation/Profitability/Government’ and ‘Administrative/Knowledge/Commitment’ representing 0.013 and 0.002 respectively in perceived stress scores explained by banks actively performing CSR. Thus, ‘Islamic banks actively perform CSR’ as a variable can only explain 0.13% of the total variations observed in the former dependent variable; and 0.02% of the second dependent variable.

7.13.6. The Potential Roles for Islamic Banks in Providing Sustainable Development Compared with Banks Actively Performing CSR

This section aims to utilise MANOVA analysis to further analyse the results established in factor analysis for the variable ‘the potential roles of Islamic banks in providing sustainable development’ (Question 27) by relating it to ‘Islamic Banks actively performing CSR’ (Question 19) as an independent variable. This helps to locate the impact of the latter on the former variable. However, the dependent variable is explained through three components or the new dependent variables as established in the factor analysis above.

Table 7.25.: Box’s Test of Equality of Covariance Matrices between Potential roles for Islamic banks in Providing Sustainable Development (Q.27) and Banks Actively Performing CSR (Q.19)

Box’s M	1.925
F	0.318
df1	6
df2	1168165.910
Sig.	0.928

Tests the null hypothesis that the observed covariance matrices of the dependent variable are equal across groups.
 e. Design: Intercept + Q.19

The box’s test in Table 7.25. depicts that the significant value obtained, 0.928, is higher than the critical value of 0.001 indicating that there is no violation of assumption of homogeneity of variances-covariance matrices.

Table 7.25(a): Levene’s Test of Equality of Error and Variances between Potential roles for Islamic banks in Providing Sustainable Development and Banks Actively Performing CSR

Levene’s Test of Equality of Error Variances				
	F	df1	df2	Sig.
Socioeconomic justice/Ethical values	2.015	1	475	0.156
Environment/Community development	1.097	1	475	0.295
Social Welfare	0.282	1	475	0.596

The results of the Levene’s Test in Table 7.25(a) further show that the data is not violating the assumptions. Thus, the results show that the significant values for all dependent variables in relation to the independent variable namely ‘Islamic banks actively performing CSR’: ‘Socioeconomic justice/Ethical values’ (0.156), ‘Environment/Community development’ (0.295) and ‘social welfare’ (0.596), as the p-values of the dependent variables are higher than the critical value of 0.05. This indicates none of the three dependent variables violate the assumptions and therefore further test can be conducted.

Table 7.25(b): Multivariate Test between Potential roles for Islamic banks in Providing Sustainable Development and Banks Actively Performing CSR

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.19	Wilk's Lambda	0.999	0.147	3.000	473.000	0.932	0.001

The output in Table 7.25(b) suggests that there is no significant difference among the variables since the significant value obtained is 0.932 which is higher than the critical level of 0.05.

Table 7.25(c): Test of Between-Subjects Effects on Potential roles for Islamic banks in Providing Sustainable Development and Banks Actively Performing CSR

Test of Between-Subjects Effects								
Source	Dependent Variable		Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.19	Socioeconomic justice/Ethical values		0.107	1	0.107	0.399	0.528	0.001
	Environment/Community development		0.089	1	0.089	0.281	0.596	0.001
	Social Welfare		0.059	1	0.059	0.091	0.763	0.000

The Test of Between-Subject Effects is conducted to find whether ‘banks actively performing CSR’ has any impact on the dependent variables, as depicted in Table 7.25(c). Since the dependent variables have three factors, thus the critical value of 0.05 has to be divided by 3 obtaining a new alpha level of 0.017. In order to conclude that the results show a significant difference, the p-values should be lower than the new critical level. In this case, the significant values for all dependent variables are higher than 0.017 suggesting that there are no significant differences of the independent variable (Islamic banks actively performing CSR) in relation to the dependent variables.

7.13.7. The Potential Roles for Islamic Banks in Providing Sustainable Development with Banks Encouragement to Join CSR Activities

In this section, an attempt was made to test the relationship between the variable stating that ‘Islamic banks encourages customers to join CSR activities’ (Question 20) and the variable of ‘potential roles for Islamic banks in providing sustainable development’ (Question 27). The components as dependent variables are identified in factor analysis as depicted in an earlier section.

Table 7.26.: Box's Test of Equality of Covariance Matrices between Potential roles for Islamic banks in Providing Sustainable Development (Q.27) and Bank Encouragement to Join CSR Activities (Q.20)

Box's Test of Equality of Covariance Matrices	
Box's M	27.715
F	2.280
df1	12
df2	217090.715
Sig.	0.007

Tests the null hypothesis that the observed covariance matrices
Of the dependent variable are equal across groups.
f. Design: Intercept + Q.20

In following the same statistical process, the results presented in Table 7.26. suggest that the significant value of 0.007 is higher than 0.001 which implies that there is no violation of assumptions of homogeneity of variance-covariance matrices.

Table 7.26(a): Levene's Test of Equality of Error and Variances between Potential roles for Islamic banks in Providing Sustainable Development and Bank Encouragement to Join CSR Activities

Levene's Test of Equality of Error Variances				
	F	df1	df2	Sig.
Socioeconomic justice/Ethical values	0.582	2	474	0.559
Environment/Community development	0.240	2	474	0.786
Social Welfare	2.100	2	474	0.124

The results in Levene's test in Table 7.26(a) shows the significant values for dependent variables: the p-values for 'Socioeconomic justice/Ethical values' (0.559), 'Environment/Community development' (0.786), and 'Social welfare' (0.124), are all higher than the critical value of 0.05. As a result, these dependent variables do not violate the assumptions.

Table 7.26(b): Multivariate Test between Potential roles for Islamic banks in Providing Sustainable Development and Bank Encouragement to Join CSR Activities

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.20	Wilk's Lambda	0.946	4.443	6.000	944.000	0.000	0.027

To measure the significant difference between groups, the multivariate test is conducted. The results in Table 7.26(b) depicts that the significant value obtained, 0.000, is lower than the 0.05 critical level which means that there is a significant difference among the groups.

Table 7.26(c): Test of Between-Subjects Effects on Potential roles for Islamic banks in Providing Sustainable Development and Bank Encouragement to Join CSR Activities

Test of Between-Subjects Effects							
Source	Dependent Variable	Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.20	Socioeconomic justice/Ethical values	6.617	2	3.058	11.923	0.000	0.048
	Environment/Community development	4.519	2	2.259	7.323	0.001	0.030
	Social Welfare	1.627	2	0.813	1.271	0.281	0.005

The concluding test results in Table 7.26(c) indicate that the new critical level for this test is 0.017 since the given alpha level of 0.05 should be divided by the numbers of dependent variables. In this case, 0.05 is divided by 3 giving a new alpha or critical level of 0.017. According to the results, the p-values for dependent variables - ‘Socioeconomic justice/Ethical values’ (0.048), and ‘Environment/Community development’ (0.030) - are higher than the critical level of 0.017. This implies that ‘Islamic banks encouraging to join CSR activities’ does not have any significant differences for these two independent variables. However, the ‘p’ value for ‘Social welfare’ (0.005), is lower than the critical level of 0.017 indicating that there is a significant difference. In other words, there is a statistically significant difference in the ‘bank encouragement to join CSR activities’ group on ‘social welfare’ factors.

7.13.8. The Potential Roles for Islamic Banks in Providing Sustainable Development and in Promoting Familiarity with the Sustainable Development Concept

After seeking the relationship of sustainable development with CSR, this sections aims to examine the respondents’ theoretical and practical knowledge on sustainable development by relating it to ‘the potential roles for Islamic banks in providing sustainable development’. Hence, the results help to measure the impact of respondents’ familiarity with sustainable development concept in Question 25 with regard to the potential roles for Islamic banks in providing sustainable development in Question 27.

Table 7.27.: Box's Test of Equality of Covariance Matrices between Potential roles for Islamic banks in providing Sustainable Development (Q.27) and Familiarity with the Sustainable Development Concept (Q.25)

Box's Test of Equality of Covariance Matrices	
Box's M	13.354
F	1.102
df1	12
df2	661.405.785
Sig.	0.353

Tests the null hypothesis that the observed covariance matrices
Of the dependent variable are equal across groups.
g. Design: Intercept + Q.25

The outcome from Table 7.27.depicts p-value being 0.353, which is higher than the critical level of 0.001. In other words, the results of the Box's Test signify that there is no violation of assumptions of homogeneity of variance-covariance matrices.

Table 7.27(a): Levene's Test of Equality of Error and Variances between Potential roles for Islamic banks in Providing Sustainable Development and Familiarity with the Sustainable Development Concept

Levene's Test of Equality of Error Variances				
	F	df1	df2	Sig.
Socioeconomic justice/Ethical values	1.573	2	474	0.209
Environment/Community development	1.909	2	474	0.149
Social welfare	0.825	2	474	0.439

The Levene's Test in table 7.27(a) suggests that all of the dependent variables are significant, since they are all higher than 0.05. Therefore, there are no violations of assumption of equality of variances for 'Socioeconomic justice/Ethical values', 'Environment/Community development' or 'Social welfare'.

Table 7.27(b): Multivariate Test between Potential roles for Islamic banks in Providing Sustainable Development and Familiarity with the Sustainable Development Concept

Multivariate Test							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Q.25	Wilk's Lambda	0.961	3.168	6.000	946.000	0.004	0.020

The Multivariate test in Table 7.27(b) is then employed to investigate the significant differences among the groups. According to the results, there is a statistically significant difference among the groups since the significant value is 0.004 which is lower than the critical value of 0.05.

Table 7.27(c): Test of Between-Subjects Effects on Potential roles for Islamic banks in Providing Sustainable Development and Familiarity of Sustainable Development Concept

Test of Between-Subjects Effects							
Source	Dependent Variable	Type III Sum of Squares	df	Mean Sq.	F	Sig.	Partial Eta Squared
Q.25	Socioeconomic justice/Ethical values	0.687	2	0.344	1.283	0.278	0.005
	Environment/Community development	3.561	2	1.780	5.734	0.003	0.024
	Social welfare	5.809	2	2.905	4.605	0.010	0.019

The results from the Test of Between-Subjects Effects in Table 7.27(c) suggest that the new critical value will be 0.017 which is obtained by dividing the 0.05 critical values by 3. As it can be seen, there is no significant difference for ‘Socioeconomic justice/Ethical values’ since the significant value is 0.278, which is higher than 0.017. However, there is a statistically significant difference for ‘Environment/Community development’ and ‘social welfare’ since the p-values are 0.003 and 0.010 respectively. The impact of ‘familiarity with sustainable development concept’, hence, shows rather insignificant impact on the identified independent variables: 0.05%, 2.4% and 1.9% respectively implying that the dependent variable of being familiar with the sustainable development concept can only explain such small amount of variations in the respective independent variables.

7.14. CONCLUSION

This chapter has extensively examined and perform investigation on the respondents’ perception, awareness and also knowledge on CSR, sustainable development and social banking from Islamic perspective. Various sophisticated statistical inferential instruments have been employed.

In earlier sections of this chapter, non-parametric technique is employed for comparing mean rank. Two methods were used; Mann-Whitney U tests and also Kruskal-Wallis tests. The results obtained further give elaboration to previous chapter on descriptive analysis by presenting breakdowns of each subgroup of control variables. Summary of each results were provided in a tabular form in section 7.7.

Then, further statistical analysis in substantiating the results established in the earlier two empirical chapters. For this Factor Analysis and MANOVA methods are utilised. The former aims to reduce and distributes the factors or variables into components and the latter

helps to locate the impact of control variables on the components identified by Factor Analysis.

The Factor Analysis result produced reveals that CSR is significant to Islamic banks as the elements of CSR highlights the socioeconomic justice and respondents prefers CSR to be embedded in the bank's policy in Factor 1. While government and voluntary sector is categorised in Factor 2 (refer Table 7.15(b)). The results are further analysed using MANOVA, specifically tested against the 'educational attainment' variable. The results depicts that through 'education background', it explains a medium effect to Factor 1 and Factor 2 respectively (refer to Table 7.20(c)). Another test was done using 'duration of banking relationship' variable, the result reveals that there is a small effect explaining Factor 1 and Factor 2 through 'duration of banking relationship' (refer to Table 7.21(c)).

The elements in CSR contributions in Islamic banks are established into three main factors using Factor Analysis, it highlights on social responsibility, charity and also profit oriented respectively (refer Table 7.16(b)).

From the Factor Analysis result in Table 7.17(b), the advantages of Islamic banks for performing CSR are reduced to 2 factors. The elements of marketing, social welfare and environmental awareness are grouped into Factor 1 and profit oriented solely is in Factor 2.

According to the Factor Analysis results in Table 7.18(b), it show that factors preventing Islamic banks from conducting CSR is fit into 2 factor loading. The former factor categorised motivation, profitability and government that prevents CSR to be performed. While the latter factor indicates the problem arises from issues of administrative, knowledge and commitment. The Factor Analysis results are then tested against three different variables using MANOVA: 'educational attainment' (refer to Table 7.22(c)), 'duration of banking relationship' (refer to Table 7.23(c)), and 'banks actively performing CSR' (refer to Table 7.24(c)). The results of these tests reveal that all of the variables have small effects in explaining Factor 1 and Factor 2.

The 12 essential elements of sustainable development are tested using Factor Analysis shows that it could be reduced into 3 factors (refer Table 7.19(b)). Component 1 expresses on the issues on socioeconomic justice and ethical values, component 2 indicates on environmental issues and community development. The last component highlights on issues with regard to

social welfare. The Factor Analysis results are then tested using MANOVA against several variables: ‘banks actively performing CSR’ (refer Table 7.25(c)), ‘bank encouragement to join CSR activities’ (refer to Table 7.26(c)) and ‘familiarity with the Sustainable Development concept’ (refer to Table 7.27(c)). The results obtained for variables ‘banks actively performing CSR’, ‘bank encouragement to join CSR activities’ could not proceed to analyse the size effect since the p-values are not significant. However, ‘familiarity with the Sustainable Development concept’ can explain small effect towards the potential roles for Islamic banks in providing sustainable development.

Chapter 8

EXPLORING THE SOCIAL RESPONSIBILITY AND SUSTAINABILITY DIMENSION IN ISLAMIC BANKING THROUGH INTERVIEW ANALYSIS

8.1. INTRODUCTION

This chapter attempts to present the findings from an interview analysis focused on the social responsibility and sustainability dimension in Islamic banking in Malaysia. At the end of this chapter, a proposal on establishing an Islamic financial entity prioritising on social values were discussed with the respondents.

As discussed in the research methodology chapter, this interview analysis was conducted with the aim of acquiring more in-depth information on the current practice of Islamic banking towards social responsibility and also to explore the views of the participants as to what can be done to overcome the observed social failures in Islamic banking. This, chapter and the analysis presented in this chapter, thus, complements the quantitative analysis discussed in the previous chapters.

The semi-structured interview in this research contained twenty-nine semi-structured questions intended to be used as a guideline during the interview session. These questions are designed according to the research questions.

As detailed in Chapter 5, the interviews were conducted with eleven respondents, who were bank managers, bank officers, Shari'ah officers and Shari'ah advisors of various Islamic banks in Malaysia. During the interview survey they all shared information and their experience on the social responsibility aspects in Islamic banking from their respective banks practise.

These individuals were selected to explore their understanding and experience of Islamic banking from different levels and perspectives. The outcome of this analysis provides valuable insights into the practice of Islamic banks in terms of social performance through the supply side, as the earlier two empirical chapters provided the views of the

customers representing the demand side. The interviews also helped to reveal the opinions of the stakeholders from industry in terms of how the shift towards a new paradigm of banking based on socioeconomic justice and Islamic economic values highly can be achieved.

The interview responses were recorded and transcribed later. Then the verbatim scripts were organised into tables of matrices for the identification of main points to be grouped in specific themes, which were analysed through coding method, and the results are reported in this chapter.

This chapter begins with a discussion on the interview questions and data analysis obtained followed by the following sections: Describing Islamic banking; CSR and sustainable development in Islamic banking; and Islamic social banking: A proposal. The chapter ends with a conclusion.

8.2. PERCEPTIONS ON DESCRIBING ISLAMIC BANKING

This section presents the general knowledge of Islamic banking from the respondents' perspectives. Below are the thematic findings of the interview survey questions related to this section:

The first question in this section based on the description of Islamic banking according to the participants' understanding, as depicted in Table 8.1.

Table 8.1.: Data Analysis for Interview Question 1

Interview Question 1	Based on your general knowledge, how would you describe Islamic banking?
Focussed Coding	Subtheme/Remarks
1	Financial institution
2	Shari'ah
3	Ethical banking
4	Alternative to conventional banking
5	Contribution to society
Concluding Theme	Islamic banking is generally known as a financial institution which is operated based on Shari'ah principles that are similar to ethical banking and serve as an alternative to conventional banking; this enables Islamic banks to contribute to society.

Respondents' general remarks describing Islamic banking can be seen in Table 8.1, which shows five main points highlighted by the respondents as an identity for Islamic banking: 'financial institution', 'Shari'ah', 'ethical banking', 'alternative to conventional banking' and 'contribution to society'. The overarching theme in describing Islamic banking is that it is generally viewed as a financial institution that operates with adhering to the Shari'ah law with similar qualities to ethical banking and focus on contributing to society, thus representing an alternative to conventional banking. The following tables express each of the main points discussed by the respondents as focused coding:

Table 8.1(a): Focussed Coding No. 1 – 5 for Interview Question 1

1	Subtheme	Financial institution
	Interviewee(s)	Remarks
	1,2,3,6 &8	Islamic banking is a profit based institution
	7 & 10	Islamic banking is a financial intermediary that needs to serve stakeholders' interests
2	Subtheme	Shari'ah
	Interviewee(s)	Remarks
	1,2,3,7,8 & 9	Comply to Shari'ah parameters
	2 & 9	Avoids <i>riba'</i> , <i>maysir</i> and <i>gharar</i>
	5 & 6	The contracts must include ' <i>aqad</i>
3	Subtheme	Ethical Banking
	Interviewee(s)	Remarks
	2,3 & 11	Emphasis on ethical dimension in banking
4	Subtheme	Alternative to Conventional Banking
	Interviewee(s)	Remarks
	4 & 5	It is an alternative way of providing financial services to conventional banking
5	Subtheme	Contribution to society
	Interviewee(s)	Remarks
	10	Contribution to society for community development

Table 8.1(a) shows the remarks of respondents describing Islamic banking as a financial institution in focussed coding with two aims. According to the respondents, Islamic banking is a 'profit based institution' which is 'a financial intermediary that needs to serve its stakeholders' interest'.

The second focussed coding identifies three major remarks pertaining to Shari'ah, which signifies that Islamic banking is obliged to comply with Shari'ah requirements that strongly put emphasis avoiding any activities involving with *riba'*, *maysir* and *gharar* in the banking transaction. Moreover, the uniqueness of Islamic banking products compared to the conventional banks' products stems from the mutual binding between two parties that is performed in '*aqad* or contract for every product offered.

While recently Islamic banking has been judged to be parallel to ethical banking, the third focussed coding suggests that Islamic banking has a strong focus on an ethical dimension that is required to be implemented throughout the operation of the bank.

Focussed coding four describes Islamic banking as an alternative to conventional banking in providing products and services that comply with Shari'ah regulations. Besides, it offers a better solution for those interested in ethical and socially responsible dimensions.

Islamic banking, as a concept, is also known for its commitment for contribution to society. At the moment, Islamic banks values the idea of progressing together with the community as mentioned in focussed coding five. This is manifested in the response of Interviewee 10:

“Islamic banks roles go beyond the interest of shareholders but towards the contribution of the society. It is not only providing financing but to share the risk with entrepreneur in order to grow economic activities with the society”

After describing the ‘Islamic banks’, the second question aimed at exploring the objectives of Islamic banks, which is depicted in Table 8.2.

Table 8.2.: Data Analysis for Interview Question 2

Interview Question 2	What should be the objectives of Islamic banks?
Focussed Coding	Subtheme/Remarks
1	Shari'ah
2	Banking institution
3	Ethical dimension
4	Not a charitable organisation
5	Alternative to conventional banking
6	Contribution to society
Concluding Theme	The objective of Islamic banking is similar to any other banking institution but it needs to comply with Shari'ah law. It needs to give emphasis on an ethical dimension and make contributions to society. It is indeed an alternative way of doing banking; however it should not be mistaken for a charitable organisation.

According to Table 8.2, the respondents suggest six characteristics or focused coding in defining the objectives of Islamic banks. These characteristics are ‘Shari'ah’, ‘banking institution’, ‘ethical dimension’, ‘not a charitable organisation’, ‘alternative to conventional banking’ and ‘contribution to society’. In conclusion, the objectives of Islamic banking according to the respondents’ views are similar to any other banking institution that requires seeking profit and performing other financial services but it is

strictly obliged to comply with Shari'ah law. Islamic banks have to be balanced: not only maximising profit but placing an emphasis on an ethical dimension and making contributions to society. It is an alternative way of doing banking; however it should not be mistaken for a charitable organisation.

Table 8.2(a): Focussed Coding 1- 6 for Interview Question 2

1	Subtheme	Shari'ah
	Interviewee(s)	Remarks
	1,2,3,4,7 & 8	Comply to Shari'ah parameters
	5,6 & 11	Avoid <i>riba'</i> in the banking transaction
2	Subtheme	Banking Institution
	Interviewee(s)	Remarks
	1,3,4,5,7,9,10 & 11	It is like any other banking institution that seeks profit
	10 & 11	Profit and risk sharing
3	Subtheme	Ethical Dimension
	Interviewee(s)	Remarks
	3	Emphasis on ethical dimension in its operation
4	Subtheme	Not A Charitable Organisation
	Interviewee(s)	Remarks
	4	Islamic bank is not a charitable organisation, it is a profit-based institution
5	Subtheme	Alternative to Conventional Banking
	Interviewee(s)	Remarks
	5 & 9	Islamic banking serves as an alternative to conventional banking
6	Subtheme	Contribution to Society
	Interviewee(s)	Remarks
	4 & 7	Islamic banking must aim not only for profit maximisation but also to contribute to the development of the society

The results in Table 8.2(a) describe in depth the suggested objectives or focused coding. In the main, respondents who remarked on 'Shari'ah' as described in focussed coding one, understood the objectives of Islamic banking to be compliance with Shari'ah parameters which act as a backbone to Islamic banking operations. This means that Islamic banks must strictly avoid *riba'* in banking transactions. However, such definition of 'Shari'ah' could also encompass 'ethics'.

The second focussed coding discussed was that Islamic banking is a 'banking institution' therefore like any other banking institution; it seeks profit as its economic responsibility. The following responses by both Interviewee 3 and 7 support the above position responding that Islamic banks aim is to maximise profit which is not wrong in Islam. However, profit should be yielded according to the Shari'ah law. Contrast to the statement given above, Interviewee 10 believed that,

“Islamic banks have bigger objective than profit maximisation, which is promoting economic activity in the society with risk sharing”.

Interviewee 3 remarked that Islamic banking should be considered as an ethical bank as stated in focussed coding three, this is since Islamic banks are perceived to have similar qualities to ethical banks since they adhere to the Islamic hallmark of placing a high value on society and daily activities.

Focussed coding four discussed on Islamic banks are ‘not a charitable organisation’.

From the interview survey, Interviewee 4 described that,

“Islamic bank is a business operation and not a charitable organisation. The objective is to gain profit so that to prove to the public that it is a resilient banking institution complying with Shari’ah...so that the whole society could benefit”

Focussed coding five described that Islamic banks are an alternative to conventional banking. This is manifested by the following response provided by Interviewee 5:

“Islamic banks are an alternative to conventional banking in the earlier days just to avoid any riba’ and gharar in banking transaction”.

Lastly, focussed coding six discussed on the role of Islamic banks which is to ‘contribute to society’. Interviewee 4, 7 and 10 supported this statement which is crucial to gain stakeholders confidence.

Table 8.3: Data Analysis for Interview Question 3

Interview Question 3	Why do you think everyone does not have an account in an Islamic bank?
Focussed Coding	Subtheme/Remarks
1	Lack of awareness
2	Lack of information
3	Lack of promotion
4	Not offering attractive products
5	individuals not having religious conscious
6	non availability of nearby branch
Concluding Theme	Among the main reason for not having an account in Islamic bank are because people are lack awareness and information. Besides, many may not recognise the sin of taking of <i>riba</i> ’. Further, Islamic banks are to blame for the lack of promotion and also offering products and services less attractive than their conventional counterparts. Additionally, limited branches make access difficult for customers.

Table 8.3. reports the findings on the question as to why everyone does not opt for account with Islamic banks. According to the interviewees as identified by six focused

coding, there are six reasons for individuals not having Islamic bank account: ‘lack of awareness’, ‘lack of information’, ‘lack of promotion’, ‘not offering attractive products’, ‘individuals not having religious conscious’ and ‘non availability of nearby branch’. As can be seen, the majority believed that the reason for not having an Islamic bank account is because customers have lack of awareness and information regarding Islamic banking. The lack of information and education on such a religiously important matter suggests that the promotion by Islamic banks is also poor. Moreover, it is found that the products and services offered are less attractive in comparison to the conventional counterparts. Lastly, limited branches nearby made it difficult for customers to access an account with an Islamic bank.

Table 8.3(a): Focussed Coding 1 – 6 for Interview Question 3

1	Subtheme	Lack of Awareness
	Interviewee(s)	Remarks
	1,2,3,4,9 & 10	The awareness with regard to Islamic banking is still relatively low
2	Subtheme	Lack of Information
	Interviewee(s)	Remarks
	1,3,4,9,10 & 11	Inadequate information with regard to the products and services offered
	1,2 & 3	Lack of knowledge of Islamic banking on the bankers’ side to enable them convince customers
3	Subtheme	Lack of Promotion
	Interviewee(s)	Remarks
	3, 6, 8 & 9	Islamic banking needs to be more dynamic in marketing its products
4	Subtheme	Product Offered Not Attractive
	Interviewee(s)	Remarks
	1,7, 9,10 & 11	Products offered by Islamic banks are still limited, expensive and offer a lower profit rate than conventional banks products
5	Subtheme	No Religious Conscious
	Interviewee(s)	Remarks
	1 & 4	Few in society understand the grave sin of taking <i>riba</i> , hence lacking religious awareness
6	Subtheme	No Available Branch Nearby
	Interviewee(s)	Remarks
	5 & 11	Generally, Islamic banks are available in big cities making it difficult for people from rural areas to access

Table 8.3(a) explains in detail the six focused coding highlighted by the interviewees regarding not having an Islamic account. The first focussed coding mentions lack of awareness. The interviewees responded that awareness among society with regard to Islamic banking is still relatively low. In addition, it is mentioned also that many customers have little confidence in Islamic banking, because it is new and considered financially unstable (this applies only to certain Islamic banks). Thus, customers will always opt for a conventional banking that has been operating for many years.

Focussed coding two underlines the lack of information, revealing that most customers have inadequate information pertaining to products and services offered by Islamic banks. This is considered due to lack of knowledge from both, the customers and worse the bankers themselves who have a vital role in disseminating knowledge of Islamic banking as representatives of the Islamic banks. It shows that employees of Islamic banks fail to provide educative information to customers or help them in building confidence to use Islamic financial products. This is revealed by Interviewee 1,

“...most of the bankers are trained, however when they promote the products, they do not answer or give adequate information to the public”.

Meanwhile Interviewee 2 stressed that,

“...even Islamic bankers says that Islamic banks product is similar to conventional banks product”.

At this point, it is clear that government could play a part in assisting Islamic banks in increasing awareness.

Focussed coding three considers the lack of promotion, which is crucial to communicate information about Islamic banks' products, as failure to promote leads to failure to sell Islamic banking products. Islamic banks need to put more effort to be more dynamic in marketing products and services in order to gain a competitive advantage.

Following from the previous statement, focussed coding four regards the less attractive products of Islamic banks as a reason of many people not patronising Islamic banks. Currently, Islamic banks' products and services are seen as expensive, with a limited range of products and offering a lower rate of return that eventually will disenchant customers.

Looking at Islamic banking from a wider perspective, the Islamic spirit has yet to penetrate into the society as a whole as mentioned in focussed coding five. The level of religious consciousness in the society is relatively low. Interviewee 1 demonstrates the following response:

“...people are materialistic which they prefer banks that are profitable and not because of religious”.

As a result, people are less religiously ethical, show less empathy to the needy and worse, undertake financial activities that are against Shari'ah principles such as *riba'*, *maysir* and *gharar*. This is supported by Interviewee 2 and 4 that discussed about the lack of awareness of taking *riba'* which is a grave sin in Islam.

Lastly, complaints are still made of Islamic banks having insufficient branches nearby resulting in difficulty accessing the bank. The interviewees mentioned that currently, Islamic banks focus on big cities and have very few or even no branches in rural areas.

As can be seen, the mentioned reason of low patronage of Islamic banks refers to internal and external environment, all of which remains challenges for Islamic banks to overcome.

8.2.1. CSR and Sustainable Development in Islamic Banking

This section will offer the interviewees' insights, experiences and views on the practicality of CSR and the sustainable development within an Islamic banking system. In addition, conceptual understandings of the participants are also attempted. As part of conceptual discussion, the interviewees' responses on the meaning of CSR were attempted, and the findings are depicted in Table 8.4.

Table 8.4.: Data Analysis for Interview Question 4

Interview Question 4	What does CSR mean to you?
Focussed Coding	Subtheme/Remarks
1	Philanthropy, social welfare and charity
2	Corporate sustainability
3	Responsible business
4	Embedded in Shari'ah
5	Giving back to society
6	Environmentally friendly
Concluding Theme	CSR has been described as an act of altruism expressed by a variety of different terms such as philanthropy, social welfare and charity, and also giving back to society in the form of promoting community development and conserving the environment. Importantly, CSR emphasises responsible business practices by performing good deeds beyond what is necessary for corporate sustainability. These elements of CSR are relevant to the Islamic perspective as enshrined in Shari'ah.

The results in Table 8.4. show the interviewees' responses pertaining to their level of understanding of CSR summarised as highlighted by six main focused groups, which are: philanthropy, social welfare and charity; corporate sustainability, responsible business, embedded in Shari'ah, giving back to society and environmentally friendly. In summary,

CSR is described by the interviewees as an act of altruism that expressed in variety of terms such as philanthropy, social welfare and charity. It was articulated that in general CSR means giving back to society with the aim of community development and conserving the environment. In addition, some interviewees stated that CSR emphasises responsible business by performing good deeds beyond what is necessary for corporate sustainability. Interestingly, these elements of CSR are relevant to the Islamic perspective since they are principles embedded in Shari'ah in defining Islamic moral economy. Thus, CSR should be considered as an endogenous element of Islamic moral economy rather than an imposed concept on Islamic banking.

Table 8.4(a): Focussed Coding 1 - 6 for Interview Question 4

1	Subtheme	Philanthropy, social welfare and charity
	Interviewee(s)	Remarks
	1, 4, 10 & 11	CSR is commonly known as an act of altruistic concern for improving human welfare
2	Subtheme	Corporate sustainability
	Interviewee(s)	Remarks
	2	Corporate sustainability is taking into consideration all dimensions especially CSR to ensure the resilience and survival of the corporation
3	Subtheme	Responsible business
	Interviewee(s)	Remarks
	2,5,6,7 & 8	Acknowledge the responsibility of business is not only to seek profit but also to extend it to being responsible in other areas such as in its operations and also to society
	4	Performing good deeds beyond business functions
4	Subtheme	Embedded in Shari'ah
	Interviewee(s)	Remarks
	3	CSR is relevant to Islamic perspective since its elements comply with Shari'ah perspectives
5	Subtheme	Giving back to society
	Interviewee(s)	Remarks
	9 & 11	The corporate responsibility to give back to society in which they do business
	10 & 11	The corporate responsibility for community development
6	Subtheme	Environmentally friendly
	Interviewee(s)	Remarks
	8	Responsibility to conserve the environment by undertaking campaigns and awareness activities to be more environmentally friendly

Table 8.4(a) shows the interviewees' explanations defining CSR from the six focused coding suggested.

The first focussed coding is philanthropy, social welfare and charity. Commonly, CSR is understood to be an altruistic concern for improving human welfare to achieve a better

quality of life. Thus, the different terms used actually have the same ultimate objective to assist society.

Focussed coding two, being a sceptical point, states that corporate sustainability identifies CSR as one of the elements for corporations to be more robust and maintain their position in the market.

The interviewees propose in focused coding 3 that CSR is a responsible business practice by giving two explanations. A business responsibility is not to seek only profit but to extend responsibility to other areas especially activities that could benefit society. Additionally, corporations should perform good deeds beyond their business functions.

In focussed coding four, CSR is described embedded in Shari'ah law. Characteristics of CSR such as being socially responsible and ethical are considered as being reflected in Islamic teachings which mean they reflect similar values in Shari'ah law. This is demonstrated by the following response of Interviewee 3:

“CSR is already embedded in Shari’ah. When we talk about Shari’ah based institution...definitely the element of being socially responsible, being ethical are very much entrenched in the operation and in the whole outlook of the business operational. CSR from Islamic point of view has broader meaning than the conventional understanding...especially the current practice of CSR is just to satisfy the business needs and the business objective. Basically it relates to profit maximisation philosophy. You do CSR because you know in return you get something out of it. There is a commercial dimension to it. Islam regardless for profit or non- profit, CSR is very much deeply rooted in the basic operation of its institution”.

CSR is generally identified with giving back to society as cited in focussed coding five. In other words, it means that it is the corporations' responsibility to contribute to society, in which they earn money. This is essential for the development of the community.

Lastly, CSR is associated with being environmentally friendly, which is in line with global campaign to raise awareness of environmental issues. Islamic banks are also expected to be environmentally friendly, which is also required by Islam: conserving the environment and causing no environmental damage.

Table 8.5.: Data Analysis for Interview Question 5

Interview Question 5	Do you think that CSR concept is relevant to Islamic banking? Please explain?
Focussed Coding	Subtheme/Remarks
1	Helping the needy
2	Ethical banking
3	Caring for society and the environment
4	Community development
Concluding Theme	CSR is relevant to Islamic banking because of its characteristic of caring for society and the environment by extending help to the needy and developing together with the community. It also emphasises the ethical dimension in its daily operation which is in line with the Islamic teaching.

There are four main points discussed by the interviewees' regarding CSR concepts being relevant to Islamic banking as depicted in Table 8.5. The main focused coding suggested are: helping the needy, ethical banking, caring for society and the environment; and community development. In essence, CSR seems to be relevant to Islamic banking because it is characterised by caring for society and the environment in extending help to the needy and developing together with the community. It also emphasises the ethical dimensions in its daily operation which is highly recommended in Islam.

Table 8.5(a): Focussed Coding 1 - 4 for Interview Question 5

1	Subtheme	Helping the needy
	Interviewee(s)	Remarks
	1,3,5 & 6	CSR is relevant to Islamic banking since it helps the needy
	2,4 & 9	One of the channels to help the needy is through performing <i>zakah</i>
2	Subtheme	Ethical banking
	Interviewee(s)	Remarks
	2 & 3	CSR is relevant to Islamic banking because it emphasises the ethical dimensions
3	Subtheme	Caring for society and the environment
	Interviewee(s)	Remarks
	7 & 8	CSR is relevant to Islamic banking because it is characterised by caring for the whole society and the environment
4	Subtheme	Community development
	Interviewee(s)	Remarks
	10 & 11	CSR is relevant to Islamic banking because part of its role is to make progress together with the community

Table 8.5(a) describes four focused coding put forward by the interviewees with regards to the relevance of CSR to Islamic banking. Focussed coding one related to comments on helping the needy which is one of the CSR activities performed by Islamic banks. One of the channels to help the needy apart from doing charity is through *zakah*. It is important

to note, *zakah* is only distributed among eight unique beneficiaries therefore individuals that does not meet the requirements beneficiaries are normally given charity instead.

CSR as described in focussed coding two relates to ethical banking. This is relevant to Islamic banking, since Islam moral economy prioritises ethicality in every aspect of life including in conducting financial and managerial duties.

Focussed coding three is related to the aim of CSR perspective to bring a caring approach to society and the environment, as Islamic banks are considered also concerned with society and the environment since they seek to establish social justice as well as economic justice.

Lastly, focussed coding four states that it is community development that makes CSR relevant to Islamic banks, because Islamic banks are expected to contribute to the community development to improve the quality of life. This objective is prioritised as an important objective by the Islamic moral economy. This is manifested in the following response by Interviewee 10:

“...CSR should be integral to Islamic banking...because the role of Islamic banking is to be part of the community in order to progress it”.

While Interviewee 11 responded:

“The objective of Islamic banks is not only to promote profit sharing between public and shareholders but to develop the ummah as well. It is really what Islam wants”.

In furthering the discussion on CSR, the participants at the interviews were requested to express their views on whether CSR should be embedded in Islamic banks’ performance.

Table 8.6.: Data Analysis for Interview Question 6

Interview Question 6	Should CSR be embedded in the bank’s policy? Please explain?
Focussed Coding	Subtheme/Remarks
1	Yes
Concluding Theme	The majority believed that CSR should be embedded in the bank’s policy for long term gains such as building confidence among stakeholders. Although it is not regulated by the government, the government strongly encourages each financial institution to conduct CSR activities. From an Islamic point of view, CSR is already embedded in the bank’s policy if it strictly complies with Shari’ah law.

According to Table 8.6., the results suggest that the majority of the respondents felt that CSR should be embedded in the bank's policy in order to enjoy long term gains such as increased confidence among stakeholders. It was articulated that at the moment this is not regulated by the government. However, the government strongly encourage each financial institution to nurture the spirit of CSR in banking operations. The interviewees stated that from the Islamic point of view, the practice of CSR is already embedded in banking policy when banks comply with Shari'ah law, (which is indeed debated).

Table 8.6(a): Focussed Coding 1 for Interview Question 6

Subtheme	Yes
Interviewee(s)	Remarks
1,4,5,6,8,9,10& 11	CSR should be embedded in the bank's policy for long term gain
3	CSR is already embedded in the bank's policy if it complies with Shari'ah
2,5,7& 11	CSR is not regulated by the government however it is encouraged

In detailing the focused codings, Table 8.6(a) suggests three explanations why Islamic banks should embed CSR in its operations and strategy. The majority perceived that it is good for long term gain and that Islamic banks will benefit from it. Furthermore, it complies with Shari'ah, which makes it a virtue. Although the government has not regulated CSR, it is highly encouraged.

Table 8.7.: Data Analysis for Interview Question 7

Interview Question 7	Should the government legislate to enforce CSR through regulation as one of the requirement to operate an Islamic bank? Please explain?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	The majority believed that the government should not legislate to enforce CSR through regulation and suggest that it should be done voluntarily through <i>ikhlas</i> . It would be a burden and a great challenge to Islamic banks to maintain CSR activity if this is enforced at present. However, if the banks are interested in the tax incentive provided by the government, performing CSR at this point does not seem to be voluntary anymore.

Table 8.7. depicts two different opinions about whether the government should legislate to enforce CSR as one of the requirements or regulative standards to operate an Islamic bank. The majority believe that the government should not legislate to enforce CSR; instead it should be done voluntarily through *ikhlas* or personal piety. The reason for not regulating CSR is that this would create a burden for Islamic bank to maintain their CSR

activities. On the other hand, banks interested in obtaining tax incentives provided by the government to carry out CSR activities are behaving contrary to the intention of *ikhlas* as the activities are no longer purely voluntary.

Table 8.7(a): Focussed Coding 1 - 2 for Interview Question 7

1	Subtheme	Yes
	Interviewee(s)	Remarks
	5	But banks may neglect to pursue CSR as they see it as a burden
	6	There are many successful parties performing CSR, so Islamic bank should attempt to perform the best
	9 & 10	To ensure Islamic banking is different from other banking
2	Subtheme	No
	Interviewee(s)	Remarks
	1,2,3,8 & 11	It should be voluntary in other word, it should be the bank's effort
	2	It should be done with <i>ikhlas</i> to gain reward from Allah
	4	It would be a burden and may be very challenging
	7	It becomes non-voluntary if the banks are interested in tax exemption provided by the government
	8	Islamic bank needs to strengthen their financial status before accepting any regulations to impose CSR

Referring to Table 8.7(a), the interviewees who agree that CSR should be regulated by the government provided three different explanations, as the interviewees' state that they want to ensure that Islamic banking is different from other banking systems. Some of the responses were about learning from other parties' success stories in implementing CSR, suggesting that Islamic banks should attempt to make this happen too. However, it was also felt that the banks may neglect to pursue this activity since it could be a burden while struggling to compete with competitors.

In contrast, the interviewees who state that Islamic banks should not legislate to enforce CSR, as in focussed coding two, provide five different interpretations. The majority propose that CSR should be a voluntary act, in other words the bank's endeavour. This is since, "...doing charity...is very much relied on the institution itself", as explained by Interviewee 3. In fact, it should be done with the intention of *ikhlas* in order to gain spiritual rewards and blessings from Allah. However, there is still a slight fear that this could burden the management and banks should strengthen their financial status before any attempt is made to regulate CSR. Interestingly, if the banks are very interested in gaining tax incentives provided by the government for implementing CSR, the undertakings are no longer seen as voluntary or even *ikhlas*.

Table 8.8.: Data Analysis for Interview Question 8

Interview Question 8	What form of CSR options are practised in your bank?
Focussed Coding	Subtheme/Remarks
1	Charity
2	<i>Zakah</i>
3	Provide educational sponsorship
4	Provide training and development for employees
5	Environmental awareness
6	Community development
7	Assist pilgrim <i>hajj</i>
Concluding Theme	Mainly, CSR activities that are practised by Islamic banks are performing charity, <i>zakah</i> and environmental awareness campaigns. There are other practices for human capital development and also community development.

The analysis results in Table 8.8 demonstrate that there are seven different CSR activities practised in Islamic banks as reported by the interviewees. Mainly, CSR activities that are practised in Islamic banks in Malaysia are related to charity, *zakah* and environmental awareness campaigns. There are further other practices that involve human capital development and also community development.

Table 8.8(a): Focussed Coding 1 – 7 for Interview Question 8

1	Subtheme	Charity
	Interviewee(s)	Remarks
	1,2,3,4,5,6,7,8, 9 & 11	Giving charity to the needy
	2,3 & 4	Provide charity accounts that derive proceeds from non-Shari'ah compliance activities
	1 & 6	Provide services through e- <i>sadaqah</i> /e-donation
2	Subtheme	<i>Zakah</i>
	Interviewee(s)	Remarks
	2,3,9 & 10	An obligation to give a certain amount to eight unique beneficiaries. Most Islamic banks managed <i>zakah</i> personally without using the assistance of a <i>zakah</i> house
3	Subtheme	Provide educational sponsorship
	Interviewee(s)	Remarks
	4,7,8 & 10	Islamic banks are offering educational sponsorship
4	Subtheme	Provide training and development for employees
	Interviewee(s)	Remarks
	All	Provide training and development for employees' knowledge and skill development
5	Subtheme	Environmental awareness
	Interviewee(s)	Remarks
	5,7,8 & 9	Islamic banks emphasise environmental awareness especially regarding indoor activities e.g. recycling paper, reducing wastage, reducing energy and water use, <i>etc.</i>
	8	Islamic banks emphasise environmental awareness especially regarding outdoor activities e.g. planting trees, conserving wildlife, <i>etc.</i>

6	Subtheme	Community development
	Interviewee(s)	Remarks
	2,3 & 8	Providing programmes for community development e.g. financial literacy for school children
7	Subtheme	Assist pilgrim <i>Hajj</i>
	Interviewee(s)	Remarks
	11	Providing facilities for pilgrimage to perform <i>hajj</i>

Table 8.8(a) depicts the comments from the interviewees on the seven focussed coding established:

Focussed coding one comments on charity activities conducted, which has been interpreted by the interviewees as Islamic banks ‘giving charity to the needy through various programmes to improve society’. Islamic banks have initiated a charity account that derives proceeds from every non-Shari’ah compliant activity that needs to be purified through charity. This is one medium for Islamic banks to gain income for performing charity. Certain other Islamic banks provide charity accounts for customers to make donations such as having an e-donation or e-*sadaqah* account with specific beneficiaries. In such as a case, Islamic banks act as an intermediary between the customers and the beneficiaries.

Focussed coding two asserted the importance of performing *zakah*. Islamic banks generally attempt to distribute *zakah* to eight unique beneficiaries as identified in Islamic teaching. Most Islamic banks do not associate with a *zakah* house; instead they manage the *zakah* fund themselves from the collecting stage to distribution. One of the activities undertaken was identifying beneficiaries and directly giving the *zakah* to them. There are also projects such as building houses using the *zakah* fund to help the needy to have a better life.

Islamic banks also provide educational sponsorship as cited in focussed coding three, as Islam highly encourages knowledge seeking and it is crucial to ensure society is empowered through its individuals being literate as part of the community development project.

Focussed coding four mentions that Islamic banks provide training and development to their employees for human capital development. This is conducted to ensure staffs are well educated and trained to improve the banks' services.

Environmental awareness in focussed coding five has two different aspects. Islamic banks is believed to normally engage with indoor environmental awareness campaigns such as recycling paper, reduction of paper usage, reduction of water and energy, *etc.* Nonetheless, less effort is shown to outdoor activities such as planting trees, caring for wildlife, establishing environmental awareness campaign to the public, *etc.* In this case, only one foreign Islamic subsidiary bank engaged with such activities since its parent bank has made it a policy.

A few Islamic banks are involved with community development programmes as described in focussed coding six. Islamic banks' employees undertake outreach programmes such as giving lessons on financial literacy to school children to encourage them to save for their future. Visiting rural areas to educate on financial matters and helping the public to understand the importance of savings.

The last main point focussed coding highlights assisting *hajj* or pilgrimage programme by facilitating the pilgrims before and during their pilgrimage in Makkah. At present, only one foreign fully-fledged Islamic bank involves in this activities not only by providing financial assistance such as assisting *Tabung Haji* by facilitating the pilgrims with their savings and investment. Besides, this particular Islamic bank also performs other welfare activities to accommodate the pilgrims' needs.

In further exploring the views of the participants, they were asked to state within their knowledge of the amounts allocated for CSR activities in their bank and their satisfaction on such allocation level. The findings are depicted in Table 8.9:

Table 8.9.: Data Analysis for Interview Question 9

Interview Question 9	In measuring the financial dimension, what is the amount allocated to CSR activities? And do you find this satisfactory?
Focussed Coding	Subtheme/Remarks
1	Not sure
2	Based on budget allocated

3	Satisfactory
Concluding Theme	The majority of the interviewees are not sure as to the amount allocated to CSR activities which also means that they are not sure whether or not it is satisfactory. However, a few of the interviewees' state that there are annual budgets allocated for CSR activities and they find these satisfactory.

Table 8.9. shows the respondents remark on CSR allocation. From the answers, three categories were derived which are 'not sure', 'based on budget allocated' and 'satisfactory'. In conclusion, the majority disclosed that they are not sure of the amount allocated to CSR activities which in turn leads to respondents being unsure of their satisfaction at the amount contributed to CSR. A few of the interviewees believe that there is a specific annual budget allocated to CSR activities and that they find it satisfactory. To further investigate the given answers, three focussed codings established were further examined as in Table 8.9(a):

Table 8.9(a): Focussed Coding 1 – 3 for Interview Question 9

1	Subtheme	Not sure
	Interviewee(s)	Remarks
	1,3,4,5, 6, 7,9 & 11	Not sure of the amount allocated to CSR activities
2	Subtheme	Based on budget allocated
	Interviewee(s)	Remarks
	2,5,8 & 10	Based on annual budget allocated to CSR activities
3	Subtheme	Satisfactory
	Interviewee(s)	Remarks
	1,2, 8 & 10	Satisfied with the amount allocated
	3,4,5,6,7,9 & 11	Not sure whether it is satisfactory or not

The results from Table 8.9(a) show that the majority of interviewees are not sure of the amount allocated for CSR activities and this leads to a similar judgement on their level of satisfaction. However, in focussed coding two, four interviewees believed that the amount allocated to CSR depends on the banks annual budget and most of them find it satisfactory. Interviewee 10 shares the experience from their banking practices:

“CSR is actually bundled together with advertising budget. It does not have any specific budget itself. Most banks depend on charity account (ta'wiq)...definitely need improvement. We are at the beginning evolution of CSR practice. Some see it as opportunity, some do it for the sake of CSR not for promote branding. Malaysia is the former. We give the money back...but not to anyone but to whom it was contributed. We agree it is not our money...but we don't consider it as CSR but we focus back to whom it was collected”.

Focussed coding three discussed on the level of satisfaction on the amount allocated for CSR activities of their respective bank. Majority of the respondents are not sure whether it is satisfactory or not. While 4 interviewees firmly satisfied with the amount allocated for CSR programs.

In an attempt to find if the Islamic banks disclose their CSR activities, the participants were asked if their bank publicise its CSR activities as a report.

Table 8.10.: Data Analysis for Interview Question 10

Interview Question 10	Does your bank publicise its CSR report?
Focussed Coding	Subtheme/Remarks
1	Annual report
2	Bulletin
3	Mass media
Concluding Theme	Generally, CSR is reported in the bank's annual report within a small section instead of having its own special report. Most of the banks inform their staffs by circulating details of CSR activities through their bulletins. CSR is publicised to the public occasionally in mass media.

As can be seen from Table 8.10., according to the answers given, CSR reporting by Islamic banks is categorised into three main groups or coding fields: annual report, bulletin and mass media. The responses in general indicate that CSR is reported in the bank's annual report within a small section rather than in a special CSR report. However, normal practice by most banks is to circulate CSR news through their internal bulletins. From time to time, Islamic banks publicise CSR report to the public in mass media. Table 8.10(a) explicitly describes each focussed coding on CSR reporting.

Table 8.10(a): Focussed Coding 1 – 3 for Interview Question 10

1	Subtheme	Annual report
	Interviewee(s)	Remarks
	2,6,7,8,9,10 & 11	CSR is reported in the bank's annual report
	1 & 3	CSR is not reported in the bank's annual report
2	Subtheme	Bulletin
	Interviewee(s)	Remarks
	1,2,3,5,6,7 & 11	CSR is publicised through internal circulation only
3	Subtheme	Mass media
	Interviewee(s)	Remarks
	5	CSR is publicised openly to the public through webpage
	4	CSR is publicised elsewhere e.g. newspaper, magazine, etc.

In the detailed focused codings in Table 8.10(a), it can be seen that the majority interviewees agree that CSR is reported in the bank's annual report, usually within a

small section rather than in special standalone CSR report. However, two of the interviewees state that it is not reported in the bank's annual report.

In focussed coding two respondents state that information about CSR activities is communicated through the bank's internal bulletin and therefore available only to the bank's staff.

Focussed coding three mentions the use of mass media to publicise CSR activities conducted by Islamic banks. This is to capture business potentials and also to portray a good brand image. The interviewees stated that CSR is reported regularly through the banks' webpage but other sources of mass media such as newspapers, magazines, *etc.* are not popular.

As in the questionnaire analysis, the participants in the interviews were also asked about the benefits they considered their bank could derive from CSR activities, the results of which through coding analysis are depicted in Table 8.11.

Table 8.11.: Data Analysis for Interview Question 11

Interview Question 11	What are the benefits for your bank from conducting CSR activities?
Focussed Coding	Subtheme/Remarks
1	CSR awareness
2	Good image and reputation
3	Confidence to stakeholders
4	Fulfil Shari'ah requirement
5	Marketing strategy
6	Economical
Concluding Theme	The major benefits that bank obtained from CSR activities are improved image and reputation which makes CSR an indirect marketing strategy to promote the bank. Additionally, it increases CSR awareness across the whole banking system which could lower barriers between bank and society. Through CSR, stakeholders could develop increasing loyalty and become more confident in associating with the bank. It is also cost effective in the sense that CSR ensures a major reduction in the use energy, and also reduces waste. Lastly yet very importantly, it fulfils Shari'ah requirement which makes it virtuous according to Islamic teaching.

Table 8.11 presents a list of benefits as stated by the participants that Islamic banks could gain from conducting CSR activities. The results suggest the major benefit from performing CSR is improved image and reputation, which makes CSR an indirect marketing strategy to promote the banks' goodwill. It also increases the level of

awareness of social responsibility throughout the entire banking system, which could help reduce the barriers between bank and society. CSR also brings stakeholder loyalty and improves confidence in associating with the respective Islamic bank. It is, cost-effective since CSR activities promote conservation of the environment and helping society. Importantly, it fulfils Shari'ah requirement, which submits to the teaching of Islam.

These codings are further explored and the results are depicted in Table 8.11(a):

Table 8.11 (a): Focussed Coding 1 – 6 for Interview Question 11

1	Subtheme	CSR awareness
	Interviewee(s)	Remarks
	1 & 2	The entire banking system will become more socially responsible
	2,5,6 & 8	It portrays the bank as a caring and concerned entity that is close to society e.g. by helping the needy
2	Subtheme	Improved image and reputation
	Interviewee(s)	Remarks
	2,3,4,6,9,10 & 11	CSR enhances the banks' image and reputation
3	Subtheme	Confidence to stakeholders
	Interviewee(s)	Remarks
	3 & 7	CSR brings confidence to the banks' stakeholders
	5	CSR brings loyalty to the banks' stakeholders
4	Subtheme	Fulfil Shari'ah requirement
	Interviewee(s)	Remarks
	3	CSR activities fulfil Shari'ah requirement e.g. by being ethical, transparent, helping the needy, conserving the environment, <i>etc.</i>
5	Subtheme	Marketing strategy
	Interviewee(s)	Remarks
	4, 5,9 & 10	Indirectly ,CSR is the best tool for marketing the bank
6	Subtheme	Economical
	Interviewee(s)	Remarks
	6	Being cost-effective in the banking operation e.g. minimise defects/errors, reduce energy, reduce paper usage, recycling and <i>etc.</i>
	7	Bank receives tax exemption

As can be seen in Table 8.11(a), in focussed coding one on CSR awareness, the interviewees believed that the level of CSR awareness will increase and the whole banking system will become more socially responsible. Such activities can also portray the bank as a caring and concerned entity that is close to community for example by helping the needy.

The majority of the participants state that by conducting CSR, Islamic banks will gain a good image and reputation as represented in focussed coding two. This attribute links with the previous focussed coding that portrays Islamic banks as socially responsible.

Another interesting fact as stated in focussed coding three, demonstrates that stakeholders of Islamic banks, which practise social responsibility will gain confidence and loyalty.

This is described in the response of Interviewee 3:

“...conducting CSR related activities can bring confidence of stakeholders that Islamic banks are fulfilling ethical dimension and being socially responsible. Fulfilling Shari’ah requirement, for instance by having charitable account that is transparent (audited). Islamic banking should not leverage CSR activities to portray their good image. Otherwise you are doing things which people could deem not full of sincerity. As long as Islamic banks fulfils Shari’ah requirement...that is sufficient”.

Focussed coding four notes the very important fact that CSR fulfils Shari’ah requirements which relates to the above responses as well. Elements of CSR such as being ethical, transparent, helping the needy, conserving the environment, *etc.* certainly meet the terms of Shari’ah law.

Focussed coding five on marketing strategy shows that Islamic banks could enjoy indirect marketing promoting goodwill without incurring large costs.

Conducting CSR may also be cost-effective as shown in focussed coding six. This is because employees are encouraged to reduce waste, reduce paper usage, reduce energy and water usage, *etc.* Moreover, Islamic banks may receive tax incentives from any CSR activities conducted.

In developing a pattern out of Islamic banking practices, the participants were asked to comment on if they think in general Islamic banks fulfil the social responsibilities expected of them. The results are reported in Table 8.12:

Table 8.12.: Data Analysis for Interview Question 12

Interview Question 12	Do you think in general Islamic banks fulfil CSR policies?
Focussed Coding	Subtheme/Remarks
1	Yes
2	Not sure
3	No
Concluding Theme	The majority believed that Islamic banks do not fulfil CSR policies which they said still need to be improved. However, about 36 percent of the interviewees perceived otherwise. Only 2 interviewees have yet to decide whether Islamic banks fulfil CSR policies or not.

The results in Table 8.12 indicate three categories of responses for question 12, whether Islamic banks fulfil CSR policies. Overall, the majority believe that Islamic banks do not fulfil CSR policies and so the respondents believe they should be strengthened. Nonetheless, four of the interviewees perceive otherwise. From the results obtained, only 2 interviewees are not sure whether Islamic banks fulfil CSR policies or not.

Table 8.12 (a): Focussed Coding 1 – 3 for Interview Question 12

1	Subtheme	Yes
	Interviewee(s)	Remarks
	2,7,9 & 11	Islamic banks fulfil CSR policies
2	Subtheme	Not sure
	Interviewee(s)	Remarks
	4 & 6	Not sure whether Islamic banks fulfil CSR policies
3	Subtheme	No
	Interviewee(s)	Remarks
	1,3,5,8 & 10	Islamic banks still need to improve

Table 8.12(a) shows the three focussed coding observations made by the interviewees. Focussed coding one states that Islamic banks basically fulfil CSR policies through *zakah* and giving out charity.

Focussed coding two mentions that the respondents are not sure whether Islamic banks fulfil CSR policies since they said there are no tools, guidelines or index to measure levels of CSR activity.

The last focussed coding is against the earlier statement which perceived that Islamic banks still need to improve in order to be as competitive as their rivals. Among the responses given by Interviewee 10:

“I think there’s more to be done. There’s no full philosophical understanding for Islamic banking’s role and the difference with its conventional banking, and the role towards the community”.

In developing the results in the previous table, the participants were asked to comment on the factors that could hinder Islamic banks to practice CSR, and the results are reported in Table 8.13:

Table 8.13.: Data Analysis for Interview Question 13

Interview Question 13	What might be the factors that could hinder Islamic banks to practice CSR? Please explain?
Focussed Coding	Subtheme/Remarks
1	Profit maximisation
2	Lack of CSR awareness
3	CSR budget
4	Parent bank
5	No hindrance
Concluding Theme	The main obstacle for Islamic banks to practise CSR is the mindset of profit maximisation. It must to be linked to ethicality and also giving back to the community. Islamic subsidiary banks face problems with bureaucracy, since every CSR allocation and activity requires approval from their parent bank. Apart from that, there is still a lack of CSR awareness among bankers and customers. Otherwise, there are no other obstacles since the government encourages Islamic banks to conduct CSR.

The results in Table 8.13 depict the five coding categories pertaining to the factors that could hinder Islamic banks in practising CSR. As can be seen, the main hindrance for Islamic bank to practise CSR is to change the society's mind-set of seeking solely profit maximisation. Instead, this must be tied in with ethicality and giving back to the community. Islamic subsidiary banks would also encounter bureaucracy problems due to rigid regulation from their parent banks. Each budget request and CSR activity have to have the parent banks' approval. Additionally, the level of CSR awareness is generally low. Apart from these factors, there should be no other obstacles except the banks own willingness, since the government strongly encourages Islamic banks to conduct CSR for sustainable development.

Table 8.13 (a): Focussed Coding 1 - 5 for Interview Question 13

1	Subtheme	Profit maximisation
	Interviewee(s)	Remarks
	1,3 & 5	Islamic banks maximise profit at the same time as being ethical and contributing to society
2	Subtheme	Lack of CSR awareness
	Interviewee(s)	Remarks
	4 & 6	Lack of CSR awareness among stakeholders
3	Subtheme	CSR budget
	Interviewee(s)	Remarks
	8 & 9	Depends on the annual CSR budget allocation

4	Subtheme	Parent bank
	Interviewee(s)	Remarks
	8,9 & 10	Islamic subsidiary banks need to get approval from their parent banks for any activities conducted
5	Subtheme	No hindrance
	Interviewee(s)	Remarks
	2 & 7	No hindrance in fact encouraged by the government

Table 8.13(a) displays the explanations of the five coding categories given by the interviewees.

The first focussed coding highlights profit maximisation, whereby the interviewees explain that the main obstacles come from the profit maximisation mind set, which needs to be changed. Islamic banks could still maximise profit while at the same time remaining ethical and contributing to society.

Focussed coding two on lack of CSR awareness also relates to the previous point. Presently, the CSR awareness of stakeholders of Islamic banks is relatively low and it is viewed as a non-vital element in the development of Islamic banks.

There are also problems with CSR budget allocation as mentioned in focussed coding three, whereby Islamic banks need to rely on the annual budget provided. If the amount is small, consequently a few activities can be undertaken.

Islamic subsidiary banks have problems with their parent banks as discussed in focussed coding four. Islamic subsidiary banks are obliged to comply with the parent banks' regulations and policies. Thus, for each activity and budget requested for CSR, the parent banks approvals must be sought. This is discussed in the following response of Interviewee 9:

“Most of the Islamic banks tend to be part of conventional banking group and depends on the groups values. If they make contributions to the community, then Islamic banks are free to conduct such activity. They have to follow the policies of the group”.

The last focussed coding contradicts the other statements. Two of the interviewees believed that there are no obstacles at all for Islamic banks to conduct CSR and that in fact it is supported and encouraged by the government.

In delving into more specific aspects of CSR activities, the respondents were asked to comment on the statement that if they considered alleviating poverty is part of the social objectives of Islamic banks.

The results for this question are reported in Table 8.14.

Table 8.14.: Data Analysis for Interview Question 14

Interview Question 14	Do you think it is Islamic banks' obligation to alleviate poverty as part of social objective?
Focussed Coding	Subtheme/Remarks
1	Not an obligation
2	Part of responsibility
3	Yes
Concluding Theme	The majority thinks that it is partly the bank's obligation to alleviate poverty and it is not a priority since an Islamic bank is a financial institution that needs to serve other areas as well.

The results in Table 8.14 shows that three main categories established: In essence, the majority believe that it is partly Islamic banks' obligation to alleviate poverty but it is definitely not a priority since an Islamic bank is a financial institution that needs to serve other areas as well in the financial markets.

Table 8.14(a): Focussed Coding 1 for Interview Question 14

1	Subtheme	Not an obligation
	Interviewee(s)	Remarks
	1,2,3,4,5,7,8 &10	Part of the banks' objective but not a priority
2	Subtheme	Part of responsibility
	Interviewee(s)	Remarks
	2 & 9	Part of responsibility to extend help to the poor
3	Subtheme	Yes
	Interviewee(s)	Remarks
	6 & 11	Yes, it is the banks obligation to alleviate poverty

The three remarks on Islamic banks obligation to alleviate poverty are presented in Table 8.14(a). The majority perceive that although it is part of Islamic banks' objective it is not a priority. Mainly, Islamic banks need to fulfil economic and financial objectives before fulfilling other objectives. Interviewee 3 responded that,

"...poverty eradication is not the priority of Islamic banking. Islamic banks are business entity and financial intermediary which has very clear objectives...However, Islamic banks should not only focus on the normal commercial products to the rich but also extend it to the not-so-low income earner".

Two of the interviewees stated that it is definitely part of Islamic banks' responsibility as mentioned in focussed coding two. This is because Islamic banks have a responsibility to extend help to the poor, which is essentialised as part of the implicit objective functions of Islamic banks.

However, another two interviewees assert that it is Islamic banks obligation' to alleviate poverty as mentioned in focussed coding three. This makes Islamic banks a unique bank serving the community.

In the same vein of exploring specific issues, the participants were also asked whether they consider ensuring better living standards as one of the social responsibilities of Islamic banks; the results for this presented in Table 8.15:

Table 8.15.: Data Analysis for Interview Question 15

Interview Question 15	Do you think is it Islamic banks' obligation to ensure better living standards?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	The majority finds it is Islamic banks obligation to ensure a better standard of living for society. This could be achieved by complying with Shari'ah requirements which lead to improved quality of life. Besides, Islamic banks' objectives of wealth circulation and risk sharing help to ease the burden on society.

Table 8.15 analysed the question of Islamic banks' obligation to ensure better standards of living. According to the data, there are two main coding categories with regard to the question. The majority find it is Islamic banks' obligation to ensure a better living for the society. In order to achieve this goal, Islamic banks need to comply with Shari'ah requirements that would lead to the improvement of the quality of life. Additionally, among the objectives of Islamic banks is wealth circulation and risk sharing that aim to ease the burden on society and a balance living status.

Table 8.15(a): Focussed Coding 1 for Interview Question 15

1	Subtheme	Yes
	Interviewee(s)	Remarks
	1,3,5,6,7,8 & 11	Fulfil Shari'ah requirement which will improve the quality of life
	2	Through wealth circulation which will balance the rich and poor
	10	Through risk sharing
2	Subtheme	No
	Interviewee(s)	Remarks
	4 & 9	The objective of an Islamic bank is not solely for social welfare

Table 8.15(a) explains the two focused coding, which shows that in focussed coding one, most of the interviewees agree to the above statement reasoning that it fulfils Shari'ah requirements that require organisations to work to improve quality of life. Among the interviewees, one stated that Islamic banks' objective in encouraging wealth circulation

would lead to a balance of status between the rich and poor. In other words, it means that it will lower the gap among the poor and the rich. It was highlighted also that Islamic banks by promoting risk sharing they contribute to the expansion of social justice to both parties in particular and to the society in general.

The second focussed coding is in contrasts with the earlier statement in stating that it is not Islamic banks' obligation to ensure better living standards for society. They believed that the objective of Islamic banks is not solely for contributing to social welfare as Islamic banks have other responsibilities.

To assess the attitudes of Islamic banks, the participants were asked to comment on whether the Islamic banks have consciously attempted to conserve the environment.

The results for this are reported in Table 8.16:

Table 8.16.: Data Analysis for Interview Question 16

Interview Question 16	Do Islamic banks have consciousness to conserve the environment? Are there any contributions made?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	Islamic banks are conscious of the need to conserve the environment by conducting environmental awareness campaigns and providing a special savings account, which donates a portion of the profit to environmental causes.

Table 8.16 depicts the result on environmental awareness and contributions of Islamic banks to environment conservation issues as understood by the participants. In general, it shows that Islamic banks are conscious of the need to conserve the environment through environmental awareness campaigns conducted by the banks. One Islamic subsidiary bank makes an additional effort in initiating special savings accounts specifically to donate to environmental causes.

These two coding groups are further explored in Table 8.16(a):

Table 8.16(a): Focussed Coding 1 - 2 for Interview Question 16

1	Subtheme	Yes
	Interviewee(s)	Remarks
	1	Eco-saving accounts which donate a certain portion of profit to environmental causes
	5,6,7,8,9 & 11	Environment awareness campaigns e.g. save trees, recycling, reduce paper usage, energy and wastage, <i>etc.</i>
	all	Ensure investment in projects that do not contribute to environmental damage

2	Subtheme	No
	Interviewee(s)	Remarks
	2 & 3	No awareness campaign at all
	4 & 10	Low level of awareness in general

Table 8.16(a) gives further insights in to the remarks provided by the interviewees. The majority states that Islamic banks are conscious of the need to conserve the environment. This is since it is Islamic banks' policy not to invest in projects that could harm society or the environment. In addition, it is identified that Islamic banks conduct environment awareness campaign as mentioned in focussed coding one. Among these are campaigns to save trees, recycle, reduce paper usage, energy, and wastage, *etc.* One Islamic bank in Malaysia has created an eco-savings account which donates a certain portion of its profit to environmental causes.

On the other hand, there are a few respondents who do not agree with these justifications and perceive Islamic banks are not conscious of the environmental concerns. Among them, two interviewees stated that there is no environmental awareness nor practice encouraged at all at their respective banks. It should also be noted that some of the respondents believe that society's level of environmental awareness is generally low which has direct impact on the banks. These are manifested from the responses given by two different individuals:

"In this regard, the consciousness is still very limited. In general the whole society has low consciousness in this matter" (Interviewee 4).

"There are no Islamic banks in Malaysia speak about environmental agenda explicitly" (Interviewee 10).

Another aspect of social responsibility is explored in question 17; as the participants were asked to comment on whether Islamic banks contribute to community development. The results of the answers given to this particular question are depicted in Table 8.17.

Table 8.17.: Data Analysis for Interview Question 17

Interview Question 17	Do you think in current practice, Islamic banks contribute to community development?
Focussed Coding	Subtheme/Remarks
1	Yes
Concluding Theme	In general, Islamic banks do contribute to the community but the contributions made are not that significant and still have room to improve. There are several channels to help the community such as <i>zakah</i> , education sponsorship and also educating society on financial literacy.

The result in Table 8.17 suggests that according to the views expressed by the participants the current practice in Islamic banks contributes to community development. However, it was identified that even though contributions are made, the practices are not significant and there is further room for improvement. The participants stated that there are several channels to help the community such as by distributing *zakah*, providing educational sponsorship and also educating society on financial literacy to provide knowledge on basic spending and saving. These categories are explored further in table 8.17(a):

Table 8.17(a): Focussed Coding 1 for Interview Question 17

Subtheme	Yes
Interviewee(s)	Remarks
2&5	Through educating society on financial literacy
3&4	Through educational sponsorship
3	Through <i>zakah</i>
1,6,7,8,9,10 &11	Contributions are not that significant

In Table 8.17(a) focussed coding one presents a breakdown of interviewees' remarks into four categories. The interviewees believed that Islamic banks contribute to community development through several activities such as educating society on financial literacy, which is generally practised at school level. Islamic banks also provide educational sponsorship for human capital development. Another important and powerful tool for community development identified is the distribution of *zakah* to the eight beneficiaries. In overall, although Islamic banks are said to contribute to community development, it is not a very significant contribution and needs to be more systematic and in a more proactive manner.

In further elaborating the observed social failure of Islamic banking, the participants were asked whether they know if their Islamic banks support the employee's right as part of social responsibility. The result for this is depicted in Table 8.18.

Table 8.18.: Data Analysis for Interview Question 18

Interview Question 18	Does your bank support employees' rights (e.g. ethical issue, gender equality, fair treatment, training & development, etc) as part of socially acceptable?
Focussed Coding	Subtheme/Remarks
1	Yes
Concluding Theme	Islamic banks support employees' rights in various ways such as an emphasis on ethical issues, promoting gender equality and fair treatment to every employee, providing training and development for human capital development and many more.

As can be seen in Table 8.18, the participants unanimous agreed that their Islamic banks support employees' rights. It should be noted that generally in Malaysia, Islamic banks supports employees' rights by adhering to certain principles such as an emphasis on ethical issues, promoting gender equality and fair treatment to all staff regardless of race, gender, religion or disability. Islamic banks also provide training and development for human capital development and many more activities. It is important to state that this is a general perception, and qualifications for Islamic banks supporting workers' right proactively by the participants beyond their perceptions were not requested. However, as can be seen further enquiry is made in Table 8.18(a):

Table 8.18(a): Focussed Coding 1 for Interview Question 18

1	Subtheme	Yes
	Interviewee(s)	Remarks
	All	Training and development for employees
	1,2,3,7,9,10 & 11	Emphasis on ethical issues
	All	Promotes gender equality and fair treatment

Table 8.18(a) describes three main issues on Islamic banks' contribution to employees' rights. Generally, as identified by the participants, under the Bank Negara Malaysia guidelines, Islamic banks have to provide training and development to their employees on Islamic banks products and services. Islamic banks give equal opportunity to everyone and promote equality and fair treatment regardless of race, gender, religion or disability as long the person meets the Islamic banks' requirements. Islamic banks emphasise ethical issues in every dimension of their operation since this is a fundamental requirement of Islam. This is stated in the response below by Interviewee 3:

“Training and development for Islamic banking is very clear under BNM regulation (GPS1) which must provide continuous training to staff on Islamic banking products”.

The participants' opinion as to whether Islamic banks should promote microfinance for development and whether they can implement successfully were analysed and the results are presented in Table 8.19:

Table 8.19.: Data Analysis for Interview Question 19

Interview Question 19	Do you think that Islamic banks should promote microfinance for development and human empowerment? Can it be implemented successfully?
Focussed Coding	Subtheme/Remarks
1	Yes
2	Not sure
Concluding Theme	The majority agree that Islamic banks should promote microfinance for development and human empowerment and this is also supported by the government. At the moment, the implementation is said to be very challenging and a low success rate is expected until Islamic banks re-model the product to be less risky.

As depicted in Table 8.19, two categories of codings were established out of the answers given. In essence, the majority agree that Islamic banks should promote microfinance for development and human empowerment which at the moment is strongly supported by the government. Currently, the implementation is said to be very challenging and a low success rate is expected until Islamic banks come up with a solution to improvise less risky products. These responses were further explored in Table 8.19(a):

Table 8.19(a): Focussed Coding 1 – 2 for Interview Question 19

1	Subtheme	Yes
	Interviewee(s)	Remarks
	2,8,10 & 11	Providing small financing for those on lower income
	4,5,6 & 7	Encouragement from the government
	3	It is very risky, thus the operation needs to be thorough to reduce risk
	2	Can utilise the facility of <i>qard al-hasan</i>
2	Subtheme	Not sure
	Interviewee(s)	Remarks
	1	Practically, implementation is challenging and the success rate is not high
	9	Offering microfinance does not necessarily create human empowerment

The results in Table 8.19(a) explicitly describe the two main themes of the interviewees' remarks. The first focussed coding which agrees with the above statement is further categorised into four subthemes. The majority believe that microfinance should be implemented by Islamic banks with the aim of providing financing to those on lower incomes who are denied access to other commercial financial institutions. There is a great opportunity to do this since the government are extending help and subsidies to encourage Islamic banks to perform microfinance. Although it could be implemented, Islamic banks

still need extra precautions since it is very risky, the process must be thorough to reduce any risk to the bank. There is a suggestion also that microfinance can be offered through the facilities of *qard al-hassan* that is highly rewarded in Islam however this is still under discussion.

Although the majority believe Islamic banks should promote microfinance, focussed coding two describes two contradictory views regarding the above statement: Islamic banking is still improving and learning to survive in the industry, therefore implementing microfinance would be a challenge and with current practice, it is anticipated that the success rate would be quite low. Another interviewee stated that promoting microfinance does not necessarily result in individual empowerment.

In further enquiring the social dimension of Islamic banking, the participants were asked to express their opinion on whether microfinance should be practised within the existing stricture of Islamic banks or whether new institutional formation should be considered. The analysis of the data presented in Table 8.20.

Table 8.20.: Data Analysis for Interview Question 20

Interview Question 20	Should microfinance be practised within the existing structure of Islamic bank or create a new separate entity to perform it?
Focussed Coding	Subtheme/Remarks
1	Within the existing structure
2	Create separate entity
Concluding Theme	The majority consider that microfinance should be practised within the existing structure of Islamic banks to fulfil their social responsibility role. A new unit or department should be created to manage this facility and this definitely needs a thorough risk mitigation operation. However, to some, microfinance should be operated by a separate entity to reduce any risk to the parent bank.

As can be seen in Table 8.20, the majority consider that microfinance should be practised within the existing structure of Islamic banks to fulfil their social responsibility role. A new unit or department should be created to manage the facility and this definitely needs a thorough risk mitigation operation. However, a few interviewees contradict this statement and believe that microfinance should be practise as a separate entity to reduce any risk of jeopardising the parent bank.

Table 8.20(a): Focussed Coding 1 for Interview Question 20

1	Subtheme	Within the existing structure
	Interviewee(s)	Remarks
	2,4,5,6,8,9,10 & 11	Within the existing structure of the Islamic bank but create a new department to manage microfinance
	2,4 & 5	Needs to have a thorough risk mitigation operation
2	Subtheme	Create separate entity
	Interviewee(s)	Remarks
	1,3 & 10	Create separate entity to ensure that parent banks are not jeopardised by any losses
	7	Should be operated by <i>baitulmal</i> or <i>zakah</i> house

In response to Table 8.20, Table 8.20(a) expands on the different remarks given according to focussed coding categories. Focussed coding one, which mentions that microfinance should be managed within the existing structure is further categorised into two explanations which mainly suggest that microfinance should be managed within the existing structure of Islamic bank but a new department should be created specifically to manage microfinance. A specific team should carry out a thorough risk mitigation operation to avoid losses or defaults.

Focussed coding two states that Islamic banks should create a separate entity to ensure parent banks are not jeopardised by any losses incurred through providing microfinance. Another option to promote microfinance is by allowing the process to be carried out by *baitulmal* or *zakah* houses which have specific objective to help the needy.

In attempting to understand that institutional nature of social failure of Islamic banks, the participants were asked to whether they think that the current practice of Islamic banking being commercial banking represents a deviation from the authentic objective of Islamic moral economy.

Table 8.21.: Data Analysis for Interview Question 21

Interview Question 21	Can we consider the current practice of Islamic banking (commercial banking) as a deviation from the authentic objective of Islamic banking?
Focussed Coding	Subtheme/Remarks
1	No
Concluding Theme	The current practice of Islamic banking does not deviate from the authentic objective of Islamic banking yet it is still improving and moving towards an ideal of Islamic banking that promotes socioeconomic justice

The result in Table 8.21 conclusively shows that the participants does not consider current practice of Islamic banking as deviating from the authentic objective of Islamic banking

although it is still improving and moving towards an ideal Islamic banking aspiration that promotes socioeconomic justice.

Table 8.21(a): Focussed Coding 1 for Interview Question 21

Subtheme	No
Interviewee(s)	Remarks
1,2,3,5,6,7,8,10 &11	Not deviating from the objective of Islamic banking
3,4,7&9	Moving towards an ideal Islamic banking

Table 8.21(a) elaborates on two reasons given in the interviews to justify their position that Islamic banking has not deviated from the authentic objectives. Most of the interviewees strongly believed that Islamic banking has not deviated from the objective of Islamic banking, since it complies with Shari'ah principles although there are certain controversial products launched due to different of school of thought. For instance, Interviewee 3 emphasised that,

"...Islamic banks have lots of weaknesses but deviating is a no. It is still open to debate on the authentic term of Islamic Bank. Yes it is far from perfect, but there is a positive trend. People are moving towards the ideal of Islamic bank. Although you are practicing controversial products, but that is produce in critical situation which comes in the event of dururiyyah".

In addition Interviewee 7 responded that,

"there's no such thing as authentic Islamic bank. Banking is a financial intermediary which in Shari'ah perspective it is a trustee. Bank has double role; trustee, investor and custodian of the money. Islamic bank actually is whether bank could uphold the principle of Shari'ah between the customers, shareholders and stakeholders. It does not mean by giving charity only, because it needs to cater every entity and individual".

In addition, they importantly consider that Islamic banking is still developing which means it is far from perfect and there is still work to be done to move towards an ideal Islamic banking.

After all these detailed aspects of social dimension related Islamic banking questions, the participants were invited to express their opinions on the overall reality of Islamic banking whether it has socially failed or not, and the results of the data analysis presented in Table 8.22.

Table 8.22.: Data Analysis for Interview Question 22

Interview Question 22	Based on your answers above, do you think that Islamic banking has socially failed?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	Islamic banking in Malaysia has not socially failed because it contributes to community development and protection of the environment. However, these contributions made not extensive compared to conventional banks. CSR plays a major role as a 'licence-to-operate' for Islamic banks to become more socially responsible.

As Table 8.22 illustrates according to the participants Islamic banking in Malaysia has not socially failed, because it does contribute to community development and also to protecting the environment. However, it is noted by the participants that these contributions are not extensive compared to those of conventional banks. CSR plays a major role as a 'licence-to-operate' for Islamic banks to become more socially responsible.

Table 8.22(a): Focussed Coding 1 – 2 for Interview Question 22

1	Subtheme	Yes
	Interviewee(s)	Remarks
	5	Still goes for bottom line e.g. profit sharing ratio is unjust
2	Subtheme	No
	Interviewee(s)	Remarks
	1,2,3,4,6,8,9 & 10	Islamic banks contribute to society
	1,2 & 11	Contributions made are not extensive yet e.g. no <i>qard al-hasan</i>
	7	CSR is a 'licence-to-operate' which is encouraged by government

According to Table 8.22(a), only one interviewee believes that Islamic banking has socially failed because Islamic banks mainly go for the bottom line in maximising profit. This is disclosed by Interviewee 5,

“...the profit sharing ratio is unjust since Islamic banks gain more than their customers in a ratio of 55:45, even though the customers are the capital providers. Even worse, some products offered by Islamic bank have a profit ratio of 98:2. The reason given by Islamic banks is that they need to earn more to enable them to develop rapidly in the industry to compete with other financial institutions”.

Focussed coding two shows three subthemes disagreeing Islamic banking has socially failed, as the majority assert that Islamic banks have made contributions to society if not through CSR then definitely through *zakah*. However, these contributions are not extensive and more effort is needed. This is supported by the interview responses given by Interviewee 10:

“not a social failure. Islamic bank has room to develop its own identity since it provide finance to large community and it is just in its infancy level”.

For example, Islamic banks have yet to offer products or financial facilities through *qard al-hasan*. Many believe it is very risky for a bank to implement such a contract. Interviewee 1 confers that,

“...not totally fail. It does contribute back to the people...but no products on qard al-hasan”.

It is also noted by the participants that another reason for Islamic banks to be considered as socially not failed is through the encouragement of the government to promote CSR which acts as a ‘licence-to-operate’ for Islamic banks. This is disclosed by Interviewee 7,

“...no definitely not. Atleast not in Malaysia. Because in Malaysia it is a requirement to give allocation for CSR to ensure their license are preserve and gain confidence from public”.

8.2.2. Islamic Social Banking

This section aims to gauge the respondent’s views on the proposal of creating an Islamic financial entity that operates with similar objectives to a social bank, namely Islamic social banking. As part of the search, the participants were asked about their awareness and knowledge on social banking.

Table 8.23.: Data Analysis for Interview Question 23

Interview Question 23	Do you know what social banking is?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	Social banking is similar to other banks that seek profit but it put an emphasis on contributing to community development and other social activities such as charity and helping the needy.

The results in Table 8.23 show the familiarity of respondents with social banking. According to the results, social banking is defined as similar to other banking in seeking profit but puts an emphasis on contributing to community development and other social activities such as charity and helping the needy.

Table 8.23(a): Focussed Coding 1 for Interview Question 23

1	Subtheme	Yes
	Interviewee(s)	Remarks
	2,4,5 & 11	It is a bank that puts more effort into contributing to community development
	3 & 8	It focuses on social activities such as charity, helping the needy, <i>etc.</i>
2	Subtheme	No
	Interviewee(s)	Remarks
	1,6,7,9 & 10	Do not know social banking

In further explaining the coded groups, Table 8.23(a) illustrates the interviewees' familiarity with social banking. Focussed coding one shows respondents' familiar with social banking as they suggest that it is a bank that put emphasis on making contributions to community development. The participants also articulated that such bank focuses on social activities such as charity, helping the needy, *etc.* Mainly it is a bank that gives back to society rather than prioritising investing for commercial purpose.

Focussed coding two demonstrates that five interviewees that are not familiar with the concept of social banking.

Considering the development needs of Malaysia and in particular extending financial support for the lower strata of the economy, the participants were asked to comment on the potential contributions of social banks on Malaysian economy; and the results in the form of focused coding is presented in Table 8.24.

Table 8.24.: Data Analysis for Interview Question 24

Interview Question 24	In your opinion can Social bank help Malaysia's economic development?
Focussed Coding	Subtheme/Remarks
1	Yes
2	Not sure
Concluding Theme	Social banking could help Malaysia's economic development through wealth circulation that reduces the gap between rich and poor. Indirectly it could reduce social crime involving the poor. It also complements other financial organisations serving the nation.

The results in Table 8.24 suggest two views on whether social banking could help Malaysia's economic development. In a nutshell, social banking could help Malaysia's economic development through wealth circulation which would eventually reduce the gap between rich and poor. It was mentioned that indirectly it could reduce social crime involving the poor. It also complements other financial organisations serving the nation.

Table 8.24(a): Focussed Coding 1 for Interview Question 24

1	Subtheme	Yes
	Interviewee(s)	Remarks
	1,2,5,6,7,8,9, 10 & 11	Through wealth circulation by reducing the number of poor and needy
	3 & 10	As a complement to other financial organisations in developing Malaysia's economy
2	Subtheme	Not sure
	Interviewee(s)	Remarks
	4	Not sure whether social banks could help Malaysia's economic development

Table 8.24(a) presents the interviewees' opinions regarding the question for the clustered codings. The majority mentions that social banking can help Malaysia's economic development through wealth distribution by reducing the number of poor and needy and balancing the nation's wealth. It was also mentioned that it could also complement other financial organisations in developing Malaysia's economy. For example Islamic banks' current purpose leans more to commercialisation whilst social banking could complement this by focussing more on the community. As a result, the Islamic financial system in Malaysia would be balanced by the existence of this kind of bank.

In an attempt to consider the feasibility of the Islamic social banking, the participants were asked to consider whether Islamic banks should be in the form of social banks.

Table 8.25.: Data Analysis for Interview Question 25

Interview Question 25	Should Islamic banks be social banking?
Focussed Coding	Subtheme/Remarks
1	Yes
2	No
Concluding Theme	The majority perceives that Islamic banks should be social banking since social banking shares their objective of emphasising social responsibility. Nonetheless, Islamic banks should take safety precautions before implementing the practice since it is risky and it is important to ensure the stakeholders and shareholders' interests are well protected.

The reported result in Table 8.25 identifies two different views on whether Islamic banks should undertake social banking. As can be seen, the majority agree that Islamic banks should be social banking since it shares the same objective of emphasising social responsibility. Nonetheless, it was articulated that Islamic banks should take safety precautions before implementing the practice since it is risky and it is important that Islamic banks safeguard the interests of their stakeholders and shareholders.

Table 8.25(a): Focussed Coding 1 for Interview Question 25

1	Subtheme	Yes
	Interviewee(s)	Remarks
	1 & 8	Since it is risky, it needs to be implemented in stages
	2,6,10 & 11	The objective of Islamic banks is similar to social banks in valuing social responsibility
	4,5 & 6	Not necessarily undertake social banking but just promote the social elements that the bank practice
	7	Must ensure that stakeholders and shareholders' interests are protected
2	Subtheme	No
	Interviewee(s)	Remarks
	3 & 9	People may misunderstand the purpose of Islamic banks labelling them as charitable organisation

Table 8.25(a) clarifies the interviewees' remarks on the above subject by providing the further explanations on the coded results. In focussed coding one, four explanations were deduced from the interviewees. The majority believe that the objective of Islamic banks is similar to social banks in valuing social responsibility. However, since it is risky, it needs to be implemented in stages. Most importantly, Islamic banks must always ensure the stakeholders and shareholders' interests are safeguarded. Although three interviewees agree that Islamic banks should be social banking, it is not necessary for Islamic banks to transform completely into social banking, promoting and highlighting the social elements in its practices is sufficient. Among the responses that support the above position:

"Islamic bank has already embedded the social responsibility dimension, it's whether we realise it or not" (Interviewee 6).

"Islamic bank and social bank should be the same thing if we do understand the role of Islamic banking"(Interviewee 10).

Only two interviewees responded that Islamic banks should not undertake social banking in focussed coding two. This is because it might lead people to misunderstand the purpose of Islamic banks by labelling them as charitable organisations. The following responses manifest the statement above:

"I don't think so. It is better to remain as it is. But expand to various segments in society to ensure the social welfare element could be felt by the people. Sometime Islamic bank is perceived as charitable entity since it gives zakah and sadaqah which is wrong" (Interviewee 3).

The participants were also invited to comment on the potential assigned activities of Islamic social banks. The results are reported in Table 8.26.

Table 8.26.: Data Analysis for Interview Question 26

Interview Question 26	What should be the assigned activities of Islamic social banking?
Focussed Coding	Subtheme/Remarks
1	No idea
2	Similar to other banks i.e. seeking profit
3	Access to the financial excluded
4	Education sponsorship
5	Help the poor and needy and other social purposes
Concluding Theme	There are several suggestions for activities for Islamic social banking. Among the important activities are giving access to financially excluded parties and providing more avenues for community development.

Table 8.26 provides a list five coded categories from the interviewees on possible activities for Islamic social banking. It has the same objective as other banks to seek profit; however it gives priority to providing access to financially excluded parties and provides several avenues for community development such as education sponsorship, helping the poor and needy and other social purposes.

Table 8.26(a): Focussed Coding 1 – 5 for Interview Question 26

1	Subtheme	No idea
	Interviewee(s)	Remarks
	1,3,6 & 11	No idea
2	Subtheme	Similar to other banks i.e. seeking profit
	Interviewee(s)	Remarks
	2 & 10	Islamic social banks' financial responsibility is to seek profit
3	Subtheme	Access to the financial excluded
	Interviewee(s)	Remarks
	2,8 & 9	Giving financial access for low-income earners, small business enterprise
4	Subtheme	Education sponsorship
	Interviewee(s)	Remarks
	4,8 & 10	Educating the society for human capital development
5	Subtheme	Help the poor and needy and other social purpose
	Interviewee(s)	Remarks
	2 & 7	Helping the poor and needy through microfinance
	5 & 10	Helping the poor and needy through <i>zakah</i>
	8	Providing financing for marriage scheme

The result in Table 8.26(a) expands on the responses shown in the previous table on the suggested activities of Islamic banking. The first focussed coding mentions that the interviewees do not have any suggestions for suitable activities for Islamic social banking.

Focussed coding two states that Islamic social banking' activities should be similar to other banking activities in seeking profit for the stability and resilience of its financial development.

Focussed coding three expresses the interviewees' statements that Islamic social banking should provide access to the financially excluded parties. It should focus on giving financial aid to low-income earners, small business enterprise, *etc.*

It is highlighted by the participants that it is essential for Islamic social banks to ensure an educated society so Islamic social banking should provide educational sponsorship. This would ensure steady human capital development for the future.

The majority state that Islamic social banking should help the poor and needy and also serve other social purposes for the good of society. This could be achieved in several ways such as through microfinance, *zakah* and also providing financing for marriage schemes.

In search of institutional form of Islamic social banking, the participants were asked whether Islamic financial institutions should create another entity to conduct social banking alongside Islamic commercial banks. The responses were categorised in two focused coding as reported in Table 8.27.

Table 8.27.: Data Analysis for Interview Question 27

Interview Question 27	Should Islamic financial institution create another entity to perform Islamic social banking and let the current Islamic commercial banking continue to exist as they are?
Focussed Coding	Subtheme/Remarks
1	Within the existing structure
2	Create a separate entity
Concluding Theme	The majority state that Islamic social banking should be created within the existing structure of Islamic (commercial) banking. In fact, it has similar objectives to Islamic banking which cause some to question the need for Islamic social bank.

In Table 8.27, two major themes emerged: to remain within the existing structure and to form a separate entity. The majority believe that Islamic social banking should be created within the existing structure of Islamic (commercial) banking. In fact, it has similar

objectives to Islamic banking which caused some to question the need to create Islamic social banks.

Table 8.27(a): Focussed Coding 1 – 2 for Interview Question 27

1	Subtheme	Within the existing structure
	Interviewee(s)	Remarks
	2,4,7,8 & 11	Create a new department within Islamic (commercial) bank
	3,5 & 10	It serves the same purpose as Islamic banks that comply with Shari'ah by caring for the community
2	Subtheme	Create a separate entity
	Interviewee(s)	Remarks
	1,6 & 9	Islamic (commercial) banking is still at a developmental stage and needs to focus on the commercial side

Table 8.27(a) describes the two major themes derived from the established two focused codings. Focussed coding one indicates that Islamic social banking should function within the existing structure of Islamic commercial banking. The majority state that Islamic banks should just form a new department within existing banks to manage the services. The reason given is that it serves the same purpose as Islamic banking and it complies with the Shari'ah regulation that requires concern for the community.

However, some of the interviewees suggested that Islamic social banking should be created as a separate entity since Islamic (commercial) banking is still at a development stage and needs to focus its attention on its commercial side.

In addition to the institutional form, the funding structure of Islamic social banking is also important. For this, the participants were asked to identify their opinion on as to how they consider such an Islamic social bank should be financed.

Table 8.28.: Data Analysis for Interview Question 28

Interview Question 28	How Islamic social bank should be financed?
Focussed Coding	Subtheme/Remarks
1	Parent bank
2	Government
3	Zakah collection
4	Waqf
5	Shareholders
Concluding Theme	The majority view is that Islamic social banks should be financed by their parent banks and also receives financial assistance from the government.

As depicted in Table 8.28, the table lists five suggestions on sources of funding: parent bank, government, *zakah* collection, *waqf* and shareholders. The majority state that Islamic social bank should be financed by their parent banks and also receive financial assistance from the government.

Table 8.28(a): Focussed Coding 1 for Interview Question 28

1	Subtheme	Parent bank
	Interviewee(s)	Remarks
	1,2,4,6,7,9 & 11	Islamic social banks should be funded by their parent bank
2	Subtheme	Government
	Interviewee(s)	Remarks
	2,3,5,7 & 8	Islamic social banks should be funded by the government
3	Subtheme	Zakah collection
	Interviewee(s)	Remarks
	5 & 10	Islamic social banking should be funded through <i>zakah</i> collection
4	Subtheme	Waqf
	Interviewee(s)	Remarks
	10	Islamic social banking should be funded through <i>waqf</i>
5	Subtheme	Shareholders
	Interviewee(s)	Remarks
	9 & 10	Islamic social banking should be funded by shareholders

Table 8.28(a) depicts the suggested financiers for Islamic social banks. Since the majority believe that Islamic social banks should operate within existing Islamic commercial banks as in Table 8.27, they should be funded by their parent banks as stated in focussed coding one. In addition, some of the interviewees also suggest that the government should assist in the operation of Islamic social banking as shown in focussed coding two. Furthermore, some other interviewees also suggested in focussed coding three, four and five sources of finance from *zakah* collection, *waqf* and also shareholders respectively.

In search of optimal nature of Islamic social banks in terms of institutional form, the participants were asked whether they see a role for government and civil society in structuring and financing Islamic social banking, the results of which presented in Table 8.28.

Table 8.29.: Data Analysis for Interview Question 29

Interview Question 29	Do you see a role for government and civil society in structuring and financing Islamic social banking?
Focussed Coding	Subtheme/Remarks
1	Yes
Concluding Theme	The government and civil society do have an important role in structuring and financing Islamic social banking. In Malaysia, the government, especially the Bank Negara Malaysia (BNM), has a great deal of influence in supporting and encouraging the development of Islamic finance.

As can be seen in Table 8.29, the majority of the participants agrees that the government and civil society have an important role in structuring and financing Islamic social banking, as the only focused coding could be generated is 'yes'. In Malaysia, the government, especially Bank Negara Malaysia (BNM), has a great deal of influence in supporting and encouraging the development of Islamic finance.

Table 8.29(a): Focussed Coding 1 for Interview Question 29

Subtheme	Yes
Interviewee(s)	Remarks
1,2,3,6 &10	The government has a great deal of influence on the operation of Islamic financial institution in Malaysia
4&9	The government could provide tax incentives
2,5,7,8 &11	The government and public should support and encourage the operation of Islamic social banking

The result in Table 8.29(a) establishes that the government of Malaysia has influence on the operation of Islamic financial institutions. It is mentioned that among the incentives provided is a tax incentive for any social contributions banks make to society. The participants consider the government and civil society mix as the optimal solution for the formation and financing of Islamic social banks.

8.3. CONCLUSION

This chapter has analysed and explored the social responsibility and sustainability of Islamic banking in Malaysia through the perceptions and opinions of the participants. The qualitative analysis using a face-to-face interview survey involving eleven interviewees who are employed by Islamic banks aims to complement the results from the quantitative research by giving more insights into banking practices. The results in general reveal that Islamic banking in Malaysia has not socially failed largely due to the CSR contribution they have made. However, these contributions made are not very satisfactory and improvement is needed in order to compete with conventional banking.

In order to sustain in the market, an Islamic social banking which puts great emphasis on social contributions to society was proposed. There is interest in creating such an institution but any such operation should be thoroughly examined to ensure success. According to the results, Islamic social banking should be structured and financed within existing Islamic (commercial) banking infrastructure and rather than operated separately since it has similar objectives. With regard to this idea, Islamic banking in Malaysia

should be considered in an advantageous position in having a supportive government that encourages banks to look into products that cater to the financially excluded; products such as microfinance and *qard al-hasan* are in accord with the purpose of Islamic social banking. Therefore, the proposal on institutionalising an Islamic social bank, there is a possibility of being successful but needs further study to ensure a stable establishment. In addition, Islamic social banking as a proposition is still open to discussion by academics and practitioners in order to realise the theory in line with the aspirational worldview of Islamic moral economy.

Chapter 9

CONTEXTUALISING THE FINDINGS: AN INTERPRETATIVE DISCUSSION AND RECOMMENDATIONS

9.1. INTRODUCTION

This chapter attempts to contextualise the findings of the study as emerged in the previous four empirical chapters. In doing so, the findings are also contextualised within the four chapters of literature reviews.

The literature review begins by discussing the nature of Islamic banking through the perspective of Islamic economics in Chapter 2. Then, Chapter 3 encompasses the main study, discussing the fundamentals of CSR from both the conventional and the Islamic view, and also examines the theory of sustainable development and social banking, which supports the idea of CSR. Chapter 4 presents the developments and trends in Islamic banking industry particularly in Malaysia. The literature review chapters provided the theoretical foundations of the main study that highlights CSR in Islamic banking in Malaysia as well as presenting other necessary information pertaining to the evolving nature of the study.

To reiterate, this research study employed quantitative and qualitative methods in collecting and analysing the data, which are described in the Research Methodology chapter (Chapter 5). The results of the empirical findings are then presented in Chapters 6, 7, and 8 accordingly. The quantitative results offered in Chapters 6 and 7 attempts to describe and identify the respondents' knowledge, awareness and practices of CSR, sustainable development and social banking in response to the nature of Islamic banking in Malaysia through descriptive and inferential statistical analyses. Further investigation is under taken to substantiate the findings established in the questionnaire survey by interviewing Shari'ah scholars and executives, together with managers and employees of Islamic banks on the similar topical issues. Chapter 8, thus, provides a face-to-face interview analysis from the points of view of the above mentioned stakeholders.

The findings of these empirical chapters are contextualised in this present chapter through integrated manner and through an interpretative method, supported with figures and facts from the literature to deliver a fruitful discussion. The following sections are, hence, the product of such an attempt to give further meaning to the results.

9.2. KNOWLEDGE ON ISLAMIC BANKING

This study explores the CSR and related understanding of the respondents including sustainable development through in relations to the fundamentals of Islamic banking and moral economy.

It should be noted in the beginning that despite having an Islamic banking account, 75% of the respondents participating in this study still have accounts with conventional banks as well. One of the main reasons for holding both types of account is the attraction to particular types of product or service offered by conventional banks. Customers usually choose the account, which is most attractive to them without giving consideration to whether the account is Islamic or conventional banking suggesting a rationalist and pragmatist attitude. Indirectly, it also shows that the participants have low level of religiosity awareness with regard to banking matters. Additionally, some respondents could not be bothered to close their existing account in conventional banking resulting in both of the accounts being still active. On the other hand, among the reasons for participants to have an Islamic account is because some employers insist that salaries are paid through Islamic accounts. This is normally practised by the public sector, although some private companies also opt for Islamic accounts.

Considering the mix accounts, it is important to ensure that the Malaysians truly understand the concept of Islamic banking; this section will discuss the knowledge and understanding of Malaysians with regard to the expressions and objectives of Islamic banking.

As described earlier in Chapter 6, Islamic banking in Malaysia is generally known as ‘having Shari’ah-compliant products’; ‘banking without interest’; and also ‘an ethical banking’. These three statements were among the popular expressions that were ranked highest according to the mean results obtained in Table 6.7. As can be noted, the groups

who support this exposition on ‘having Shari’ah-compliant products’ and also ‘banking without charging interest’ are postgraduates and bankers of Islamic banks. Further, participants possessing only bachelor degrees and also foreign fully-fledged Islamic banks described Islamic banks as being similar to ‘ethical banking’ (refer Table 7.1). This distinction can be explained through the impact of knowledge and experience building. The postgraduate degree holders are expected to have a more critical outlook, expanding their knowledge with recent development and trends in the industry, while the bankers have the experience, as they are working in the environment itself. Therefore, the postgraduate degree holders and Islamic bankers’ reference are very much to the functional form in the sense of ‘interest free banking’. However, as the results indicate bachelor degree holders still at the basic level of understandings of Islamic banking which has yet to be developed, and their references are more theoretical.

In order to see whether the objectives of Islamic banking are truly understood by the participants, eight objectives were listed: ‘prohibition of *riba*’; ‘providing Shari’ah-compliant products’; ‘encouraging Islamic values at all levels’; ‘promoting sustainable developments’; ‘contributing to social welfare’; ‘non-debt based financing’; ‘alleviating poverty’; and ‘maximising profits’. Thus, the hypothesis below is formulated to test the understanding of the participants of these principles:

Hypothesis 1: *The majority of Malaysians have a good understanding of the objectives of Islamic banking.*

Islamic banking and finance in Malaysia has been very successful, with the development of banking and finance, but also with the consolidation of the relevant regulative and legal institutions. However, it is important to examine the perceptions of individual customers and also the staff of the Islamic banks in relation to their understanding of the objectives of Islamic banking and finance. An attempt was made to locate their perceptions, which was analysed in detail in Chapter 6.

According to the result in Table 6.8., participants highly regard ‘prohibition of *riba*’ as the most important objective of Islamic banking, with a mean score of 4.61. This is then followed by ‘providing Shari’ah-compliant products’, ‘encouraging Islamic values at all

levels’, ‘promoting sustainable developments’, ‘contributing to social welfare’, ‘non-debt based financing’, ‘alleviating poverty’, and ‘maximising profits’. The results show that participants regard technical objectives (prohibition of *riba*’ and providing Shari’ah-compliant products) as the most important objective. It shows that Malaysians are fully aware of the strict commandment prescribed in the Shari’ah law which needs to be observed. Regarding the social objectives (encouraging Islamic values at all levels, promoting sustainable developments and contributing to social welfare), the findings suggest that social awareness is gradually blooming. This may be due to Malaysian customs and traditions that highly regard good behaviour aside from the influence from local mosques in nurturing Islamic ethics.

This result contradicts with the analysis of the interview data in Chapter 8, as the majority of the participants described the objectives of Islamic banking as similar to any other financial institutions that is profit oriented and not to be recognised as a charitable organisation. However, the interviewee agreed upon one point that made Islamic banking unique is the Shari’ah law that governs the entire system which inculcate social interest with an emphasis on ethical dimensions and social responsibility.

It should be noted that Muslims in Malaysia since the Islamic resurgence in 1980’s (see Chapter 4), generally has good access to religious education in relation to *muamalah* matters. Hence, knowledge of prohibiting *riba*’ is already common. As mentioned earlier in Chapter 2, scholars such as Ahmad (1994), Schaik (2001), Siddiqi (2006), Tripp (2006) and Zaher and Hassan (2001) define *riba*’ in modern banking systems as interest, which is deemed unjust since the provider of capital funds is assured a fixed return while all the risk is borne by the user of these capital funds. Hence, prohibition of *riba*’ is made as an important objectives in Islamic banking system in order to manifest a ‘just banking’.

It should also be stated that similar results have been established by other empirical studies. For example, Karim (2010) found that 85% of the respondents in his study on Malaysia were familiar with the terminology of *riba*’, while Dusuki (2005) found that 89% of the respondents in his sample were in agreement with the notion that the introduction of Islamic banking is because Muslims are prohibited from associating with elements of *riba*’.

It can therefore be concluded that the empirical evidence provided by this study suggests that the null hypothesis should be accepted.

The following sub-hypotheses were developed to examine whether there is a significant difference with regard to respondents' knowledge across various categories as established by the control variables. The results are obtained for the discussions below are referred from Table 7.2.

H₁₋₁: There is no statistically significant difference between customers and employees of the banks regarding the understanding of the objectives of Islamic banking.

Overall the results (refer Table 7.2.) depict that there is no significant differences between the participants' perceptions for 'prohibition of *riba*', 'non-debt based financing', 'encouraging Islamic values', and 'also maximising profits'. This indicates that H₀ is accepted for these objectives. However there is a significant difference of opinion for the remaining objectives: 'providing Shari'ah-compliant products', 'contributing to social welfare', 'promoting to sustainable development', and also 'alleviating poverty'. Hence H₀ is rejected.

As can be seen, the respondents have different views with regard to these four objectives. The researcher assumed that the customers still dispute and/or doubt whether Islamic banks carry out specific social activities such as 'contributing to social welfare', 'promoting to sustainable development', and 'alleviating poverty' (refer Table 7.2.). It shows that customers have fewer concerns regarding the social objectives in comparison to other objectives, especially commercial objectives. On another note, the result for 'providing Shari'ah-compliant products' is proven to have no significant differences since Islamic banks must produce products that must be Shari'ah-compliant. This shows that the employees of Islamic banks doubt whether the products and services provided by Islamic banks are truly Shari'ah-compliant given the complexity of the nature of the products, which are mostly the imitations of conventional products. Customers are still uncertain on the difference of profit and interest, which to them are similar.

H₁₋₂: There is no statistically significant difference between the clients of various banks categories regarding the understanding of the objectives of Islamic banking.

H₀ is rejected since there is statistically significant difference for four objectives: ‘prohibition of *riba*’, ‘providing Shari’ah-compliant products’, ‘contributing to social welfare’ and ‘encouraging Islamic values’. However, H₀ is accepted when there is no significant difference for the following objectives: ‘non-debt based financing’, ‘promoting sustainable development’, ‘alleviating poverty’, and ‘maximising profits’ (refer to Table 7.2.).

Interestingly, reflecting on the differences among the bank categories, the result suggests that participants from foreign fully-fledged Islamic banks are very concerned with ‘prohibition of *riba*’, ‘providing Shari’ah-compliant products’, and ‘encouraging Islamic values’ (refer to Table 7.2.). Participants from foreign fully-fledged Islamic banks who participated in this study are clients of Al-Rajhi Bank and Kuwait Finance House, both are Middle-Eastern based Islamic banks. As found by this study, these foreign banks put great emphasis on these particular objectives to cement their Arab-Islamic identity as well as attempting to capture Malaysian customers’ confidence by promoting Islamic banking products in the sense that some of the products offered by these banks have different practices from those of locally based Islamic banks. This may also result from the difference of opinion in Shari’ah practice in the Middle-East and Malaysia.

On the other hand, local fully-fledged Islamic banks, such as BIMB and BMMB, give more attention to ‘contributing to social welfare’. This findings in this study, hence, is consistent with Dusuki’s (2005) findings on CSR practices by both Islamic banks indicating the manifestation of social objectives.

An attempt was also made to locate the impact of education and the level of monthly income on participants’ understanding of the objectives of Islamic banking, which is tested by the following hypothesis:

H₁₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding the understanding of the objectives of Islamic banking.

The null hypothesis is accepted for this hypothesis for monthly income groups since there is no significant difference for all objectives. However, H₀ is rejected for there is significant difference in ‘maximising profits’, and ‘encouraging Islamic values’ across various educational backgrounds, while the remaining objectives have no significant difference (refer to Table 7.2.).

It should be stated that respondents holding SPM certificates deem Islamic banks give attention to ‘maximising profits’. This shows that there is a knowledge gap in understanding the purpose of institutionalising Islamic banking. To these respondents, Islamic banking is similar to conventional banking in terms of capitalising on profit yield. In contrast, as the results depict, respondents with the highest education attainments (postgraduates) believe that Islamic banks are unique and should ‘encourage Islamic values’ at all levels. It is suggested by this study that this is among the best traits that would bring a competitive advantage to Islamic banks in competing with other banking models.

H₁₋₄: There is no statistically significant difference across various age groups regarding the understanding of the objectives of Islamic banking.

The results in Table 7.2. show that there is no statistically significant difference regarding the understanding of the objectives of Islamic banking across various age groups. Hence, H₀ is accepted.

In further corroborating the above stated results, hypothesis 2 below is formulated corresponding to the objectives of Islamic banking.

Hypothesis 2: *The majority of Malaysians apply equal importance to the social and commercial objectives of Islamic banking.*

This specific hypothesis is generated to discuss the social and commercial objectives of Islamic banks which are adopted from the list of Islamic banks' objectives (refer to Table 6.8.). It is very important to identify whether Islamic banks put equal emphasis to social and commercial objectives in order to know whether it upholds socioeconomic justice or not. From the eight objectives listed, two of the objectives, namely 'non-debt financing' and 'maximising profits', are categorised as commercial objectives. The remaining objectives: 'prohibition of *riba*', 'providing Shari'ah-compliant products', 'encouraging Islamic values at all levels', 'promoting sustainable development', 'contributing to social welfare' and 'alleviating poverty' are considered social objectives of Islamic banks.

Generalising from the results obtained (refer to Table 6.8.), social objectives are given more attention than commercial objectives, as commercial objectives (maximising profits and non-debt based financing) were ranked last and third last in the table by the participants. This suggests that the respondents have a high level of understanding and awareness with regard to the importance of exercising social objectives in Islamic banks in order to realise the aspiration of Islamic economics. This is also evidenced from the interview results presented in Table 8.22(a) revealing that Islamic banks have not socially failed in social contributions although this is not as extensive as it might have been. It should be noted that this is in line with the initial objective of establishing Islamic banking in Malaysia that is serving social objectives and development (see Chapter 4). While the results in this section suggest perceived positive contribution of Islamic banks for social objective, in other variables, this cannot be substantiated in this study. For example, *qard al-hasan* is considered as high risky at the moment due to the zero profit return and exposure to high risk, as suggested by a study conducted by Ariffin and Adnan (2010), and therefore Islamic banks have not been giving such loans despite being socially desirable.

Having said this, the commercial objectives should not be seen as less important, since they are the core of the banking operation and there is no harm in maximising profit, as explained by Interviewee 3 in Chapter 8. This statement is consistent with studies conducted by Ahmad and Haron (2002) and Dusuki (2005) whereby 44.2% and 84%

respectively of the Malaysian respondents perceived that the principle of profit maximisation should be adopted to survive in a competitive business. Moreover, CSR theory, as claimed by Carroll (1991) also views economic responsibility as the core of the pyramid, placing a strong emphasis on profit yielding for Islamic banks. Despite this, the meaning of 'Islamic' in Islamic banking should be considered meaning socially oriented banking.

In addition, according to a study conducted by Dusuki and Yusof (2008) on Malaysian stakeholders which employs Carroll's (1991) pyramid of CSR, ethical responsibility was ranked second after economic responsibilities due to strong encouragement from traditional customs and values practised in Malaysia. This shows that the Malaysian culture and traditions, in all the ethnic groups, has a major impact on the good behaviour of the citizens. It should be noted that Islamic ethics has also played a vital role for Muslims in Malaysia.

As a result, the null hypothesis is rejected since the majority of the participants do not apply equal importance to the social and commercial objectives of Islamic banks.

9.3. KNOWLEDGE, AWARENESS AND PRACTICES OF CSR IN ISLAMIC BANKS

This section aims to discuss and examine the nature of perceived CSR in Islamic banks in Malaysia according to the findings developed from the earlier chapters.

According to Dusuki and Yusof (2008), Malaysian studies on the topic of CSR are very limited compared to the extensive literature on CSR in the West. In fact in Chapter 3, it has already been mentioned that CSR studies in relation to Islamic financial institutions generally are still limited and not extensively studied (Social Responsibilities Trend at Islamic Financial Institutions: Based on 2009 Social Responsibility Survey, 2009; Dusuki, 2008a, 2008b; Dusuki and Abdullah, 2007; Dusuki and Dar, 2005; Haniffa, 2002; Khan, 2004; Zinkin and Williams, 2007).

Therefore, the following hypotheses are formulated to discuss on the knowledge, awareness and practices of CSR in Islamic banks.

Hypothesis 3: *The majority of Malaysians have a fair level of familiarity with regard to the concept of CSR*

It is depicted in Table 6.9. that 49.3% of the respondents are very familiar with regard to the concept of CSR, while 31.2% of the respondents are not that familiar with CSR as described in Chapter 6. This indicates that the majority of the participants have a good level of familiarity with regard to the concept of CSR. It should be noted that there is a growing interest in CSR among Malaysians, as the existential question on the meaning of Islamic banks remains in the mind of most of the Malaysians. To evidence this, for example, Ramasamy and Ting (2004) disclosed that levels of awareness of CSR among employees were low at that time when they conducted their studies. In contrast, Ahmad and Rahim (2005) reported that 93.1% of the managers of public listed companies were aware of CSR, implying that work experience and professional knowledge explained the high result.

The government of Malaysia has provided full support and encouragement to incorporate CSR at industry level; in fact it has endeavoured to reward corporations and institutions that participate extensively in CSR activities by awarding the Prime Minister's CSR Award¹ annually. The government has made it a national vision thus giving tax incentives to corporations that perform CSR activities, which has led to a growing interest from the industry. Indeed, every corporation, including Islamic banks, has taken the opportunity to increase their socially responsible activities to receive recognition or awards; however for pious Muslims, these acts should be performed to seek pleasure from God, and therefore Islamic banking acting only due to such incentives does not provide encouragement in terms of their commitment to the moral economy of Islam.

In conclusion, this study suggests that the null hypothesis should be rejected since the majority of the participants have a good understanding with regard to the concept of CSR.

¹The Prime Minister's CSR Award was launched in 2007 by the Ministry of Women, Family and Community Development for the purpose of acknowledging companies that have successfully made CSR contributions for community development. The awards are given based on eight different categories such as community and social welfare, culture and heritage, education, empowerment of women, environment, media reporting, small company CSR and workplace practices.

To further investigate familiarity with regard to the concept of CSR in this study to develop further meanings from the findings, specific groups were selected. Hence, the following sub-hypotheses were formulated.

H₃₋₁: There is no statistically significant difference between customers and employees of Islamic banks regarding familiarity with regard to the concept of CSR.

The null hypothesis is rejected since p-value is lower than critical value of 0.05, which implies that there is a statistically significant difference regarding familiarity with regard to the concept of CSR between customers and employees of Islamic banks (refer to Table 7.3.).

H₃₋₂: There is no statistically significant difference between bank categories regarding the familiarity with regard to the concept of CSR.

H₀ is accepted since there is no statistically significant difference regarding the familiarity with regard to the concept of CSR between bank categories (refer to Table 7.3.).

H₃₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding the familiarity with regard to the concept of CSR.

In this case, H₀ is rejected since there is a statistically significant difference with regard to the familiarity to the concept of CSR across various educational background and monthly income groups (refer to Table 7.3.).

In furthering the discussion, the following hypothesis is formulated to discuss the relevance of CSR to the concept of Islamic banking. Seven variables were generated in this study in relation to the above knowledge on CSR in Islamic banks²: (i) CSR should be embedded in Islamic banks' policy, (ii) CSR relevant to Islamic banking concept, (iii) Islamic banks are obliged to practise CSR, (iv) The government should legislate to enforce CSR, (v) CSR upholds the social justice dimension of Islamic Economics, (vi)

²The seven variables are arranged according from highest mean rank to the lowest mean rank obtained from Table 6.11. in Chapter 6.

Social responsibility should be left to the government, and (vii) Social responsibility should be left to NGOs.

Hypothesis 4: *The majority of Malaysians perceive that CSR is relevant to Islamic banking concept*

Based on Table 6.11. in Chapter 6, it is shown that the majority of the participants(79.4%) perceived that ‘CSR is relevant to Islamic banking concept’, although it is ranked second place, which substantiates the findings and the results of some other researchers, including Haniffa (2002), Mukhazir and Muhammad (2006), Asutay (2007), Dusuki and Abdulllah (2007) and Dusuki (2008b).

The respondents also made positive remarks on CSR by demanding that ‘CSR should be embedded in Islamic banks’ policy’ with 81.6% and ‘Islamic banks are obliged to practise CSR’ with 76.6% which is ranked first and third in the table. Indeed, the result suggests that Malaysians are aware of the benefit of performing CSR and would be very happy if Islamic banks could ensure CSR was practised. This is supported by data provided from the interview survey (see Chapter 8), articulating the nature of CSR to provide care for society and the environment, which made it relevant to Islamic banking. These attitudes are realised through extending help to the poor and needy for community development and are aligned with *maqasid* Shari’ah.

It should be noted that Islam does not leave such actions to voluntary action only, but also instituted some behavioural norms such as paying *zakah* in ensuring that the social interests are also served (see Chapter 2). Although CSR may seem relevant to each aspect of the Islamic ambit from an ethical perspective, Dusuki (2008b) points out that in an Islamic context, CSR has a broader meaning as it values the spiritual reward over the material reward. Someone who achieves the highest moral positions is considered to manifest *taqwa*-centricity or the sense of God-consciousness (see Chapter 3).

In searching for empirical findings for this section, besides employing simple mean comparative analysis in the Mann Whitney-U test and Kruskal Wallis test, the Factor Analysis was also utilised. The result of Factor Analysis (refer Table 7.15(b)) suggests

that all seven variables are reduced to two factors, namely ‘socioeconomic justice/mandatory responsibility’ and ‘government and voluntary sector’. It can be concluded that the factor of ‘socioeconomic justice/mandatory responsibility’ is ranked first, while ‘government and voluntary sector’ is ranked second. The opinions of the respondents suggest that CSR is viewed as significant from the standpoint that it will increase socioeconomic justice, instead of being concerned only with whom should enforce CSR. This is reflected in the result depicting government and NGOs as the least significant variables. However, it is worth mentioning that government or the Malaysian Central Bank(BNM) has played an active role so far in encouraging not only Islamic banks to practice CSR; it has called for every organisation nationally to implement the practice.

The result suggests accepting H_0 , indicating that participants’ understanding of CSR is not confined to the idea that it is about helping others, but demonstrates that Malaysians are gradually accepting CSR as an activity that inculcates Islamic ethics, potentially bringing harmony to society and the environment as well as spiritual rewards.

The following sub-hypotheses are aims to further probing the opinions of participants in relations to CSR practices of Islamic banks.

H₄₋₁: There is no statistically significant difference between customers and employees of the banks regarding the perception that CSR is relevant to Islamic banking concept.

In this case, the null hypothesis is accepted since there is no statistically significant difference perceiving that CSR is significant to the Islamic banking concept between customers and employees of the bank, except for the role ‘the government should legislate to enforce CSR’ (refer Table 7.3.). Based on the results, customers of Islamic banks are keen to demand the government take action to make CSR an important policy in Islamic banks. This is due to the nature of banking system in Malaysia which pays high respect to the government’s policy and who will surely abide by any new regulation.

H₄₋₂: There is no statistically significant difference between bank categories in the perception that that CSR is relevant to Islamic banking concept.

Since there is no statistically significant difference perceiving that CSR is relevant to the Islamic banking concept between bank categories, H_0 is accepted. However, two variables indicate that there are significant differences: ‘CSR should be left up to the government’ and ‘CSR should be left up to the NGOs’ with both obtaining p-value of 0.000 and 0.002 respectively (refer Table 7.3.). Based on the result obtained, it seems that local fully-fledged Islamic banks highly support this position probably due to the current low level of CSR awareness, which is consisted with the above result where foreign Islamic banks in Malaysia is considered as more CSR oriented than their local counterpart. On the other hand, this could also portray a negative attitude among the banks whereby they are seeking to avoid social responsibility, which is supposed to be the anchor of Islamic banks.

H_{4.3}: There is no statistically significant difference across the various educational background and monthly income groups in the perception that CSR is relevant to Islamic banking concept.

As regards to the significance of education, the H_0 is rejected; since there is statistically significant difference in the perception that CSR is significant for the Islamic banking concept across various educational backgrounds (refer to Table 7.3.). Relatively speaking, postgraduate holders believed in this position, since they have broader knowledge of CSR and also probably have greater experience in dealing with banking services. However, SPM holders have a stronger belief that CSR should be left up to the government and NGOs since these groups obtained highest statistical mean rank compared to others. This result supports the corporation oriented rationalistic literature (see Chapter 3) which indicates that social responsibility for business should be managed by the government and NGOs (Friedman, 1970; Lewis and Algaud, 2001; Satkunasegaran, 2003). It is therefore suggested that SPM holders, which represents the lowest educational attainment, see that CSR has a greater impact if it is controlled by the government and related NGOs rather than left solely to Islamic banks to take action. To explore this further, the MANOVA test was utilised, and the result (refer to Table 7.20(c)) suggest that about 5.4% and 4.5% of the total variances for ‘socioeconomic justice/mandatory’ and ‘government and voluntary sector’ respectively could be explained by educational attainment. Therefore, the

educational attainment factor has a small effect on perceptions about the significance of CSR to Islamic banking.

As for the significance of income as a determining variable, the results for the monthly income group suggest accepting a null hypothesis only for three factors: (i) Islamic banks are obliged to practise CSR, (ii) CSR should be embedded in the Islamic banks policy, and (iii) the government should legislate to enforce CSR. Otherwise, H_0 is rejected for the remaining variables. The variables that ‘CSR upholds the social justice dimension of Islamic economics’ and ‘CSR is relevant to Islamic banking’ is fully supported by the group of people earning RM10,001 – RM20,000 per month. While, the lowest income group (less than RM1,000 per month) perceived that CSR should be left up to the government and NGOs. The social status gap suggested that high income earners have more faith that CSR is rooted in the Islamic norm which made it particularly relevant to the Islamic banking concept; this may be due to religious access as well as broader knowledge and experience.

Consequently, the CSR practices that Islamic banks are expected to perform are examined through the following hypothesis:

Hypothesis 5: *The majority of Malaysians support various dimensions of CSR activities that are normally expected to be practised by Islamic banks.*

Generally, CSR is a very broad concept, yet an attempt was made to list many of the CSR related activities practised by and relevant to Islamic banking, referring to previous studies such as Dusuki (2005), Sairally (2006), Farook (2008) and the Dinar Standard and Dar Al-Istithmar Report (2009).

The following are the results obtained from this study presented according to the most favourable activities to the least favourable activities (refer to Table 6.13.). The majority of the participants expects various elements of CSR activities to be practised by Islamic banks such as: (i) emphasising ethical values and moral behaviour; (ii) ensuring to invest in ethical and Shari’ah compliant products; (iii) providing educational sponsorships;(iv)

establishing alliances with charitable organisations; (v) assisting *zakah* house for collection and/or distribution; (vi) guaranteeing investment will not harm the environment; (vii) adoption of best practices in human resource management; (viii) undertaking charitable activities/making charitable donations to the community; (ix) proactive in environmental conservation; (x) promoting health and safety in the workplace; (xi) actively targeting groups, communities or institutions that require assistance; (xii) providing benevolence loans (*qard al-hasan*); and (xiii) none of the above, as bank is a financial institution.

Factor Analysis is employed in further exploring Hypothesis 5. According to the results obtained (refer to Table 7.16(b)), thirteen variables were reduced to three factors, namely 'social responsibility', 'charity' and 'profit oriented'. Generally, the 'social responsibility' factor ranked highest compared to 'charity' and 'profit oriented' factors as referred to the results in Table 6.13. The respondents anticipated that Islamic banks should establish ethical values governing social responsibility, community development and also conserving the environment. These elements are valued more highly than merely giving to charity and profit maximising. Therefore, the results suggest that Malaysians would like to move away from the dogma of associating CSR merely with charity which is consistent with previous research conducted by Dinar Standard and Dar Al-Istithmar (2009), Asutay (2008) and Sairally (2006) that highlights the need to establish a systematic way of performing CSR that would assist in community development at large.

It is worth mentioning the least favourable CSR activity is the use of *qard al-hasan*. As mentioned earlier, only three Islamic banks in Malaysia offer this benevolence loan, and in fact, its scope is very limited, albeit the majority of Islamic bankers (83.6%) have a good knowledge and familiarity pertaining to this concept. The study also revealed that 85% of the Islamic bankers perceived that this product should be offered as a tool of social responsibility (Ariffin and Adnan, 2011).

In order to examine the differences between the customers and employees of Islamic bank with regard to the above statement the following hypothesis is formulated.

H₅₋₁: There is no statistically significant difference between customers and employees of the banks in support of various dimensions of CSR activities that are supposed to be practised in Islamic banks.

The scenario in Malaysia reveals that there is no significant difference supporting various dimensions of CSR contributions between customers and employees of the bank except for activities related to ‘alliance with charitable organisations’; and ‘adopting best practices in human resources’. Therefore, these two activities are statistically significantly different which suggests rejecting null hypothesis.

According to the mean rank obtained (refer to Table 7.4.), the employees of Islamic banks have a higher mean result compared to the customers. The distinction may be of the awareness gap between customers and employees of Islamic banks as well as due to experience gained in the industry. Indeed, Islamic banks may have alliances with certain charitable organisations in realising their social responsibility. However, this information is not disclosed, hence the customers are not aware or probably they are just not interested in this matter. For example, Bank Islam Malaysia Berhad (BIMB) initiated an *e-sadaqah* program that has listed many specific charitable organisations for customers to donate via online. This shows the commitment of the bank in having a continued relationship with respected charitable organisations. Interestingly, interviewee 2 revealed that there is a demand from customers to donate their profit earnings from their current accounts instead of claiming it. As a result, the mentioned Islamic bank had debated creating a special account for customers who would like their profits to be donated directly to a specific organisation, the portion of donation are flexible and could be customised. Customers may opt to donate the entire profit earned or only a fraction of it. This is a good investment not only for the Islamic banks but also for customers as it could provide continued help and financial aid to the poor and needy.

It should be mentioned that while such acts by the Islamic banks are appreciated, there is a need from Islamic banks to provide direct CSR impact, rather than only channelling the *zakah* and *sadaqah* of the customers for such purposes.

As regards to ‘adopting best practices in human resources’, the findings suggest that there are also differences of opinion, which, as a CSR activity, aims to ensure the welfare of employees at an optimal level. However, the mean result (refer Table 7.4.) reveals a discrepancy. The customers ranked this activity higher than employees of Islamic banks, leaving a big question mark about the efficacy of the activity. This could be the result of dissatisfaction on the part of the employees’. In contradiction to this result, the interview survey (voices of the employees of Islamic banks) provides positive remarks on employees’ rights (refer Table 8.18). Islamic banks, as guided by policy from the Malaysian Central Bank (BNM) are urged to offer continuous training and development to their employees to ensure skills and knowledge are regularly updated. Besides this, ethical issues are addressed widely and Islamic banks are also required to promote equality and fair treatment to all. In any way, the opinions of the employees should be considered more important for this question, as they are at the receiving end of the human resources practices of Islamic banks. Therefore, it can be concluded that there are issues and lack of best practice related to human resources in Islamic banks.

H₅₋₂: There is no statistically significant difference between bank categories in support of various dimensions of CSR activities that are supposed to be practised in Islamic banks.

For this hypothesis, the null hypothesis is rejected since there is a statistically significant difference for CSR activities, such as ‘charity/donation’, and ‘alliance with charitable organisation’ practised in Islamic banks between the bank categories (refer Table 7.4.). Comparing all bank categories, the result suggests that fully-fledged Islamic banks have given more emphasis and are actively concerned with CSR activities. One reason behind this is that it allows Islamic banks to demonstrate that they are a socially responsible bank as well as building stakeholders’ confidence in the banks’ services. Besides, fully-fledged Islamic banks have financial access to contribute to CSR activities easily in comparison to Islamic subsidiary banks which need to seek approval from their parent bank.

It should be noted that H_0 is accepted for the remaining CSR activities that are supposed to be practised in Islamic banks.

H₅₋₃: There is no statistically significant difference across the various educational background and monthly income groups in support of various dimensions of CSR activities that are supposed to be practised in Islamic banks.

With respect to educational background, the null hypothesis is rejected for several CSR activities, such as ‘making alliances with charitable organisations’, ‘actively targeting groups’, ‘communities or institution that require assistance’, ‘ensuring investment in ethical and Shari’ah compliant products’, ‘guaranteeing investment will not harm the environment’, ‘being pro-active in environmental conservation’, adoption of best practices in human resources, promote health and safety, and bank is a financial institution.

After discussing the opinions of participants on various issues related to CSR activities, the next hypothesis focus on CSR disclosure.

Hypothesis 6: *The majority of Malaysians acknowledge CSR disclosure reporting by Islamic Banks*

In Malaysia, by regulation CSR disclosure or reporting is considered as a voluntary act by the company. In this study, the data gathered from the interview survey (refer Table 8.10) state that CSR is generally reported in the bank’s annual report as a small section. However, it is yet to be seen that Islamic banks produce a special CSR report on its own, unlike conventional banks (e.g. Standard Chartered bank and HSBC bank). It seems that in Islamic banks, CSR is also communicated internally; circulating the information through the bank’s internal bulletin. It is suggested by Haniffa (2002) that showing transparency and accountability of the company is in accord with Islamic ambits, however it should not be misinterpreted as boasting . Thus, to avoid misinterpretations, Interviewee 3 (in Chapter 8) articulated that:

‘Islamic banks should not leverage CSR activities to portray their good image. Otherwise you are doing things which people could deem not full of sincerity. As long as the activities conducted by Islamic banks fulfil Shari’ah requirement. That is sufficient.’

This is actually a debatable issue which to some people is acceptable while others interpret it as boasting. Nonetheless, best practice is to ensure that CSR disclosure is

performed sincerely (*ikhlas*) with the objective of seeking God's blessing, realising benefits to society and the environment and also for pursuing the company's material goals. As it seems that if it is to be left to the *ikhlas* of the Islamic banks, perhaps no CSR activities would be conducted; and therefore disclosure provides social pressure in forcing them to conduct some reportable CSR activities.

The interviewees' responses (which are from the management side of Islamic banks) (refer Table 8.9.) revealed that CSR is regularly publicised in the mass media. In supporting this statement (refer Table 6.17.), the findings from the survey illustrate that the majority of the respondents (34.4%) find Islamic banks' CSR activities are communicated through newspapers, magazines, television, *etc.* Among the benefits of publicising CSR activities to the public is to portray a good brand image and at the same time, capture more business opportunities. This is a means to boost public confidence, especially in critical times, such as in the times of financial crisis (Haron, *et al.*, 2004). In supporting this, KPMG reported that there was an increase of CSR activities from 50 percent to 80 percent during the 2008 financial crisis (see Chapter 3).

Table 6.17. as Chapter 6 identifies, the medium of communicating such activities should be in CSR reports. However, the results show that according to the result, the majority of the participants find that CSR is communicated through public media and the bank's webpage with a percentage of 34% and 31% respectively. Although annual reports are among the most common places to find CSR reports, as mentioned earlier, it is not a book which everyone finds fascinating. Hence only 24.9% of the respondents support this statement. In addition, about 19.9% and 14.7% suggest that CSR is reported through internal newsletters and leaflets/brochures, respectively.

Interestingly, the survey also reveals that the majority of respondents are not aware of CSR reports since this statement ranks highest with 37.1%. In fact 4.6% of the respondents stated that CSR is not reported anywhere at all. This shows that the level of awareness with regard to CSR reporting in Malaysia is still at a fairly low level.

The findings suggest that H_0 to be accepted, as for the majority of the Malaysians agree with the necessity of CSR disclosure.

In furthering the discussion on the CSR activities of Islamic banks, the Hypothesis 7 is formulated to discuss and analyse the benefits received by Islamic banks from performing CSR activities.

Hypothesis 7: *The majority of Malaysians perceive that Islamic banks would gain benefits from performing CSR*

It should be stated that the benefits from performing CSR for Islamic banks is not immediate. Normally the deriving benefit from CSR activities can only occur when the particular activity is enjoyed following a long period of time during which the practice will nourish the stability of the firm in many aspects. Importantly, CSR is compatible with Shari'ah, since it emphasises ethical dimensions in particular the value of being transparent and accountable, ensuring the community prospers by giving special attention to poor and needy and also conserving the environment (see Chapter 8). Among the benefits that the survey revealed (refer Table 6.18) is that practising CSR will give a better brand image to the bank, which is also supported by the interview analysis (refer Table 8.11.) emphasising that CSR builds a good image and enhances the bank's reputation.

It is known that building a good brand name is very important in the banking industry to capture the stakeholders' confidence and also appreciation. As part of such benefits, shareholders and investors will have confidence to invest money in the bank, while employees will be loyal and feel a sense of belonging, improving their performance. According to Abdul-Rahman (2010) to ensure a success, Islamic banks employees should acquire the following traits: professionalism, concentration, consistency and commitment, which are consistent to the Islamic ethics.

As the findings demonstrate, the respondents believed that through CSR activities, Islamic banks will overcome the barrier between the bank as an institution and the society. Such findings shows that the level of awareness with regard to CSR has increased, which is also proved by the interview survey result which explains that performing CSR will make Islamic banking more able to realise its social goals. Besides, it shows that the banks are concerned with society's wellbeing and not merely

maximising profits (see Chapter 8). From this action, the bank indirectly promises a better future for the community.

A socially responsible bank will also increase loyalty among customers to enjoy the financial services provided by the bank. It is also a tool for Islamic banks to gain a competitive advantage. The interview respondents believed that CSR is an indirect marketing tool that is twofold, being socially responsible and also acts as a promotional activity.

Among the survey (refer Table 6.18.), the statement related to the potential benefits for Islamic banks from CSR practices, 'CSR will help increase annual profit' and also that is 'only suitable for a financially stable firm since it is costly' has received the least support from the participants.

The findings related to this hypothesis are further explored with the following sub-hypotheses:

H_{7.1}: There is no statistically significant difference between customers and employees of the banks regarding the perception that Islamic banks would gain benefits from performing CSR.

According to Table 7.5., there are no statistically significant differences between customers and employees of the banks in relation to Islamic banks would gain benefits from performing CSR, except for 'CSR will help increase annual profit for the bank'. This potential advantage demonstrates statistically significant differences with a p-value of 0.001. Hence, the null hypothesis is rejected for this potential advantage. It shows that the customers' opinion produced a higher mean rank than employees of Islamic banks. The latter may have acted with shareholding norms while the former seems to be stakeholder.

In relating results to the existing body of knowledge, it should be noted that the perception of participants that CSR will impact the banks' profit is consistent with the views of Garriga and Melé (2004) and Orlitzky, *et. al* (2003) who assert that there is a positive relationship between CSR performance and financial performance.

H₇₋₂: There is no statistically significant difference between bank categories in the perception that Islamic banks would gain benefits from performing CSR.

According to the results depicted in Table 7.5., for this hypothesis H_0 is rejected as there is statistically significant difference between the bank categories for two potential benefits from performing CSR gained by Islamic banks. These are: ‘implementing CSR practice is costly and only suitable for a financially stable entity’ and ‘CSR will help increase annual profit’. Therefore, H_0 is accepted for the remaining benefits that indicate that there are no statistically significant differences perceiving that Islamic banks would gain benefit from performing CSR between the bank categories. The results obtained are very conflicting since, among the bank categories, local fully-fledged Islamic banks contribute to both roles. The former result expressed that ‘CSR is costly and is only suitable to a financially stable entity’ is in support of Handy’s (2002) view. Logically, when an organisation has set goals, according to the former result the underlying understanding asserts that CSR does not assist profit yielding. However, the fully-fledged Islamic banks proved otherwise. Albeit CSR contribution will incur costs and is probably most suitable for a financially stable organisation, according to the participants these banks act with a belief that it will generate a promising return eventually. Return here, does not only mean a material form, it could also be in the form of other returns such as *falah* or salvation and stakeholders’ confidence, *etc.*

H₇₋₃: There is no statistically significant difference across the various educational background and monthly income groups in the perception that Islamic banks would gain benefits from performing CSR.

The result in Table 7.5. shows that for this hypothesis H_0 is accepted and also rejected for both control variables, which is explained below across educational background and later on monthly income groups.

The advantages listed in Table 7.5. are equally divided in half, hence 5 advantages have statistically significant differences and the other 5 do not have significant differences across various educational background groups. H_0 is rejected in the case of the following advantages: (i) being socially responsible gives a better brand image to the bank; (ii) contributing to CSR increases the appreciation of stakeholders; (iii) by implementing

CSR, the bank promises a better future for the community; (iv) through CSR activities, the bank increases awareness to be environmentally friendly; and (v) by practising CSR, the bank overcomes the barrier between bank and society. On the other hand, H_0 is accepted in the case of the following advantages: (i) implementing CSR creates competitive advantage to the bank; (ii) implementing CSR practices are costly and only suitable for a financially stable entity; (iii) CSR will increase annual profit for the bank; (iv) being a socially responsible bank will increase loyalty among customers/depositors; and (v) practising CSR will increase employees' satisfaction in the bank. Consistently, all 5 CSR advantages are derived from contributors who have the same educational background all of whom are respondents with postgraduate degrees. In this instance, this group of people believed that CSR activities would benefit all (the bank itself, stakeholders, community and also the environment). The results, thus, suggests that socioeconomic justice can be facilitated through establishing CSR activities.

As regards to the next control variable, namely the monthly income group, the findings necessitates rejecting H_0 in the case of the following advantage categories: (i) being socially responsible gives a better brand image to the bank; (ii) implementing CSR practices are costly and only suitable for a financially stable entity; and (iii) being a socially responsible bank will increase loyalty among customers/depositors. The monthly income group earning less than RM1,000 per month has the view that CSR is costly and only suitable for a financially stable organisation which may be the result of a lower education background.

In further exploring the CSR practices of Islamic banks, the following hypothesis is established to identify factors or reasons that may prevent Islamic banks from implementing CSR activities through the perceptions of the participants.

Hypothesis 8: *The majority of Malaysians perceive that various internal factors could prevent Islamic banks from implementing CSR*

Developing a CSR conscious society, it is necessary to start small, locally, and individually, and also from within, which then can spread to the industry level and then to the society. While Islamic banks are expected to act within moral economy and

produce positive results in relations to CSR, the debate over the social failure of Islamic banking necessitates examining this further. This survey, hence, has intentionally presumed a list of hindrances to performing CSR at Islamic banks level.

The majority of the respondents stated that the ‘lack of commitment for CSR’ was the main factor in preventing Islamic banks from implementing CSR (refer Table 6.19). Among the factors that contribute to this negative result was that Islamic banks did ‘not prioritise CSR as important’ and also because of a ‘lack of commitment to Islamic ethics’ which is a vital element. These three factors are crucial to demonstrate that ethical values are rooted in the individual and then can be developed and practised in the industry. In this instance, the result suggests that the Islamic moral economy is out of reach (see Chapter 3) since *akhlaq*, the most important element that should be rooted in an Islamic banking, is viewed as less vital by the respondents.

Another factor worth mentioning, and which is ranked in fourth place by the respondents, is that the goals of Islamic banks are ‘commercial orientation’ which in some ways defeats the purpose of CSR. In support of this view, the interview analysis (refer Table 8.13.) disclosed that the main obstacle for Islamic banks to perform CSR is because of the profit maximisation goal. In response to the statement above, Interviewee 3 (see Chapter 8) mentioned that it is not completely wrong, because Islam demands business to seek profit but at the same time it should be done in an ethical manner and also a fraction of the profit should go to society as the right of the society. Clearly, the statement given by Interviewee 3 proposing a balance of economic and social goals to ensure prosperity in every aspect supports Tripp’s (2006) and Asutay (2007a, 2007b) exposition on moral economy.

The results, thus, in this study from both the surveys expressed a ‘lack of CSR awareness from stakeholders’ point of view’. Perhaps this is due to the relatively low awareness of CSR among Malaysians in general as reported by Ramasamy, *et al.* (2007), which has consequences for Islamic banking industry as well.

In fact, some of the banks revealed that either there is no budget allocation for CSR program or just a limited amount is given. If the nature of the Islamic banks is as a

subsidiary to a parent conventional bank, then these Islamic subsidiary banks need to abide by every regulation and policy required by their respective parent bank. Hence, if the parent banks are not interested in CSR activities, these Islamic subsidiary banks have no choice but to withdraw the intention to perform CSR actively.

H_{8.1}: There is no statistically significant difference between customers and employees of the banks regarding the perception that various internal factors could prevent Islamic banks from implementing CSR.

Based on the data in Table 7.6. it can be concluded that the null hypothesis is rejected for only two factors: (i) time constraint and (ii) lack of human resource. The employees of Islamic banks are the groups who have a higher statistical mean compared to customers. This is consistent with the information about the nature of the banking workload in Malaysia, where staff are too busy achieving their Key Performance Indicator (KPI) that benefit the bank economically; and it is quite rare to find an employee who includes social contributions in their KPI. Therefore, this may be among the reasons why employees of Islamic banks do not actively contribute to CSR.

However, there is no statistically significant difference perceiving that the remaining internal factors could prevent Islamic banks from implementing CSR between customers and employees of the bank. This concludes that H_0 is accepted for the remaining factors.

H_{8.2}: There is no statistically significant difference between bank categories in the perception that various internal factors could prevent Islamic banks from implementing CSR.

For this hypothesis, the null hypothesis is accepted since there is no statistically significant difference perceiving that various internal factors could prevent Islamic banks from implementing CSR between bank categories (refer Table 7.6).

H_{8.3}: There is no statistically significant difference across the various educational background and monthly income groups in the perception that various internal factors could prevent Islamic banks from implementing CSR.

In relation to educational background, as can be seen in Table 7.6., the study suggests that null hypothesis is rejected for two factors since they have significant differences. These factors are ‘lack of adequate information on CSR’, and ‘commercial orientation’. Nevertheless, H_0 is accepted for the remaining factors perceiving that there is no statistically significant difference for various internal factors which could prevent Islamic banks from implementing CSR. The result suggests that the lowest educational background, namely the people who holds SPM is the group that lacked CSR information. It is suggested that the high school academic syllabus does not expose students to the concept of CSR which is only discovered later in the university. On the other hand, postgraduate degree holders believed that ‘commercial orientation’ may be the reason to holdback Islamic banks from performing CSR due to the overwhelming competition among Islamic banks in increasing their assets and revenues.

According to the monthly income groups results from the same table (refer Table 7.6.), the H_0 is accepted for various internal factors listed, except for ‘lack of commitment to Islamic ethics’ and ‘commercial orientation’ since the p-value is lower than 0.05 indicating that there is significant difference. Both of these factors are cited by the highest income groups that earn more than RM20,000 per month for living. These Malaysians are categorised as upper-class citizens.

9.4. KNOWLEDGE AND PRACTICES OF ISLAMIC BANKS TOWARDS SUSTAINABLE DEVELOPMENT

This section attempts to contextualise findings of this study in relation to the nature of sustainable development practised in Islamic banking in Malaysia. Since the study of sustainable development examined specifically from the Islamic point of view is considered a new field to explore, the results from this study contributes to the debate in relation to CSR and sustainable development in the Islamic banking industry.

To start with, it is crucial to locate the understanding of Malaysians with regard to the concept of sustainable development in general. Thus, the following hypothesis is constructed.

Hypothesis 9: *The majority of Malaysians have a fair level of familiarity with regard to the concept of sustainable development*

Unlike CSR, sustainable development is a concept that is considered still new, which is making ways into the Malaysian society. Hence, the result from the survey (see Table 6.20.) depict that about 37.9% of the respondents are very familiar with the concept of sustainable development, while 39% have fair level of familiarity, which is consistent with the above hypothesis.

To reiterate, knowledge on sustainable development has been growing gradually, and importantly it has also recently been examined from an Islamic perspective. Interestingly, although 37.9% of respondents claim that they are familiar with the concept of sustainable development, only 29.2% of the total participants define sustainable development according to the UNDP definition (see Chapter 4), which is used widely for this particular concept. Nevertheless, most of the respondents (approximately 40%) described sustainable development as an integration of economic, social and environmental responsibilities. Even though this is not the exact or common definition used for this theory, it covers the same objectives and satisfies the concept of sustainable development.

Therefore, we could conclude that Malaysians have a relatively fair level of understanding with regard to the concept of sustainable development which results in accepting null hypothesis.

H₀₋₁: There is no statistically significant difference between customers and employees of the Islamic banks regarding familiarity with regard to the concept of sustainable development.

In this scenario, H₀ is accepted, since p-value is 0.284 (refer Table 7.7.), which is greater than the critical p-value of 0.05. Thus, there is no statistically significant difference regarding the familiarity with regard to the concept of sustainable development between customers and employees of the banks.

H_{9.2}: There is no statistically significant difference between bank categories regarding familiarity with regard to the concept of sustainable development.

The result shows that null hypothesis is accepted once again since the p-value is 0.972 (refer to Table 7.7.). This indicates that there is no statistical significant difference regarding familiarity with regard to the concept of sustainable development between bank categories.

H_{9.3}: There is no statistically significant difference across the various educational background and monthly income groups regarding familiarity with regard to the concept of sustainable development.

The Table 7.7. suggests that there is statistically significant difference regarding familiarity with regard to the concept of sustainable development across various educational background and monthly income groups. This is because the p-values=0.000 which is smaller than the critical p-value of 0.05. Based on the results obtained, the respondents who hold a diploma/matriculation/A-level and those who earn RM1,001 – RM3,000 are ranked highest among others in their respective group. These groups of people could be categorised as low income earner. Based from their social background, it is suggested that these groups of people may probably experience sustainable development contribution which has enlighten their insights with regard to sustainable development as compared to high income earners.

Hypothesis 10: *The majority of Malaysians perceive that Islamic banks have a potential role to provide sustainable development*

As described extensively on the concept and definition on sustainable development in Chapter 3, it is undeniable that elements embedded in this theory also have a positive connection to Islamic teaching. Hence, Islamic banks, particularly in Malaysia, should not avoid realising the objectives of sustainable development. On the contrary, due to the ontological reasoning, they should embed sustainable growth and development in their operations.

In responding to this particular hypothesis on sustainable development practices of Islamic banks, Factor Analysis is also employed for Hypothesis 10, reducing 12 variables to three major factors (refer Table 7.19(b)). These factors are named as, 'socioeconomic justice/ethical values', 'environment/community development', and 'social welfare'. The researcher has listed twelve potential roles that Islamic banks in Malaysia could achieve in manifesting sustainable development objectives. Among the roles listed, the survey (refer to Table 6.22.) reveals that the top two preferable roles are concerned with ethical and moral values: 'Islamic banks should promote good governance (*e.g.* transparency, no corruption, being accountable, *etc.*)' and 'Islamic banks should follow an ethical strategy from providing services to customers to employees' rights'. In addition, 'socioeconomic justice/ethical value' is found to be significant as well, which is consistent with sustainable development objectives. Being the citizens of a developmentalist state, for Malaysians it is important that Islamic banks should be able to adopt ethical and moral behaviour.

Furthermore, the 'environment/community development' factor is listed after the first factor, suggesting the importance of this factor in terms of ensuring the operations of Islamic banks are in line with socioeconomic justice and, hence, ethical. As the results suggest, this is also supported by the employees of Islamic banks who highly regard the importance of conserving the environment, although in general awareness of environmental conservation is quite low in Malaysia (see Chapter 8). In fact, with regard to environmental protection, Islamic banks adopt the precautionary approach towards attaining sustainable development (Sulaiman, *et al.*, 2011). This practice is duly conducted to ensure Islamic banks do not invest in projects that could be detrimental to the environment (refer to Table 8.16(a)). Moreover, the 'social welfare' factor indicated by the survey suggests that these two roles are listed among the least favourable since most of the respondents believed that 'it is not the obligation of Islamic banks to ensure a better standard of living in future' nor 'to alleviate poverty' (refer table 6.22.). This signifies the non-supportive position of the respondents suggesting a cause for the social failure in the practice of Islamic banks, since these factors are not considered important.

In relation to this, the participants in the interview survey articulated that it is not entirely Islamic banks' obligation to alleviate poverty, yet this can be considered only as a part of

Islamic banks' responsibility and is voluntary in nature. In fact, some of them mentioned that it is not a priority since Islamic banks are financial institutions that need to serve other areas as they need to prioritise their main objective being financial. Therefore in relating financial objective with the social objective, Islamic banks have started to provide microfinance services for community development and for the purpose of human empowerment. Although the success rate is promising so far, Islamic banks are taking one step at a time to improve these services which are encouraged by the government (see Chapter 8).

Contradicting to the survey result, the majority of the interviewees find it is Islamic banks' obligation to ensure a better standard of living for society as necessitated by *maqasid* Shari'ah which implies human well-being (refer Table 8.15.). In fact, the role of Islamic banks to ensure wealth circulation in balancing the social status of the rich and poor, apart from the risk-sharing mechanism, are among the qualities that will result in a better future by promoting a society that lives in harmony. We should always bear in mind that the objective of Islamic banks is not solely social welfare; instead this should be instilled in every aspect of the banks' business.

H₁₀₋₁: There is no statistically significant difference between customers and employees of the banks in perceiving that Islamic banks have a potential role to provide sustainable development.

The result in Table 7.7. shows that the null hypothesis is accepted for various potential roles to provide sustainable development. However, two specific roles: 'Islamic banks' investment strategy should not undermine the environment' and 'Islamic banks should contribute to the expansion of green areas' are statistically significant since the p-values are higher than the critical p-value of 0.05. Thus, for this hypothesis, the H₀ is rejected. Clearly, the customers of Islamic banks have shown a growing interest in environmental protection, probably due to making comparisons with conventional banks that have more projects or programmes dedicated to conserving the environment. So far, Islamic banks across Malaysia have yet to have a programme similar to the conventional banks.

H₁₀₋₂: There is no statistically significant difference between bank categories in perceiving that Islamic banks have a potential role to provide sustainable development.

The results in Table 7.7. show that there is no statistically significant difference between bank categories perceiving that Islamic banks potentially can play an important role to provide sustainable development. Hence, the null hypothesis is accepted.

H₁₀₋₃: There is no statistically significant difference across the various educational background and monthly income groups perceiving that Islamic banks have a potential role to provide sustainable development.

As regards to education background, the result depicted in Table 7.7., suggests that there are significant differences across the education background group for the majority of potential roles of sustainable development listed that led to H_0 being rejected. The roles are: (i) it is the banks' obligation to alleviate poverty; (ii) Islamic banks should promote good governance (*e.g.* transparency, no corruption, *etc.*); (iii) Islamic banks should promote microfinance (banking for the poor); (iv) Islamic banks should follow ethical strategies from providing services to customers to employees' rights; (v) Islamic banks should invest in human capital development for employees (*e.g.* training, research, furthering education, *etc.*), and (vi) Islamic banks' investment strategy should not undermine the environment. Item (i), (ii) and (iv) are mostly opted by the postgraduate holders, while item (iii), (v) and (vi) are expressed by the undergraduate respondents. The results show that generally, both groups have a good understanding and knowledge of sustainable development. However, postgraduate holders have advanced knowledge and experience compared to undergraduates; the postgraduates believed that Islamic banks should pay more attention to ethical issues and alleviation of poverty as a contribution to sustainable development. While the results related to undergraduates, whose knowledge is mostly acquired from textbooks and the news and who lack in-depth experience in the industrial framework, suggest that Islamic banks ought to follow the government's encouragement of microfinance, providing educational and training in relevant subjects and also being environmentally friendly. Consequently, H_0 is accepted for the remaining potential roles that have no significant differences.

In relation to income groups as control variable, the monthly income group results highlighted the following potential roles: ‘Islamic banks should promote good governance (e.g. transparency, no corruption, etc.)’, ‘Islamic banks should promote microfinance’ (banking for the poor), ‘Islamic banks should be conscious in investing for the environment’, and ‘Islamic banks’ investment strategy should not undermine the environment’. Consistently with all four of these potential roles, the sole contributors are from the high income earners. These respondents have an expectation that Islamic banks should be unique and therefore Islamic banks should stand out among other banks in terms of ethics and moral behaviour, reaching out to financially excluded groups and paying more attention to conserving the environment. This strategy is consistent with what Tripp (2006) envisaged as moral economy.

Hypothesis 11: *The majority of Malaysians have a relatively fair consideration that Islamic banking practices contribute to sustainable development*

As reported in Table 6.23., half of the respondents representing the Islamic banking industry in Malaysia (50.1%) are in the opinion that their respective Islamic banks’ activities contribute to sustainable development. However, as mentioned earlier, approximately 38% of the respondents are very familiar with this concept. Thus, the remaining 12% should be considered as having a fair knowledge and understanding on what they expressed as Islamic bank practices that contribute to sustainable development. The results, hence, suggest that null hypothesis is accepted since Malaysians have a relatively fair understanding of Islamic banking practices contributing to sustainable development.

H₁₁₋₁: There is no statistically significant difference between customers and employees of the banks in considering Islamic banking practices to contribute to sustainable development.

H₀ is accepted in this case, since p-value is higher than the critical value of 0.05 which is 0.279 (refer to Table 7.7.). Therefore, there is no statistically significant difference between customers and employees of the bank considering Islamic banking practices contributing to sustainable development.

H₁₁₋₂: There is no statistically significant difference between bank categories in considering Islamic banking practices to contribute to sustainable development.

The null hypothesis is accepted since the p-value is 0.894 indicating that there is no statistically significant difference considering on Islamic banking practices contributing to sustainable development between bank categories (refer to Table 7.7.).

H₁₁₋₃: There is no statistically significant difference across the various educational background and monthly income groups in considering Islamic banking practices to contribute to sustainable development.

In this case, the H₀ is also accepted since both control variables: educational background and monthly income groups obtained 0.259 and 0.068 that is higher than the critical p-value of 0.05 (refer to Table 7.7.). In conclusion, there is no statistically significant difference considering Islamic banking practices contributing to sustainable development across various educational background and monthly income groups.

9.5. KNOWLEDGE ON SOCIAL BANKING AND POSSIBILITIES OF INITIATING ISLAMIC SOCIAL BANKING IN MALAYSIA

Similar to sustainable development, social banking is also considered as a new field in Malaysia, where so far has *Bank Kerjasama Rakyat* (Cooperative Bank), *Bank Pembangunan* (Development Bank), Agrobank, SME Bank and *Bank Simpanan Nasional* (National Saving Banks) that operate with a specific goal of serving to a specific market niche market, especially for community development. These banks could be labelled as social banks, since they possess the same social objectives.

It should be noted that social banking is relatively a new banking idea which has yet to gain a firm foothold in Malaysia. Many countries already operate this banking system such as Bangladesh, India, the United Kingdom, Germany and many more. This model has initiated *Amanah Ikhtiar Malaysia*, which is not a bank but is incorporated as a microcredit organisation that has limited financial services (see Chapter 4). In fact,

presently, there is probably only one bank that could be called a social bank that complies to Shari'ah, which is the Social Islami Bank Ltd. that is based in Bangladesh.

In order to explore social banking related issues as articulated in this study, the following hypothesis is formulated to gauge the understanding and familiarity of Malaysians with regard to social banking.

Hypothesis 12: *The majority of Malaysians have a fair level of familiarity with regard to the concept of social banking*

As mentioned earlier, the idea of social banking, particularly in Malaysia, is considered new. This is supported by the findings obtained from the survey in this study, which depicted that only 22.2% of the respondents are very familiar with this particular concept (refer to Table 6.25.). While the majority of the respondents (43.6%) have a fair level of familiarity, 34.2% are not familiar at all with regard to the concept of social banking. As can be seen in Table 8.23., some of the interviewees attempted to define the meaning of social banking from their own perspective. To them, social banking is a bank that has the same objectives as any other commercial bank that is profit-seeking institution emphasising community development projects and other social activities. In other words, social banking instils the spirit of social justice in every aspect, which is proposed as having similarity to the fundamentals of Islamic banking, as the latter is also known to have its roots in upholding socioeconomic justice. As the results indicate, there is knowledge but also a gap with regard to the understanding of the concept of social banking in general. Thus, the null hypothesis is accepted.

H₁₂₋₁: There is no statistically significant difference between customers and employees of the banks regarding familiarity with regard to the concept of social banking.

The result (refer Table 7.8.) shows that H₀ should be accepted, since there is no significant difference. The p-value obtained is slightly larger than the critical value of 0.05.

H₁₂₋₂: There is no statistically significant difference between bank categories regarding familiarity with regard to the concept of social banking.

The same scenario applies to this hypothesis. It shows that there is no significant difference on the impact of respondents' familiarity with regard to social banking concept between bank categories (refer Table 7.8.). Thus, null hypothesis is accepted.

H₁₂₋₃: There is no statistically significant difference across the various educational background and monthly income groups regarding familiarity with regard to the concept of social banking.

In this case, the null hypothesis is accepted, when the participants have no significant difference regarding familiarity with regard to the concept of social banking across various education backgrounds. However, this is contradicted in the monthly income group. The null hypothesis in the case of income is rejected since the p-value (0.006) is lower than the critical value of 0.05. In fact, the lower income participants are the particular group that highly supports this concept (refer Table 7.8.). The result suggested that lower income groups may have more interest in this area; hence, their familiarity with the concept of social banking is probably gained through experience.

Hypothesis 13: *The majority of Malaysians have a fair level of understanding of the objectives of social banking*

As discussed above, the level of familiarity with the concept of social banking in Malaysia is quite low; therefore, this would also suggest that the level of understanding with regard to the objectives of social banking to be quite similar.

Among a list of possible objectives of social banking given to the respondents to choose from, the participants feel that social banking should be related to 'assisting community development' which was ranked at the top of the given list (refer Table 6.26.). The perception of Malaysians is in line with the practice of Grameen Bank that intended to help the rural poor community and raise the population's social status. In order to realise this aspiration, social banks should approach the financial excluded category, initiate a systematic *zakah* distribution to beneficiaries and also offer micro-financing, as reported

by the interviewees (refer to Table 8.26(a)). Among the objectives listed according to the second highest rank to the lowest are (refer Table 6.26.): ‘financing small business enterprise’, ‘encouraging social saving’, ‘micro-enterprise for individuals and families’, ‘ecological enterprise’, ‘social enterprise’ and ‘low-income consumer’. Based on the results, the respondents see that social banking should have an aspiration to progress with the community, by providing opportunities to low income earners in starting small or family businesses. In addition, social saving is encouraged to prepare for any difficulties in future such as for children’s college/university fees, marriage, health problems, *etc.*

H₁₃₋₁: There is no statistically significant difference between customers and employees of the banks regarding the understanding of the objectives of social banking.

The result in Table 7.8. suggests that the null hypothesis is accepted for the objectives listed above except for ‘encouraging social savings’. Thus, this objective is statistically significantly different implying the rejection of H_0 . Otherwise, the H_0 is accepted for the remaining objectives. One suggestion as to why the customers are more interested in promoting social saving is because of the purpose of saving for marriage and education. In Malaysia, these two factors have a high impact on the individual saving behaviour. Wedding ceremony preparations are extravagant meaning the family of the bride or groom needs to save more than RM20,000 just to have a normal wedding. On the other hand, achieving the highest education level would develop self-esteem, especially if one managed to study abroad. Malaysians always highly respect those who have studied abroad. The significance of these two factors is consistent with the views expressed in the interviewees in Table 8.26(a).

H₁₃₋₂: There is no statistically significant difference between bank categories regarding the understanding of the objectives of social banking.

According to Table 7.8., the findings suggest that four of the objectives listed for social banking have significant differences. These objectives are: ‘financing small business enterprise’, ‘ecological enterprise’, ‘micro-enterprise for individuals and families’, and ‘assisting community development’. Therefore, H_0 is rejected in the case of this hypothesis. It seems from the results that foreign Islamic subsidiary banks are keen to provide services for small business enterprise showing their support for individual or

groups activities that lead to economic development. This may be due to a marketing strategy to distinguish them from competitors, thus giving more focus to a particular segment in the society would be considered as a success.

The findings show that two factors, ‘ecological enterprise’ and ‘micro-enterprise for individual and family’, are consistently contributed to the most by foreign fully-fledged Islamic banks as perceived by the participants. Due the fact that these banks are foreign, these approaches probably offer the best opportunity to contribute to the community by taking on a specific role, through environmental activities and also assisting micro-enterprises.

In addition, ‘assisting in community development’ is highly supported by local fully-fledged Islamic banks. Being the premier banks in Malaysia, and exemplifying its local-based nature, this is therefore a business opportunity allowing these banks to serve the various interests of the community.

On the other hand, the remaining objectives, namely ‘social enterprise’, ‘low-income consumer’, and ‘encouraging social saving’ have no statistically significant differences in relations to customers and employees of the bank. Thus, H_0 is accepted.

H₁₃₋₃: There is no statistically significant difference across various educational background and monthly income groups regarding the understanding of the objectives of social banking.

The result in Table 7.8. depicts that H_0 is accepted since there is no statistically significant difference regarding the understanding of the objectives of social banking across various educational background and monthly income groups.

Hypothesis 14: *The majority of Malaysians perceive that Islamic banks should practise social banking*

Examining the nature of social banking shows that they have similar objectives like Islamic banks. This study, therefore, suggests that Islamic banks should also be

institutionalised as social banks alongside being commercial banks. Thus, this hypothesis was generated to gauge Malaysians' perceptions on such a potential development.

The findings show that Malaysians support the idea that Islamic banking should practise social banking. This is evident from Table 6.27., depicting that 80.9% of the respondents agree with the statement that Islamic banking should operate like social banking. In fact, 45.7% of the total respondents even considered that Islamic banks are social banks (refer Table 6.28.).

Based on the results obtained, the current situation suggests that there is a knowledge gap between aspiration and the realities of Islamic banking. The social objectives of Islamic banks seem to be far from the understanding and perception of the Malaysians since more than half (54.3%) of the respondents do not consider Islamic banking operation to be similar to social bank (refer Table 6.28.). It is therefore understood that the social objectives within the scope of the Islamic banks are still limited compared to the commercial objectives, making it difficult for Malaysians to see the Islamic banks operating on the same lines as social banks.

The interview analysis (refer to Table 8.25.) also supports this result, as the majority agrees that Islamic banking should be social banking since both of the banking systems share the same objective of giving emphasis to social justice. However, discrete measures should be taken; operating activities such as microfinance is quite risky and therefore requires extra attention and should be implemented in stages to ensure stability to the bank. In fact, because of risky financing, the majority of the respondents (41.5%) suggest that Islamic banks should remain as they are, acting as a commercial bank while an Islamic social bank should be initiated separately (refer to Table 6.29.). For that reason, to establish this so-called 'Islamic social bank', the majority of the survey (31.7%) indicate that government, NGOs and Islamic commercial banks should work together in providing the initial fund to establish such a bank (refer to Table 6.30.).

H₁₄₋₁: There is no statistically significant difference between customers and employees of the banks in the perception that Islamic banks should practise social banking.

The null hypothesis is accepted since p-value (0.838) is higher than the critical value of 0.05 (refer Table 7.9.). Therefore, there is no statistically significant difference between customers and employees of the bank in perceiving that Islamic banks should be social banking.

H₁₄₋₂: There is no statistically significant difference between bank categories in the perception that Islamic banks should practise social banking.

H₀ is also accepted for this hypothesis, since there is no statistically significant difference between the banks categories in relation to Islamic banks should be social banking. The p-value obtained is 0.923 which is higher than the critical p-value (refer Table 7.9.).

H₁₄₋₃: There is no statistically significant difference across the various educational background and monthly income groups in the perception that Islamic banks should practise social banking.

The p-value for educational background (0.460) and monthly income groups (0.447) are both higher than the critical value of 0.05 (refer to Table 7.9.). Therefore, H₀ is accepted for this hypothesis since there is no statistically significant difference between bank categories perceiving that Islamic banks should be social banking.

In locating the purpose of establishing social banking, it is also necessary to examine the potential impacts of social institutional change on the Malaysian economy, which is explored with the hypothesis below.

Hypothesis 15: *The majority of Malaysians perceive that social banking could help Malaysia's economic development*

The majority of the interviewees believed that social banking can help Malaysia's economic development through wealth circulation which indeed will balance the social gap between the poor and rich. It could also complement other financial entities by focusing on the development of the poor (refer to Table 8.24.).

In Chapter 6, six possible contributions a social bank can make to assist in Malaysia's economic development are provided to the participants. Based on the results obtained in Table 6.31., the majority favour the statements that a social bank should 'support small business enterprise', and 'improve community development' with mean scores of 4.14 and 4.13 respectively. These are followed by the other potential areas of contributions: 'increase job opportunity', 'alleviation of poverty', 'environmental friendly economy', and 'increase female participation in the economy'.

It is very common in Malaysia to see small business enterprises having no more than 50 employees; in fact, great majority of microenterprises in Malaysia operates with fewer than 10 employees. These kinds of business are normally local and considered to be family businesses. Providing financing to this kind of business actually creates jobs and also opportunities for the locals to run and develop their businesses. At the same time, this can pave the way for community development and improvement, since the position of the lower strata will be improved through partnership oriented business opportunities.

It should also be mentioned that addressing women's participation in the economy, as identified in one of the activities provided by social banks, is consistent with the Tenth Malaysia Plan in which the government will give more attention to enabling women to participate effectively in economic and social development,³ and therefore, creation of Islamic social banks will help to fulfil government's plan in achieving women emancipation.

H₁₅₋₁: There is no statistically significant difference perceiving that Social Banking could help Malaysia's economic development between customers and employees of the bank.

The null hypothesis in this sub-section is rejected for two activities: 'increases job opportunities' and 'increase female participation in the economy'. The remaining activities have no significant difference since the p-values obtained are lower than critical

³Tenth Malaysia Plan, known as *Rancangan Malaysia Ke-10* (RMK10), is the national budget plan forecasted for all economic activities for the year 2011 to 2015. This plan is provided by the Economic Planning Unit (EPU). They paid special attention to empowering women in the economic sector. Among the issues raised are: (i) increasing woman participation in the workforce, (ii) increasing the number of women in key decision-making, (iii) improving provision of support for women in challenging circumstances such as widows, single mother and lower incomes, and (iv) eliminating all forms of discrimination against women (Economic Planning Unit, 2010: 180)

value of 0.05. The customers of Islamic banks perceived that social banking could play a very important role since by providing financial access to small and microenterprise it will create more job opportunities. Besides, this kind of business is normally dominated by women (*e.g.* foods, crafts, potteries, jewellerys, fabrics, *etc.*) who run the business either individually or with family.

H₁₅₋₂: There is no statistically significant difference between bank categories in the perception that social banking could help Malaysia's economic development.

H₀ is rejected for these two activities: 'environmentally friendly economy' and 'increase female participation in the economy'. It is revealed in Table 7.9. that foreign fully-fledged Islamic banks highly support the position that 'environmentally friendly economy' could help Malaysia's economic development. Local fully-fledged Islamic banks, on the other hand, believed that social banking could 'increase female participation in the economy' by providing financial aid, enabling their businesses to bloom.

H₁₅₋₃: There is no statistically significant difference across the various educational background and monthly income groups in the perception that that social banking could help Malaysia's economic development.

H₀ is accepted since there is no statistically significant difference perceiving that social banking could help Malaysia's economic development across various educational background and monthly income groups (refer Table 7.9.).

H₁₅₋₄: There is no statistically significant difference between male and female in the perception that that social banking could help Malaysia's economic development.

Based on the result (refer Table 7.9.), H₀ is rejected, since there is statistically significant difference between males and females in relation to social banking helping Malaysia's economic development. For example, female respondents mostly opted for 'increasing female participation in the economy'. It is a fact that in Malaysia there are many businesswomen running businesses ranging from micro to small and medium enterprises. Thus, through this banking opportunity, businesswomen may find further financial access to develop their businesses which in turn would benefit the country.

9.5.1. Exploring the Possibilities of Institutionalising Islamic Social Banking in Malaysia

Generally, the number of social banking institutions across the globe is not very promising; in fact in most of the countries such kind of banking does not exist at all. Furthermore, an Islamic social bank can moderate the expanding gap between the aspirations and realities of Islamic banking by placing more emphasis on social cohesion rather than focussing simply on commercialisation, as well as operating within the Shari'ah parameters. It is therefore interesting to explore the potentialities of establishing an Islamic social bank in Malaysia, which has already known to the world as a rapidly developing Islamic banking hub.

The existential question is indeed why should establish an Islamic social bank when Islamic (commercial) banks are already a success and cater to the economic growth in Malaysia? As the results in this study shows that Islamic banking in Malaysia contributes one way or not to CSR practise. This is consistent with the notion of Islamic moral economy that pays special attention to the embedding of moral values in the financial transactions (see Chapter 3). In fact, the majority of the interviewees (refer Table 8.22(a)) described Islamic banking in Malaysia as not having socially failed by arguing that they are making social contributions to the society. In any way, CSR has become a 'licence-to-operate' across the banking sector and is encouraged by the government.

Despite the positive social contribution made by Islamic banks, Asutay (2008), Dusuki (2007), Hassan (2010), Hanifa and Hudaib (2007) and Sairally (2006) among others view this differently. Acknowledging the social contribution made by Islamic banks, they discovered that Islamic banks have yet to develop a systematic means of giving back to society to enhance socioeconomic development as a whole rather than just individual development *per se* (see Chapter 3). Usually, such activities involved charity or *sadaqah* but importantly better structured social economy activities. As part of this social economy, financial inclusion is essential, while Islamic banks are still behind in focusing on the financially excluded groups, as is evidenced by the least favourable answers given in regard to helping to alleviate poverty and ensuring a better standard of living for society in future (refer to Table 6.22.). Moreover, implementation of the *qard al-hassan* concept is still under deep discussion since Islamic banks foresee that this method is

risky, while microfinance is not practised widely despite encouragement from the government. Thus, the dream of creating a financial institution that is Islamic by nature with a special concern for socioeconomic development since the Mit Ghamr continues to be realised.

As discussed earlier in Chapter 6, the concept of social banking is considered as an alien subject in Malaysia, since only 22.2% are familiar with this concept (refer to Table 6.25.). This suggests a great deal of effort is needed if there is a possibility of creating one. So far, the majority of respondents (54.3%) do not consider their respective Islamic banks as social banks, hence there is a strong reason to develop one (refer Table 6.28.).

In structuring Islamic social banks, the results in this study show that the majority of the respondents want Islamic social banks to be institutionalised as a separate entity and the existing Islamic (commercial) banks to remain as they are (41.5%). This is because Islamic (commercial) banking is still in its infancy and needs to focus on commercial areas to develop further (see Chapter 8). Contradicting this result, the majority of interviewees surveyed proposed that an Islamic social bank should be created within the existing structure of Islamic (commercial) banking, since it serves the same purpose in needing to comply to Shari'ah and being required to pay attention to the welfare of the society (refer Table 8.27.). However, the opinions articulated by the interviewees should be taken with caution as they come from Islamic banking industry. In support of this position, 37.7% of the respondents surveyed suggest that an Islamic social bank should be operated under the Islamic (commercial) banks as a window/unit (which is the second favourable option). Only 12.2% of the respondents would like to see Islamic (commercial) banks becoming social banking, while 7.20% of the respondents would like an Islamic social bank institutionalised as a public sector unit (refer to Table 6.29.)

In relation to the funding of an Islamic social bank, a list of potential financial sources is provided to the participants. The majority of the survey suggested that government, NGOs and Islamic (commercial) banks together should provide the initial funding (31.7%) for the formation of a potential Islamic social bank. It seems that, respondents would prefer all parties to be involved in structuring this new institution to make it a success, since it is a new banking system. However, 29.8% of the respondents believed

that Islamic social banks should be funded through *zakah*, *waqf* and *infaq* funding. Interviewees 5 and 10 (refer to Table 8.28(a)) also agree with this position, believing that this source of financing would ensure community development. In addition, such a mixed funding could be the best proposition to utilise the source of financing in a systematic way. It should also be mentioned that the majority of interviewees, believing that Islamic social bank should be structured under Islamic (commercial) bank, responded that it should be funded by the parent bank. About 26% of the participants from the questionnaire survey are also in support of this plan (refer to Table 6.30.).

9.6. CONCLUSION

This chapter attempted to provide an interpretative discussion based on the findings established in the previous empirical chapter with the objective of providing further meaning.

The main finding of the chapter is that there is an expectational paradox, which is determined by the ranking established in the Table 6.13. in Chapter 6 on the dimensions of CSR in relation to Islamic banks and the ranking stated in Table 6.18. in Chapter 6 in relations to the benefits of conducting CSR for Islamic banks. The lack of commitment to CSR of Islamic banks as perceived by the participants in Table 6.19. provides further evidence for this. All these together indicate that there are social and developmentalist expectations from Islamic banks, which are not fulfilled. However, the participants, on the other hand, do not have clear understanding either. Therefore, the expectational paradox, in the sense of having important expectations as customers but not individually committing themselves, remains the shape how participants understand Islamic banks. In other words, expressing strong social and developmentalist expectations in certain areas, but also expressing the importance of commercial banking in certain other areas constitute the ‘paradox’.

Chapter 10

CONCLUSION

10.1. INTRODUCTION

The aim of this chapter is to summarise the overall thesis by bringing together the findings discussed from Chapter 6 to Chapter 9 highlighting the main points and also establishing the research implications of the study. This chapter also offers some recommendations for future research based on the limitations of the research conducted. This chapter, hence, is organised by summarising the research, stating the research implications and then closing with the limitations of the research and recommendations for future study.

10.2. SUMMARY OF THE RESEARCH

The aim of this study is to explore and examine the perceptions of the Islamic bank customers and other stakeholders on corporate social responsibility and sustainable development in relation to the nature and practices of Islamic banks in Malaysia, comprising both fully-fledged and subsidiary banks. Secondly, the perceptions and opinions of the stakeholders on Islamic social banking proposition are also examined. In searching for the perceptions and views of Malaysian Islamic banking stakeholders, questionnaire and interview survey were conducted. The analysis of data was conducted through various methods producing results, which were examined and compared against theories, concepts and related literature.

Islamic banking emerged as a result of developing an Islamic moral economy, which is therefore expected to promote social and economic justice as highlighted in Islamic economy. In the recent years, however, concerns were raised on the socio-and-developmental failure of Islamic banking. Although Islamic banks have weathered the storm during the financial crisis of 2008, the call to put social responsibility into practice is more than a business motive. In other words, being socially responsible is not a voluntary action for Islamic banks, but it is an ontological reality within the conceptual framework of *taqwa*, aiming success in this world and the hereafter. As discussed in detail in this study, it is without question that the concept of CSR is

relevant to the nature of Islamic banking and finance. Elements of CSR practices and contributions already reside in the Islamic ambits. Moral and ethical values according to Western concepts are, however, distinct from the way Islam perceives social responsibility and *akhlaq* (personal moral behavioural disposition). Although the majority of the respondents who took part in this study are familiar with the concept of CSR, there are always hurdles and challenges making the performance of CSR difficult. So far, Islamic banks have found it difficult to contribute to CSR due to various institutional difficulties and conceptual understanding, such as lack of information, lack of time, lack of commitment to CSR, prioritisation of commercial objectives of social and ethical objectives and Islamic ethics.

The results of the study suggest that technical objectives (relating to product commercialisation features) are given more attention before social objectives. This is evident in Table 6.8. on the levels of importance Islamic banks gave to objectives where among those at the top of the table were placed: prohibition of *riba*, providing Shari'ah-compliant products, encouraging Islamic values at all levels, promoting sustainable development and contributing to social welfare. Maximising profit on the other hand, was placed at the bottom of the table, denoting less importance. However, this is an aspirational expectation rather than how the Islamic banks presently operates. Despite participants of the questionnaire, representing the demand side, prioritising social and legal objectives, the semi-structured interview survey representing the views of the supply side points out that there is no harm in maximising profit as long as social responsibility is practised arguing that Islamic banks should also give equal attention to maintaining a financially stable performance since shareholders and customers have equal rights in money being invested or deposited. The debate is hence between an understanding based on 'shareholders expectations' and 'stakeholders expectations', while Islamic worldview essentialises the latter.

This research also studies the concept of sustainable development, which is interrelated to CSR, since it aims to promote the triple bottom line concept. In other words, CSR is an essential part of the process of sustainable development. The study suggests that half the respondents believe that Islamic banks do make contributions towards sustainable development (refer Table 6.23). What is more, sustainable

development is proposed as an ideal concept to guide Islamic banks in ensuring that they are in the right path. One of the potential roles that CSR could provide for sustainable development is to ensure Islamic banks exercise social responsibility towards their stakeholders, addressing the welfare of each group, *i.e.* customers, employees, community and environment.

The findings suggest that CSR could be a success factor for Islamic banks to be sustainable in the highly competitive market. As discussed before, the survival of Islamic banks in the recent financial crisis is attributed to their non-involvement with unethical investments. In addition, the benefits gained in performing CSR would strengthen the banks themselves in many ways. For example, CSR builds up stakeholders' confidence and promotes a good brand image of the bank. However, it should not be assumed that CSR would promise maximisation of profit, since financial performance is not necessarily related to CSR, as discussed in Chapter 3.

With reference to promoting common wealth or social welfare as suggested by the *maqasid* Shari'ah, there is a spark of an idea to introduce the kind of Islamic social banking in Malaysia that would focus on social aspects rather than commercial ones *per se*. Generally, the concept of social banking is rather new in Malaysia, since only about 20% of the respondents are very familiar with the concept. Albeit the fair understanding of social banking, the findings suggest that there is strong demand coming from the respondents to initiate one, especially from an Islamic perspective. The study proposes that the majority of respondents want the creation of Islamic social banking to be separate from the existing commercial Islamic banking. Furthermore, majority of the participants demands that the government, NGOs and Islamic commercial banks together should provide the initial funding for setting up this new institution, which can be named as Islamic social bank.

The emergence of such a banking institution would definitely incorporate social welfare and help the socially and financially excluded groups to have a better social and economic standard of living through becoming stake holders in the sense of 'functioning' and 'being'.

Islamic social banking beyond serving the urban centres of Malaysia can help to boost the economic development efforts in the Malaysian periphery by targeting groups that are low-income earners, small medium enterprises, ecological enterprises, and micro-enterprises. Providing credit to such individuals and groups would help expanding the social and economic capacity and would help increase stakeholding and ownership in the Malaysian periphery.

While perhaps due to religious patronage and feelings, individual participants in this study may have considered that Islamic banks do contribute to the social welfare of the society. However, various findings from different sections of the study when corroborated indicate expectational gap in terms of the social and developmentalist contribution of Islamic banks.

10.3. RESEARCH IMPLICATIONS

This section aims to elucidate the implications of this study through various aspects even though the study may have some shortfalls.

10.3.1. Implications for Knowledge

The present study is surely not the first study on CSR from an Islamic perspective, specifically examining the Islamic banking industry. However, the findings contribute to the existing body of knowledge in various ways.

The findings of the study in a general and particular sense should be considered providing signposts for the improvement of the Islamic banking operation with the objective of identifying the importance of moral economy objectives through the perspectives of the participants, which verify the social failure of Islamic banking.

Secondly, this study differs from other studies by conducting surveys on the Islamic banking industry in Malaysia, which consists of fully-fledged Islamic banks and Islamic subsidiary banks. In doing so, the differences of such institutional settings through the perspectives of the participants in relation to CSR, sustainable development and Islamic social banking by using a number of control variables are also established.

Thirdly, this study also provides comprehensive knowledge not only on CSR, but also an extension of knowledge on sustainable development in ensuring that Islamic banks survive in the competitive market. The concept of sustainable development is incorporated for its relevancy and as a tool for Islamic banks to improve their social appeal and contribution, which again provides originality to the study. In fact, there is a scarcity of literature on sustainable development from an Islamic perspective, so this study's contribution through empirical perspectives is valuable.

Fourthly, this study suggests introducing a new banking institution to demonstrate the Islamic moral economy concept that is Islamic social banking, which is considered by only a few contenders in the literature (El-Gamal, 2007; Asutay, 2007). Thus, the literature and empirical contribution of this study on Islamic social banking is another original aspect and also is the strength of this study.

10.3.2. Implications for the Islamic Banking Industry

There is extensive literature describing how Islamic banking must uphold the socioeconomic expectations in order to realise the aspirations of Islamic economy. However, a number of studies claim that Islamic banks have socially failed. This study, on the other hand, produced rather mixed results. While certain sections of the study through the participants' perspectives prove that Islamic banks contribute to social welfare, the findings in the other sections conclude differently. Thus, by corroborating the results provides an indecisive conclusion. For example, while there is a tendency of recognising Islamic banks contributing to CSR, later 'lack of commitment' is considered as one of the factors preventing Islamic banks to perform within CSR. In addition, the importance of Islamic social banking and the expectations from such an institution indicates prioritisation of social objective and implicitly implies the failure of Islamic banks.

It should however be mentioned that while on the façade it might be considered by the participants that Islamic banks operates around CSR, this can also be explained through the heavy involvement of the government in shaping the nature and development of Islamic banking industry in Malaysia whereby a more developmentalist outlook perhaps is taken.

The findings of the study, however, shed important light onto many issues related to the social-and-developmental aspect of Islamic banking. The research provides useful lessons and information, which can be used as a signpost in evaluating and shaping the operations of Islamic banks.

10.4. LIMITATIONS OF THE STUDY AND FUTURE RESEARCH

This study is perhaps among a few research examined CSR from an Islamic perspective, especially with regard to the Islamic banking industry. Although this study is a success from the point of view of for obtaining substantial findings, similar to any other social science research, there are limitations and challenges attached with this research as well.

CSR is a Western concept that has evolved since the 1950s, about which much literature has been written. However, there is little literature on CSR and sustainable development from an Islamic perspective as well as Islamic social banking, which is a recently defined and constructed concept. Therefore, one of the difficulties has been on obtaining information on sustainable development from an Islamic perspective and also on social banking. Given that this study incorporates both the concepts of CSR and sustainable development, no substantial empirical study could be located on sustainable development and social banking from Islamic perspectives. However, great effort was made to select and compare each relevant study.

While the data collected should be considered as a success, later the quality of the data prevented the use of sophisticated econometric modelling. It is terribly difficult to foresee this, and therefore, this remains as a shortcoming in this study.

Despite such shortcomings, the following recommendations can be made for future research to contribute to the literature and Islamic banking industry.

Firstly, the sample size of this study should be expanded to make generalisations. As mentioned in the Chapter 5, time and cost constraints limit the sample size of this study. Future research, therefore, should consider to include the whole country (Malaysia has 13 states and three Federal Territorial Provinces). Since the present study has the objective of introducing social banking, other types of banking, besides

commercial banks should be included, such as cooperative banking, agriculture banking, *etc.*

Secondly, there should have a study from the regulator's point of view. A future study could include the recommendations and CSR practices of the Central Bank of Malaysia (Bank Negara Malaysia). As the present study's results indicate government's positive engagement and influence on the banking sector in performing CSR would be fruitful to examine in establishing the extent the government's involvement in CSR would impact on the Islamic banking sector.

Thirdly, future study may consider locating the connection of Shari'ah index with CSR guidelines (*e.g.* ISO 26000) practised by Western banks. CSR is a broad subject; hence, providing guidelines would definitely assist Islamic banks in realising their social responsibilities.

Lastly, in addition to the subjectively collected data through questionnaire and interview, secondary data from annual reports of the banks could be collected in providing an assessment of the CSR disclosure of the Islamic banks. The findings of such data can be used to compare the results established in this study, which is based on perception.

10.5. EPILOGUE

This research aimed at exploring the social-developmental aspects of Islamic banking in Malaysia by making special reference to CSR, sustainable development and social banking. In addition, this study also attempted to explore the possibility of institutionalising Islamic social banking as an alternative institution to overcome the observed social failure of Islamic banking. As can be seen from the extensive empirical chapters and the earlier literature review chapters, this study completed the aims and objectives of the research as identified in the introductory chapter. It successfully analysed the perception and knowledge of participants on CSR and sustainable development of Islamic banking in Malaysia, and offered an institutional solution to the current unsystematic social-developmental practices through proposing Islamic social banking.

APPENDICES

Appendix 1: Letter of Request to Conduct Survey from Supervisor



Shaped by the past, creating the future

5th March 2010

To Whom It May Concern:

Dear Sir or Madam:

Re: Mrs. Shifa Mohd Nor – Conducting Survey Questionnaire

Mrs. Shifa Mohd Nor is a fulltime Ph.D student registered at the School of Government and International Affairs, Durham University working under my supervision on the topic entitled “Social Failures of Islamic Banks: CSR as a Key Factor for Sustainable Development”.

Since her research requires collecting primary data in Malaysia, she will undertake a questionnaire survey concerning the perspectives of stakeholders of Islamic banks on social responsibilities, and she will also conduct an interview surveys with selected *Shariah* advisors and bank officers of the selected Islamic banks. It is expected that her fieldwork in Malaysia will commence from 8th March 2010 to 8th June 2010.

I, should, therefore, be grateful for any help that you can kindly extend to her in facilitating her primary data collection and fieldwork in your institution for the period in question.

Please do not hesitate to contact me if you require further information.

Yours sincerely,

Dr. Mehmet Asutay
Lecturer in Political Economy
mehmet.asutay@durham.ac.uk

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www.durham.ac.uk/sgia

Appendix 2: Letter of Request from Student/Researcher



Durham
University

School of Government
and International Affairs

Shaped by the past, creating the future

3 March 2010

To Whom It May Concern:

Dear Sir/Madam:

Re: Survey on Social Responsibility of Islamic Banks in Malaysia


I am a fulltime PhD student registered at the School of Government and International Affairs, Durham University, UK and currently conducting a research entitled, '*Social Failures of Islamic Banks: CSR as a Key Factor for Sustainable Development*'.

As part of this study, I will be conducting an interview survey with your *Sbariah* advisor and/or manager/officer of your reputable Islamic banks with regards to their perception of social responsibilities in Islamic banks.

I am very grateful if you are able to participate in this study. The questions that I would like to ask you are attached together with this letter. Your insight and information that you have provided will be used for my PhD research. All information given is strictly for academic purpose only.

If you have any questions that would need any clarification before deciding to participate, please contact me at shifa.mohd-nor@durham.ac.uk or via mobile phone at 012-3772146.

Yours sincerely,


Shifa Mohd Nor
PhD student
Durham University

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Appendix 3

Tables of Empirical Findings in Chapter 7

Table 7.1.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Understanding of Islamic Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
12a	Banking without charging interest	Male Female	245.99 233.91	0.313	< 20 20 - 30 31 - 40 41 - 50 > 50	160.71 235.94 255.50 225.58 228.61	0.245	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	185.52 212.87 247.34 197.13 265.96	0.004	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	213.29 241.03 244.85 246.95 293.09 204.67	0.278	Customers Bankers	226.42 279.04	0.000	LFF FFF LIS FIS	244.81 214.97 235.87 243.67	0.656
12b	Discourages debt-based finance	Male Female	234.09 242.58	0.483	< 20 20 - 30 31 - 40 41 - 50 > 50	284.71 234.83 249.09 232.74 227.19	0.705	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	244.27 230.25 237.93 255.48 243.51	0.933	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	223.84 240.03 250.64 222.07 295.09 255.67	0.329	Customers Bankers	237.84 242.69	0.730	LFF FFF LIS FIS	249.69 192.43 233.23 249.16	0.121
12c	Alternative to capitalism and socialism	Male Female	260.04 223.67	0.003	< 20 20 - 30 31 - 40 41 - 50 > 50	190.43 238.68 253.95 219.50 200.58	0.268	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	176.05 213.52 246.32 234.61 261.75	0.011	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	226.92 228.50 258.90 230.38 254.05 233.50	0.330	Customers Bankers	244.06 222.88	0.131	LFF FFF LIS FIS	256.49 226.98 226.92 225.50	0.111
12d	Providing Shari'ah compliant products	Male Female	241.51 237.17	0.709	< 20 20 - 30 31 - 40 41 - 50 > 50	153.71 238.23 253.88 221.65 217.17	0.167	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	229.74 208.68 246.90 168.91 262.01	0.004	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	216.61 243.97 243.15 247.09 255.45 187.67	0.516	Customers Bankers	226.85 277.70	0.000	LFF FFF LIS FIS	242.68 256.53 231.92 243.22	0.692
12e	For Muslims only	Male Female	224.93 249.24	0.042	< 20 20 - 30 31 - 40 41 - 50 > 50	304.21 234.50 234.45 271.12 239.56	0.291	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	331.55 263.69 224.69 244.80 229.23	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	242.32 252.42 224.99 245.17 227.91 106.50	0.231	Customers Bankers	241.16 232.13	0.514	LFF FFF LIS FIS	257.29 235.17 222.01 238.52	0.057
12f	An ethical Banking	Male Female	229.27 246.09	0.152	< 20 20 - 30 31 - 40 41 - 50 > 50	167.86 244.44 242.76 231.43 173.33	0.097	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	233.32 218.47 252.05 183.74 229.82	0.047	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	259.47 221.73 255.07 215.99 233.14 227.17	0.074	Customers Bankers	237.21 244.69	0.582	LFF FFF LIS FIS	254.11 271.22 225.46 213.32	0.029
12g	Promotes social Welfare	Male Female	233.10 243.29	0.398	< 20 20 - 30 31 - 40 41 - 50 > 50	176.43 253.59 227.54 215.70 177.06	0.020	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	220.42 236.98 247.72 193.15 231.06	0.282	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	271.57 228.23 255.35 192.18 217.55 194.50	0.002	Customers Bankers	241.97 229.54	0.373	LFF FFF LIS FIS	257.41 252.55 226.47 206.88	0.029
12h	A charitable entity	Male Female	226.69 247.96	0.084	< 20 20 - 30 31 - 40 41 - 50 > 50	244.00 260.04 215.82 216.83 133.83	0.000	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	249.10 253.60 246.16 218.78 203.25	0.089	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	287.17 251.34 233.18 178.65 191.05 203.00	0.000	Customers Bankers	244.54 221.37	0.104	LFF FFF LIS FIS	271.18 249.65 214.71 201.93	0.000

Table 7.1.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Understanding of Islamic Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
12i	Banking for poor	Male Female	223.31 250.43	0.027	< 20 20 - 30 31 - 40 41 - 50 > 50	268.29 243.64 235.99 226.99 206.53	0.699	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	289.63 231.22 232.76 248.85 244.78	0.224	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	247.44 247.28 240.92 210.39 239.50 205.17	0.456	Customers Bankers	243.15 225.79	0.221	LFF FFF LIS FIS	257.72 194.77 231.76 219.75	0.031
12j	Similar to other commercial banks	Male Female	242.48 236.47	0.625	< 20 20 - 30 31 - 40 41 - 50 > 50	202.43 243.08 232.00 252.78 208.19	0.629	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	269.79 235.25 229.81 268.59 253.57	0.274	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	250.17 235.71 226.00 270.41 173.59 191.83	0.093	Customers Bankers	236.02 248.49	0.382	LFF FFF LIS FIS	233.48 227.82 245.27 242.15	0.793

Table 7.2.: Mann-Whitney U and Kruskal-Wallis Tests: Level of Importance of Islamic Banks' Objectives

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
13a	Prohibition of riba'	Male Female	245.63 234.17	0.269	< 20 20 - 30 31 - 40 41 - 50 > 50	143.57 238.11 252.19 216.59 247.42	0.068	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	229.55 228.46 244.34 186.85 248.53	0.135	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	251.92 230.29 248.76 225.16 211.91 215.00	0.396	Customers Bankers	235.52 250.07	0.226	LFF FFF LIS FIS	242.72 276.25 237.98 203.32	0.041
13b	Providing Shari'ah compliant products	Male Female	240.01 238.26	0.869	< 20 20 - 30 31 - 40 41 - 50 > 50	148.07 236.61 254.71 233.16 210.92	0.086	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	225.32 231.17 241.54 209.41 250.97	0.511	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	237.58 230.59 248.32 237.33 238.82 245.67	0.871	Customers Bankers	232.40 260.00	0.025	LFF FFF LIS FIS	240.32 283.33 238.59 206.25	0.041
13c	Non-debt based financing	Male Female	221.41 251.81	0.012	< 20 20 - 30 31 - 40 41 - 50 > 50	162.21 232.13 252.44 248.15 255.22	0.277	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	277.66 250.78 229.20 220.57 253.04	0.181	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	224.63 238.66 249.48 233.45 219.86 349.00	0.465	Customers Bankers	240.64 233.78	0.623	LFF FFF LIS FIS	247.60 240.62 232.58 229.59	0.659
13d	Contributing to social welfare	Male Female	235.52 241.53	0.609	< 20 20 - 30 31 - 40 41 - 50 > 50	149.79 246.63 226.10 235.27 258.72	0.176	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	220.29 242.77 233.57 225.39 265.90	0.279	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	244.34 242.02 244.59 217.44 196.91 340.33	0.319	Customers Bankers	248.71 208.09	0.003	LFF FFF LIS FIS	260.34 200.43 225.20 233.95	0.012
13e	Promoting sustainable development	Male Female	238.98 239.02	0.997	< 20 20 - 30 31 - 40 41 - 50 > 50	165.14 234.54 246.10 265.16 222.47	0.255	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	214.92 220.82 240.57 213.07 266.41	0.120	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	234.08 229.96 251.25 230.12 258.45 336.17	0.446	Customers Bankers	245.32 218.88	0.051	LFF FFF LIS FIS	251.27 237.72 231.42 220.92	0.314
13f	Alleviating poverty	Male Female	228.24 246.83	0.120	< 20 20 - 30 31 - 40 41 - 50 > 50	167.93 239.03 232.32 262.79 257.89	0.365	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	246.61 223.59 238.83 199.57 261.56	0.227	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	250.22 232.63 243.00 233.17 181.91 360.17	0.295	Customers Bankers	253.93 191.47	0.000	LFF FFF LIS FIS	257.31 214.03 228.71 222.49	0.068
13g	Maximising profits	Male Female	227.74 247.20	0.100	< 20 20 - 30 31 - 40 41 - 50 > 50	231.43 230.08 252.02 260.43 233.72	0.408	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	288.16 228.49 234.15 200.26 257.06	0.057	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	204.33 245.13 252.71 245.35 196.95 260.50	0.071	Customers Bankers	239.73 236.69	0.825	LFF FFF LIS FIS	243.73 236.60 236.99 229.21	0.896
13h	Encouraging Islamic values	Male Female	233.50 243.01	0.396	< 20 20 - 30 31 - 40 41 - 50 > 50	171.71 238.86 247.64 229.98 225.94	0.511	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	242.39 236.64 241.53 154.89 255.39	0.013	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	244.07 241.74 240.96 232.12 182.45 235.33	0.712	Customers Bankers	240.29 234.90	0.679	LFF FFF LIS FIS	247.86 267.17 236.25 194.88	0.031

Table 7.3.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Familiarity and Significance of CSR Practised in Islamic Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
14	Familiarity with the concept of CSR	Male Female	220.37 252.57	0.006	< 20 20 - 30 31 - 40 41 - 50 > 50	351.71 255.77 207.31 222.53 206.11	0.000	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	284.81 297.46 264.54 235.03 203.65 194.08	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	311.01 264.54 210.09 179.16 152.91 182.00	0.000	Customers Bankers	249.81 204.59	0.001	LFF FFF LIS FIS	246.64 230.13 234.51 231.96	0.738
16a	CSR upholds the social justice dimension of Islamic economics	Male Female	254.70 227.57	0.018	< 20 20 - 30 31 - 40 41 - 50 > 50	118.79 229.66 267.53 237.07 226.97	0.004	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	165.21 202.07 245.47 239.28 277.63	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	204.89 220.40 260.15 266.61 274.27 231.83	0.002	Customers Bankers	238.25 241.38	0.815	LFF FFF LIS FIS	240.66 237.48 242.39 217.86	0.676
16b	Islamic banks are obliged to practise CSR	Male Female	247.78 232.61	0.196	< 20 20 - 30 31 - 40 41 - 50 > 50	76.21 231.07 252.28 261.72 273.83	0.002	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	192.81 212.57 240.19 205.37 285.86	0.001	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	214.14 228.56 249.49 263.06 270.50 218.33	0.111	Customers Bankers	244.17 222.54	0.112	LFF FFF LIS FIS	244.44 228.13 242.39 207.75	0.316
16c	CSR is relevant to Islamic banking concept	Male Female	247.21 233.02	0.226	< 20 20 - 30 31 - 40 41 - 50 > 50	151.21 231.25 263.05 233.14 231.75	0.054	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	167.06 213.67 244.15 202.89 281.94	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	199.75 227.45 264.17 253.83 259.73 210.67	0.004	Customers Bankers	239.26 238.18	0.936	LFF FFF LIS FIS	234.61 260.20 245.85 213.58	0.315
16d	CSR should be embedded in Islamic banks' policy	Male Female	246.79 233.33	0.245	< 20 20 - 30 31 - 40 41 - 50 > 50	149.93 229.53 259.05 244.44 261.03	0.056	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	177.95 226.43 238.45 230.76 278.26	0.003	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	210.07 229.62 255.72 255.22 257.55 210.17	0.073	Customers Bankers	240.18 235.24	0.712	LFF FFF LIS FIS	236.59 264.77 243.28 213.54	0.319
16e	The government should legislate to enforce CSR	Male Female	233.33 243.13	0.401	< 20 20 - 30 31 - 40 41 - 50 > 50	169.00 229.02 254.11 257.63 265.89	0.109	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	215.00 218.75 237.80 227.11 273.74	0.057	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	218.13 239.20 252.24 238.45 227.00 222.00	0.504	Customers Bankers	245.48 218.37	0.045	LFF FFF LIS FIS	242.85 256.83 233.42 235.63	0.748
16f	Social responsibilities should be left up to the government	Male Female	229.75 245.74	0.195	< 20 20 - 30 31 - 40 41 - 50 > 50	268.86 252.25 219.11 246.10 150.56	0.007	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	312.87 277.87 226.55 236.15 220.22	0.001	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	309.52 240.78 225.68 190.31 204.45 93.17	0.000	Customers Bankers	239.28 238.11	0.935	LFF FFF LIS FIS	264.49 166.92 223.97 243.49	0.000
16g	Social responsibilities should be left up to NGOs	Male Female	232.97 243.39	0.396	< 20 20 - 30 31 - 40 41 - 50 > 50	264.93 252.51 214.02 244.47 189.08	0.034	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	328.10 271.56 230.59 246.54 202.70	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	307.51 243.37 223.94 191.61 200.55 101.00	0.000	Customers Bankers	237.44 243.96	0.647	LFF FFF LIS FIS	262.76 176.92 225.01 239.76	0.002

Table 7.4.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Awareness and Expectation of CSR Practised in Islamic Banks

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
17	Awareness of CSR is practices in your bank	Male Female	224.38 249.65	0.027	< 20 20 - 30 31 - 40 41 - 50 > 50	249.29 249.21 227.81 192.48 269.92	0.036	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	285.89 265.80 237.41 232.80 204.54	0.007	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	289.34 242.57 223.65 212.50 178.73 251.00	0.000	Customers Bankers	260.15 171.67	0.000	LFF FFF LIS FIS	247.47 209.75 232.83 249.17	0.328
18a	Charity/Donation	Male Female	241.39 237.26	0.707	< 20 20 - 30 31 - 40 41 - 50 > 50	160.29 238.69 246.70 239.58 217.03	0.370	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	248.50 220.07 236.89 206.39 268.63	0.068	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	222.06 232.86 254.31 240.41 259.45 135.17	0.189	Customers Bankers	233.39 256.86	0.065	LFF FFF LIS FIS	239.25 272.33 244.76 190.65	0.014
18b	Alliance with charitable organisations	Male Female	240.51 237.90	0.810	< 20 20 - 30 31 - 40 41 - 50 > 50	234.71 232.83 253.86 240.93 223.25	0.523	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	260.66 232.04 231.62 191.59 276.08	0.007	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	214.67 235.58 253.96 249.35 230.36 124.83	0.077	Customers Bankers	231.53 262.78	0.013	LFF FFF LIS FIS	235.89 268.73 249.53 186.22	0.005
18c	Actively target groups, communities or inst. that require assistance	Male Female	233.41 243.07	0.380	< 20 20 - 30 31 - 40 41 - 50 > 50	250.64 232.79 248.10 236.98 268.94	0.600	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	253.55 221.39 235.64 174.96 279.02	0.001	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	216.96 235.67 253.80 243.35 230.36 210.50	0.314	Customers Bankers	235.56 249.94	0.259	LFF FFF LIS FIS	239.97 260.77 241.14 211.14	0.306
18d	Provides benevolence loans (<i>qard al-hasan</i>)	Male Female	248.66 231.96	0.148	< 20 20 - 30 31 - 40 41 - 50 > 50	232.07 237.20 242.06 242.34 239.22	0.996	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	258.45 223.76 233.79 235.41 263.85	0.244	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	232.26 226.10 260.54 236.00 204.59 146.50	0.109	Customers Bankers	242.93 226.50	0.219	LFF FFF LIS FIS	241.80 235.62 240.66 221.82	0.792
18e	Provides educational sponsorships	Male Female	237.71 239.94	0.845	< 20 20 - 30 31 - 40 41 - 50 > 50	251.21 236.87 237.27 250.84 251.50	0.944	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	257.71 233.67 233.70 213.28 262.26	0.274	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	250.05 226.15 249.84 232.20 226.41 184.33	0.496	Customers Bankers	242.44 228.06	0.279	LFF FFF LIS FIS	241.91 261.10 238.97 212.27	0.359
18f	Emphasis on ethical values and moral behavior	Male Female	238.57 239.31	0.948	< 20 20 - 30 31 - 40 41 - 50 > 50	189.79 234.33 241.45 263.74 253.28	0.461	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	245.61 234.17 233.69 209.48 267.71	0.168	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	227.46 223.40 268.69 226.13 222.82 177.67	0.015	Customers Bankers	238.44 240.78	0.858	LFF FFF LIS FIS	235.38 280.72 239.07 226.99	0.248
18g	Assist <i>zakah</i> house (pusat zakat) for <i>zakah</i> collection and/or distribution	Male Female	229.38 246.01	0.156	< 20 20 - 30 31 - 40 41 - 50 > 50	151.43 245.09 233.46 230.84 238.83	0.349	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	266.71 251.14 236.85 175.00 243.65	0.084	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	243.51 234.67 257.15 206.95 254.18 121.00	0.050	Customers Bankers	241.86 229.89	0.377	LFF FFF LIS FIS	246.51 241.97 240.34 198.96	0.147
18h	Ensures investing in an ethical and Shari'ah compliance products	Male Female	241.88 236.90	0.665	< 20 20 - 30 31 - 40 41 - 50 > 50	191.36 227.76 241.53 243.14 248.39	0.867	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	230.02 227.46 238.71 167.67 274.37	0.005	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	223.87 223.12 274.52 221.16 208.05 174.17	0.002	Customers Bankers	239.05 238.84	0.987	LFF FFF LIS FIS	245.06 238.78 238.48 215.49	0.546

Table 7.4.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Awareness and Expectation of CSR Practised in Islamic Banks

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
18i	Guarantees investment will not harm the environment	Male	235.34	0.584	< 20	188.07	0.752	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	263.23	0.056	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	237.53	0.134	Customers Bankers	244.46	0.087	LFF FFF LIS FIS	246.73	0.196
		Female	241.67		20 - 30	236.40			235.66			237.34			256.26			221.60	
18j	Pro-active in environment conservation	Male	232.12	0.305	< 20	268.50	0.777	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	240.42	0.047	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	231.89	0.173	Customers Bankers	244.32	0.097	LFF FFF LIS FIS	236.46	0.729
		Female	244.01		20 - 30	233.02			250.38			231.08			226.19			222.07	
18k	Adoption of best practices in human resources	Male	232.58	0.332	< 20	219.36	0.889	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	241.60	0.045	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	234.89	0.592	Customers Bankers	246.51	0.017	LFF FFF LIS FIS	236.55	0.761
		Female	243.67		20 - 30	234.85			237.27			232.54			227.02			215.08	
18l	Promotes health and safety in the workplace	Male	225.57	0.042	< 20	174.07	0.542	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	235.65	0.038	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	222.28	0.058	Customers Bankers	238.71	0.927	LFF FFF LIS FIS	236.28	0.534
		Female	248.78		20 - 30	237.69			217.61			245.29			221.02			239.92	
18m	None of the above, as bank is a financial institution	Male	230.57	0.237	< 20	252.64	0.685	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	294.56	0.017	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	257.10	0.316	Customers Bankers	236.78	0.515	LFF FFF LIS FIS	250.08	0.503
		Female	245.14		20 - 30	237.58			256.50			243.23			230.62			246.08	

Table 7.5.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Engagement in CSR Activities, Awareness of CSR Contributions and Knowledge of CSR Advantages

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
19	Bank Actively perform CSR	Male Female	245.23 234.46	0.322	< 20 20 - 30 31 - 40 41 - 50 > 50	244.21 237.23 243.95 225.20 261.25	0.817	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	226.63 214.59 247.81 256.07 229.55	0.208	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	249.19 228.13 235.86 259.66 228.73 142.00	0.262	Customers Bankers	247.12 213.13	0.007	LFF FFF LIS FIS	238.85 221.50 244.88 224.96	0.606
20	Encourage customer to participate in CSR activities conducted by the bank	Male Female	237.84 239.84	0.860	< 20 20 - 30 31 - 40 41 - 50 > 50	290.57 240.88 240.27 203.51 265.50	0.214	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	231.16 230.49 242.41 247.22 235.23	0.931	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	253.00 257.69 221.57 225.21 208.91 282.33	0.084	Customers Bankers	266.31 152.03	0.000	LFF FFF LIS FIS	245.65 182.33 238.99 247.52	0.064
21	How many % does the profit goes to welfare and charitable activities	Male Female	242.53 236.43	0.508	< 20 20 - 30 31 - 40 41 - 50 > 50	252.29 240.32 239.02 219.47 260.03	0.620	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	242.35 256.91 240.86 212.02 223.42	0.199	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	238.86 238.11 240.79 239.94 230.55 200.67	0.988	Customers Bankers	236.67 246.41	0.362	LFF FFF LIS FIS	237.42 254.52 236.38 247.25	0.744
23a	Being socially responsible gives a better brand image to the bank	Male Female	232.41 243.80	0.303	< 20 20 - 30 31 - 40 41 - 50 > 50	175.50 241.32 252.95 219.87 172.08	0.031	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	184.06 224.11 247.97 195.35 255.05	0.008	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	214.61 232.75 263.24 230.80 244.09 196.50	0.046	Customers Bankers	236.32 247.54	0.381	LFF FFF LIS FIS	235.15 264.62 247.13 202.73	0.079
23b	Contributing to CSR increases the appreciation of stakeholders	Male Female	236.95 240.50	0.757	< 20 20 - 30 31 - 40 41 - 50 > 50	184.14 240.70 244.18 238.97 196.44	0.437	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	205.44 246.06 242.66 167.46 254.10	0.021	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	246.60 231.83 252.01 217.00 242.77 222.17	0.421	Customers Bankers	245.21 219.22	0.051	LFF FFF LIS FIS	251.72 232.27 236.13 201.67	0.092
23c	Implementing CSR creates competitive advantages for the bank	Male Female	232.30 243.88	0.313	< 20 20 - 30 31 - 40 41 - 50 > 50	187.43 244.44 233.99 250.67 183.56	0.202	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	216.85 220.27 242.91 219.87 256.03	0.299	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	231.69 243.33 255.81 207.97 238.55 156.83	0.095	Customers Bankers	244.25 222.29	0.099	LFF FFF LIS FIS	239.59 248.57 239.21 229.29	0.926
23d	Implementing CSR practices is costly and only appropriate for a financially stable entity	Male Female	231.54 244.43	0.292	< 20 20 - 30 31 - 40 41 - 50 > 50	276.71 242.70 240.82 228.71 178.50	0.302	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	262.37 259.59 231.16 225.96 242.95	0.417	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	272.30 234.17 252.25 186.00 206.95 241.00	0.001	Customers Bankers	243.43 224.89	0.191	LFF FFF LIS FIS	256.29 195.70 228.84 238.25	0.050
23e	CSR will help increase a bank's annual profit	Male Female	235.38 241.63	0.600	< 20 20 - 30 31 - 40 41 - 50 > 50	218.64 246.61 221.79 248.09 232.86	0.440	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	242.65 224.98 239.93 197.22 258.73	0.272	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	254.97 249.24 241.02 204.95 178.64 242.00	0.075	Customers Bankers	250.12 203.59	0.001	LFF FFF LIS FIS	267.04 209.92 224.08 204.07	0.001
23f	Being a socially responsible bank will increase loyalty among customers/ depositors	Male Female	240.12 238.19	0.863	< 20 20 - 30 31 - 40 41 - 50 > 50	210.50 240.57 245.47 236.51 184.67	0.343	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	226.18 220.64 244.05 210.28 250.86	0.341	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	207.84 248.76 259.05 221.45 216.86 179.50	0.016	Customers Bankers	240.83 233.17	0.553	LFF FFF LIS FIS	240.15 210.70 246.97 217.17	0.253

Table 7.5.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Engagement in CSR Activities, Awareness of CSR Contributions and Knowledge of CSR Advantages

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)												
23g	Practising CSR will increase employees' satisfaction with the bank	Male	229.16	0.136	< 20	189.14	0.104	SPM	220.52	0.062	< RM 1,000	223.20	0.164	Customers Bankers	239.48	0.879	LFF	243.46	0.665												
		Female	246.16		20 - 30	242.21		Dip/Matric/A-Lev	237.95		RM 1,001 - RM 3,000	246.33			FFF		215.52	31 - 40		230.68	Undergrad	240.76	LIS	240.02	41 - 50	271.69	FIS	230.66	> 50	191.28	Postgrad
23h	By implementing CSR, a bank promises a better future for the community	Male	234.11	0.452	< 20	185.57	0.420	SPM	182.63	0.000	< RM 1,000	215.43	0.092	Customers Bankers	242.12	0.315	LFF	244.71	0.495												
		Female	242.56		20 - 30	236.11		Dip/Matric/A-Lev	224.88		RM 1,001 - RM 3,000	238.80			FFF		257.60	31 - 40		247.35	Undergrad	248.64	LIS	229.75	41 - 50	253.67	FIS	243.46	> 50	208.67	Postgrad
23i	A bank's awareness of what is environmentally friendly is increased through CSR activities	Male	225.70	0.037	< 20	206.86	0.246	SPM	222.35	0.013	< RM 1,000	229.10	0.170	Customers Bankers	240.83	0.548	LFF	237.79	0.613												
		Female	248.68		20 - 30	240.30		Dip/Matric/A-Lev	223.91		RM 1,001 - RM 3,000	238.47			FFF		258.08	31 - 40		245.73	Undergrad	245.59	LIS	241.18	41 - 50	240.03	FIS	222.04	> 50	180.00	Postgrad
23j	By practicing CSR, a bank overcomes the barrier between bank and society	Male	234.46	0.492	< 20	201.14	0.004	SPM	185.08	0.015	< RM 1,000	227.03	0.566	Customers Bankers	244.24	0.097	LFF	236.49	0.512												
		Female	242.30		20 - 30	236.34		Dip/Matric/A-Lev	225.62		RM 1,001 - RM 3,000	235.06			FFF		263.13	31 - 40		249.89	Undergrad	243.96	LIS	241.87	41 - 50	269.13	FIS	221.28	> 50	143.50	Postgrad

Table 7.6.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Perceptions on Factors Hindering Islamic Banks from Performing CSR

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
24a	Bureucracy	Male	242.49	0.611	< 20	187.57	0.672	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	228.05	0.139	< RM 1,000	226.88	0.717	Customers Bankers	236.54	0.453	LFF FFF LIS FIS	240.29	0.701
		Female	236.46		20 - 30	236.21			221.04		RM 1,001 - RM 3,000	238.95			250.28			246.85	
24b	Time constraints	Male	232.88	0.375	< 20	259.50	0.441	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	285.15	0.095	< RM 1,000	250.65	0.671	Customers Bankers	229.52	0.004	LFF FFF LIS FIS	246.16	0.390
		Female	243.46		20 - 30	240.13			248.70		RM 1,001 - RM 3,000	238.06			246.66			269.19	
24c	Lack of adequate information on CSR	Male	228.06	0.101	< 20	231.21	0.988	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	274.18	0.012	< RM 1,000	239.70	0.681	Customers Bankers	237.68	0.679	LFF FFF LIS FIS	242.88	0.385
		Female	246.96		20 - 30	240.13			228.55		RM 1,001 - RM 3,000	226.76			246.66			243.20	
24d	Lack of awareness	Male	230.01	0.170	< 20	194.21	0.853	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	250.16	0.103	< RM 1,000	231.95	0.981	Customers Bankers	236.50	0.424	LFF FFF LIS FIS	240.79	0.478
		Female	245.55		20 - 30	238.33			229.75		RM 1,001 - RM 3,000	238.12			244.85			246.97	
24e	Lack of human resource	Male	228.29	0.116	< 20	230.86	0.435	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	285.55	0.201	< RM 1,000	247.12	0.872	Customers Bankers	232.24	0.038	LFF FFF LIS FIS	247.03	0.276
		Female	246.80		20 - 30	238.96			249.13		RM 1,001 - RM 3,000	233.93			241.14			260.53	
24f	Lack of commitment to CSR	Male	241.51	0.705	< 20	175.36	0.572	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	254.00	0.121	< RM 1,000	223.89	0.254	Customers Bankers	242.89	0.220	LFF FFF LIS FIS	238.10	0.431
		Female	237.17		20 - 30	236.02			210.20		RM 1,001 - RM 3,000	230.74			244.06			226.60	
24g	Lack of commitment to Islamic ethics	Male	234.69	0.527	< 20	213.64	0.447	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	264.90	0.180	< RM 1,000	216.28	0.048	Customers Bankers	239.89	0.784	LFF FFF LIS FIS	240.42	0.531
		Female	242.14		20 - 30	231.37			232.03		RM 1,001 - RM 3,000	240.53			268.03			236.16	
24h	Not interested	Male	230.80	0.240	< 20	276.14	0.507	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	250.03	0.980	< RM 1,000	233.19	0.167	Customers Bankers	239.82	0.806	LFF FFF LIS FIS	226.25	0.081
		Female	244.97		20 - 30	241.96			236.83		RM 1,001 - RM 3,000	246.41			241.06			236.39	

Table 7.6.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Perceptions on Factors Hindering Islamic Banks from Performing CSR

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
24i	Not profitable to the bank	Male Female	244.85 234.74	0.408	< 20 20 - 30 31 - 40 41 - 50 > 50	195.57 239.78 244.41 239.80 202.56	0.668	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	214.10 232.18 236.73 257.63 257.20	0.503	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	224.01 237.34 241.48 256.31 208.41 315.00	0.533	Customers Bankers	238.51 240.57	0.884	LFF FFF LIS FIS	227.36 265.28 238.74 272.86	0.124
24j	Not imposed by the government	Male Female	243.97 235.38	0.474	< 20 20 - 30 31 - 40 41 - 50 > 50	220.79 235.61 245.63 238.50 251.39	0.933	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	228.40 220.29 241.07 250.83 248.85	0.668	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	227.84 237.47 242.15 249.44 219.91 289.83	0.854	Customers Bankers	243.86 223.54	0.144	LFF FFF LIS FIS	226.53 229.22 246.07 267.43	0.185
24k	Not prioritised as important	Male Female	244.46 235.03	0.418	< 20 20 - 30 31 - 40 41 - 50 > 50	161.07 234.55 256.61 229.48 232.64	0.206	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	202.47 227.87 242.77 193.74 263.11	0.054	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	221.47 235.65 240.07 261.41 233.50 324.50	0.342	Customers Bankers	239.93 236.04	0.773	LFF FFF LIS FIS	228.52 253.80 242.82 257.30	0.399
24l	Commercial orientation	Male Female	242.93 236.14	0.566	< 20 20 - 30 31 - 40 41 - 50 > 50	218.71 228.49 258.69 249.56 240.72	0.242	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	196.37 218.33 241.59 228.98 267.68	0.050	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	196.60 234.10 258.81 250.98 260.86 328.83	0.006	Customers Bankers	239.57 237.19	0.862	LFF FFF LIS FIS	226.66 247.10 246.67 252.51	0.360

Table 7.7.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Familiarity with, Knowledge and Awareness of Sustainable Development in Islamic Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
25	Familiarity with the concept of Sustainable Development	Male Female	226.74 247.93	0.076	< 20 20 - 30 31 - 40 41 - 50 > 50	217.00 256.34 221.77 191.91 217.61	0.008	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	278.52 289.35 242.19 198.07 180.32	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	281.16 259.30 220.69 205.68 141.05 152.17	0.000	Customers Bankers	242.54 227.72	0.284	LFF FFF LIS FIS	241.27 244.12 237.33 233.33	0.972
27a	It is the banks obligation to alleviate poverty	Male Female	235.58 241.49	0.616	< 20 20 - 30 31 - 40 41 - 50 > 50	243.29 232.52 247.57 265.03 212.83	0.418	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	237.94 249.39 231.69 227.04 259.27	0.462	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	239.79 234.27 250.99 227.70 221.45 169.83	0.656	Customers Bankers	241.33 231.57	0.473	LFF FFF LIS FIS	252.02 226.52 231.91 222.86	0.290
27b	It is the banks obligation to ensure a better living of the society in the future	Male Female	228.23 246.84	0.095	< 20 20 - 30 31 - 40 41 - 50 > 50	231.93 236.29 240.86 266.48 204.50	0.417	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	222.81 247.09 237.32 175.20 262.73	0.033	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	251.32 233.18 245.00 224.62 239.05 202.17	0.698	Customers Bankers	241.15 232.14	0.485	LFF FFF LIS FIS	249.14 247.33 230.96 225.80	0.390
27c	Islamic banks should promote equal opportunity in its financial activities and operations regardless of gender, race, religion, disability and socioeconomic background	Male Female	239.60 238.56	0.922	< 20 20 - 30 31 - 40 41 - 50 > 50	154.14 237.31 254.69 226.30 214.28	0.104	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	211.74 212.75 247.10 210.52 252.72	0.055	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	235.63 228.64 251.53 239.00 216.91 270.00	0.591	Customers Bankers	240.09 235.52	0.711	LFF FFF LIS FIS	249.11 229.27 230.65 239.09	0.421
27d	Islamic banks should promote equal opportunity in its management regardless of gender, race, religion, disability and socioeconomic background	Male Female	232.01 244.09	0.271	< 20 20 - 30 31 - 40 41 - 50 > 50	221.14 234.80 250.89 234.16 235.89	0.752	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	217.55 217.98 248.09 194.87 246.99	0.079	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	233.02 233.23 247.63 238.67 232.50 279.50	0.879	Customers Bankers	237.84 242.69	0.703	LFF FFF LIS FIS	254.82 222.15 226.82 236.27	0.098
27e	Islamic banks should promote good governance (e.g. transparency, no corruption, etc)	Male Female	247.62 232.72	0.189	< 20 20 - 30 31 - 40 41 - 50 > 50	233.64 231.88 252.81 234.37 261.58	0.508	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	185.47 220.94 251.27 161.63 255.60	0.000	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	234.63 221.51 245.76 264.07 198.45 380.50	0.036	Customers Bankers	238.80 239.63	0.950	LFF FFF LIS FIS	248.31 247.50 230.10 233.07	0.479
27f	Islamic banks should promote microfinance (banking for the poor)	Male Female	243.46 235.75	0.495	< 20 20 - 30 31 - 40 41 - 50 > 50	289.29 237.36 229.72 258.49 265.83	0.410	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	197.95 239.63 248.77 172.96 239.77	0.017	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	236.24 230.75 249.15 242.18 160.23 402.00	0.038	Customers Bankers	242.34 228.36	0.285	LFF FFF LIS FIS	248.99 237.60 228.86 242.09	0.429
27g	Islamic banks should follow ethical strategy from providing service to customer to employees rights	Male Female	238.11 239.65	0.889	< 20 20 - 30 31 - 40 41 - 50 > 50	204.14 237.73 241.45 233.70 267.06	0.779	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	213.23 226.59 244.49 178.43 258.46	0.029	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	237.30 230.30 246.55 241.37 198.64 405.50	0.129	Customers Bankers	243.01 226.25	0.191	LFF FFF LIS FIS	253.71 215.95 227.55 241.83	0.111
27h	Islamic banks should invest in human capital development for employees (e.g. training, research, furthering education, etc)	Male Female	239.60 238.56	0.927	< 20 20 - 30 31 - 40 41 - 50 > 50	233.93 233.02 250.22 234.29 262.97	0.638	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	228.13 208.18 250.11 185.80 246.98	0.021	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	227.85 227.75 247.42 251.17 231.18 399.50	0.124	Customers Bankers	233.97 255.02	0.109	LFF FFF LIS FIS	238.10 237.43 237.99 248.37	0.960

Table 7.7.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Familiarity with, Knowledge and Awareness of Sustainable Development in Islamic Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
27i	Islamic banks should be conscious in investing for the environment	Male Female	236.66 240.70	0.714	< 20 20 - 30 31 - 40 41 - 50 > 50	286.57 232.01 249.41 232.08 269.22	0.356	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	215.42 224.04 246.64 206.83 244.11	0.261	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	214.01 239.28 259.11 223.59 208.50 424.50	0.003	Customers Bankers	242.68 227.29	0.229	LFF FFF LIS FIS	236.91 258.68 236.33 246.95	0.756
27j	Islamic banks investment strategy should not undermine the environment	Male Female	236.87 240.55	0.742	< 20 20 - 30 31 - 40 41 - 50 > 50	288.64 233.02 247.92 241.65 240.78	0.625	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	211.90 221.38 249.46 187.02 243.75	0.050	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	214.54 235.84 258.57 237.53 161.95 424.00	0.002	Customers Bankers	245.34 218.82	0.041	LFF FFF LIS FIS	242.55 242.33 236.49 232.77	0.939
27k	Islamic banks should contribute to the expansion of green areas (e.g. planting trees)	Male Female	225.00 249.19	0.035	< 20 20 - 30 31 - 40 41 - 50 > 50	293.43 238.11 237.94 235.19 248.44	0.821	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	215.81 234.64 246.50 196.24 238.26	0.292	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	241.51 236.89 247.10 230.35 190.36 242.00	0.728	Customers Bankers	245.43 218.52	0.042	LFF FFF LIS FIS	251.06 262.82 228.96 216.36	0.117
27l	Islamic banks should directly contribute to community development projects	Male Female	238.34 239.48	0.917	< 20 20 - 30 31 - 40 41 - 50 > 50	213.14 240.15 236.60 234.09 260.44	0.898	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	201.35 241.22 247.83 187.39 236.13	0.059	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	223.66 247.61 249.12 232.48 169.64 175.33	0.143	Customers Bankers	242.15 228.97	0.300	LFF FFF LIS FIS	243.14 263.27 228.83 250.54	0.328
28	Considering bank's practice contributing to Sustainable Development	Male Female	246.04 233.87	0.298	< 20 20 - 30 31 - 40 41 - 50 > 50	287.79 236.42 233.95 233.06 310.81	0.121	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	253.32 228.59 231.59 271.26 258.89	0.259	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	263.49 223.76 226.76 265.11 241.64 214.17	0.068	Customers Bankers	242.50 227.86	0.279	LFF FFF LIS FIS	237.58 249.35 236.53 249.28	0.894

Table 7.8.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Familiarity with and Knowledge of Social Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
30	Familiarity with the concept of social banking	Male Female	236.12 241.10	0.676	< 20 20 - 30 31 - 40 41 - 50 > 50	316.50 258.79 216.48 176.30 216.83	0.000	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	262.05 253.09 240.12 204.28 223.85	0.326	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	269.17 251.32 229.82 213.53 172.86 105.83	0.006	Customers Bankers	245.01 219.88	0.068	LFF FFF LIS FIS	231.57 276.13 243.37 227.24	0.284
31a	Low-income consumers	Male Female	163.68 152.78	0.216	< 20 20 - 30 31 - 40 41 - 50 > 50	146.50 153.43 157.88 171.29 171.64	0.723	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	173.53 161.88 154.62 144.09 162.38	0.749	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	152.94 150.02 165.24 163.16 151.61 102.50	0.556	Customers Bankers	155.99 161.78	0.560	LFF FFF LIS FIS	167.82 170.09 150.56 135.72	0.099
31b	Financing small business enterprises (supporting individual and group activities for economic environment)	Male Female	154.52 159.78	0.486	< 20 20 - 30 31 - 40 41 - 50 > 50	113.67 157.12 161.32 151.22 159.86	0.743	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	174.42 165.92 155.22 143.65 156.87	0.577	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	162.67 156.66 163.51 140.09 160.00 206.00	0.248	Customers Bankers	160.83 148.07	0.134	LFF FFF LIS FIS	165.04 159.94 146.03 173.77	0.056
31c	Third system social enterprise (not entirely profit oriented nor is it a charity)	Male Female	155.49 159.04	0.686	< 20 20 - 30 31 - 40 41 - 50 > 50	81.67 157.08 161.20 162.38 141.00	0.419	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	142.03 165.98 159.49 130.53 157.99	0.481	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	150.26 165.48 162.52 146.43 116.28 185.50	0.309	Customers Bankers	156.54 160.22	0.711	LFF FFF LIS FIS	167.49 160.19 149.51 147.13	0.237
31d	Ecological enterprise (undertakes environmental projects for sustainable development)	Male Female	156.24 158.46	0.801	< 20 20 - 30 31 - 40 41 - 50 > 50	141.17 156.17 166.02 158.38 114.89	0.229	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	159.24 149.33 162.78 118.03 158.05	0.217	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	152.44 162.83 162.40 145.00 156.61 141.17	0.751	Customers Bankers	156.32 160.84	0.649	LFF FFF LIS FIS	173.11 178.81 141.12 149.58	0.005
31e	Micro-enterprise for individual and family	Male Female	159.67 154.95	0.577	< 20 20 - 30 31 - 40 41 - 50 > 50	169.50 153.88 159.88 157.89 168.79	0.927	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	153.66 158.40 158.15 129.06 162.10	0.599	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	164.27 155.85 155.55 155.78 148.69 169.50	0.981	Customers Bankers	159.00 151.27	0.419	LFF FFF LIS FIS	170.13 176.72 139.98 164.32	0.006
31f	Assisting community development (e.g. education, medical services, discouraging social ills, etc.)	Male Female	158.19 156.97	0.885	< 20 20 - 30 31 - 40 41 - 50 > 50	109.17 156.40 157.72 160.72 171.46	0.759	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	144.58 158.20 160.46 114.15 165.32	0.122	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	155.21 169.77 152.43 142.88 166.56 241.83	0.100	Customers Bankers	162.21 144.16	0.058	LFF FFF LIS FIS	170.30 168.97 143.47 156.87	0.027
31g	Encouraging social savings for marriages, children's education, community-based programs and other social welfare programmes	Male Female	159.53 155.95	0.674	< 20 20 - 30 31 - 40 41 - 50 > 50	117.50 159.47 155.57 148.24 178.86	0.611	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	172.97 163.24 155.19 175.53 149.44	0.587	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	144.09 172.26 162.44 137.46 145.83 160.00	0.081	Customers Bankers	162.67 142.88	0.040	LFF FFF LIS FIS	166.38 152.41 150.54 151.60	0.348

Table 7.9.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' General Knowledge of Social Banking

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
32	Should Islamic banking be social bank	Male Female	240.96 237.57	0.697	< 20 20 - 30 31 - 40 41 - 50 > 50	261.64 242.40 240.84 215.69 220.00	0.377	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	262.74 234.98 238.60 255.72 229.73	0.460	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	249.78 234.91 238.12 231.66 280.23 193.50	0.447	Customers Bankers	239.49 237.43	0.838	LFF FFF LIS FIS	239.51 249.15 236.76 240.16	0.923
33	Would you consider your bank a social bank	Male Female	253.07 228.75	0.027	< 20 20 - 30 31 - 40 41 - 50 > 50	211.71 234.76 240.58 242.62 295.00	0.311	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	232.60 206.28 236.12 275.41 269.51	0.012	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	216.69 227.09 244.91 271.68 261.27 268.50	0.048	Customers Bankers	235.65 249.67	0.272	LFF FFF LIS FIS	226.93 276.45 242.78 249.49	0.135
34	How should Islamic social banks be structured and organised	Male Female	240.85 237.65	0.789	< 20 20 - 30 31 - 40 41 - 50 > 50	297.07 243.32 242.75 195.76 225.67	0.142	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	248.66 248.14 246.25 229.93 204.64	0.129	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	240.15 243.43 232.72 251.12 194.23 177.83	0.666	Customers Bankers	236.63 246.56	0.472	LFF FFF LIS FIS	243.79 267.70 231.05 234.99	0.460
35	How should Islamic social banks be funded	Male Female	244.36 235.09	0.450	< 20 20 - 30 31 - 40 41 - 50 > 50	230.36 239.51 245.45 222.98 225.86	0.886	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	184.73 256.71 245.02 193.96 236.97	0.046	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	225.85 261.91 230.93 237.43 218.05 62.50	0.044	Customers Bankers	238.69 239.98	0.928	LFF FFF LIS FIS	245.44 249.47 241.18 194.90	0.121

Table 7.10.: Mann-Whitney U and Kruskal-Wallis Tests: Respondents' Perceptions on the Contribution of Islamic Social Banks in Assisting Malaysia's Economic Development

No.	Questions	Gender	Mean Rank	Asymp. Sig. (p)	Age	Mean Rank	Asymp. Sig. (p)	Highest Edu. Attainment	Mean Rank	Asymp. Sig. (p)	Monthly Income	Mean Rank	Asymp. Sig. (p)	Category	Mean Rank	Asymp. Sig. (p)	Bank Cat.	Mean Rank	Asymp. Sig. (p)
36a	Alleviation of poverty	Male Female	241.60 237.11	0.675	< 20 20 - 30 31 - 40 41 - 50 > 50	202.71 236.60 240.60 260.34 227.56	0.647	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	216.52 225.50 243.13 218.00 251.35	0.387	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	215.31 243.68 246.72 244.25 209.64 294.67	0.283	Customers Bankers	242.75 227.06	0.205	LFF FFF LIS FIS	249.96 243.30 226.37 245.30	0.221
36b	Environmentally friendly economy	Male Female	237.95 239.77	0.862	< 20 20 - 30 31 - 40 41 - 50 > 50	233.36 242.01 230.81 258.80 207.08	0.455	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	232.55 219.26 245.54 195.26 248.75	0.128	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	232.08 236.17 248.13 237.94 212.05 234.00	0.839	Customers Bankers	242.14 229.01	0.280	LFF FFF LIS FIS	255.61 258.25 226.97 208.66	0.013
36c	Supporting small business enterprises	Male Female	240.15 238.16	0.851	< 20 20 - 30 31 - 40 41 - 50 > 50	238.50 237.90 244.57 238.42 217.03	0.908	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	228.55 234.88 242.46 189.67 249.03	0.237	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	235.04 237.65 239.97 242.57 221.32 346.83	0.675	Customers Bankers	243.36 225.12	0.136	LFF FFF LIS FIS	249.41 252.37 230.16 224.91	0.263
36d	Improving community development	Male Female	235.14 241.81	0.524	< 20 20 - 30 31 - 40 41 - 50 > 50	183.86 240.82 236.87 251.36 218.25	0.573	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	218.40 222.03 245.42 199.54 251.04	0.126	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	228.53 245.36 235.36 250.37 204.00 276.67	0.618	Customers Bankers	243.10 225.96	0.157	LFF FFF LIS FIS	248.76 269.40 225.14 238.85	0.081
36e	Increases job opportunities	Male Female	232.42 243.79	0.290	< 20 20 - 30 31 - 40 41 - 50 > 50	272.64 242.66 236.69 243.60 175.17	0.169	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	212.47 223.51 244.35 241.43 243.61	0.466	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	243.47 246.91 233.65 233.59 215.59 223.83	0.877	Customers Bankers	245.44 218.51	0.031	LFF FFF LIS FIS	252.75 256.87 224.08 234.64	0.074
36f	Increases womens' participation in the economy	Male Female	216.47 255.41	0.001	< 20 20 - 30 31 - 40 41 - 50 > 50	238.21 242.83 233.16 242.03 215.50	0.866	SPM Dip/Matric/A-Lev Undergrad Pro. Qualification Postgrad	224.85 221.82 242.97 219.61 251.39	0.481	< RM 1,000 RM 1,001 - RM 3,000 RM 3,001 - RM 5,000 RM 5,001 - RM 10,000 RM 10,001 - RM 20,000 > RM 20,000	235.29 245.78 249.51 212.37 211.68 246.67	0.323	Customers Bankers	247.14 213.07	0.009	LFF FFF LIS FIS	260.03 248.88 220.03 226.64	0.009

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