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Social reporting disclosure based on Maqasid Al-Shariah

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Corporate Social Responsibility disclosure (CSR/D) refers to systematic voluntary disclosure of information related to social activities performed by corporations for the betterment of society and a healthier environment. In return, the companies expect that the voluntary commitment will benefit them to gain higher profit. There is also competitive advantage that companies believe they can enjoy by being socially responsible. The corporations expect that effective communication about social, environmental and economic contribution; will give opportunity to strengthen the relationship either with suppliers, customers or employees. However, companies only willingly do so if the potential benefits exceed the estimated costs. Consequently, companies that claim it is too costly do not provide adequate information and give misleading information. Organisations also consider only the salience on shareholders and creditors whilst they ignore the other stakeholders such as the community, employees and government in providing information. As such, the reporting should be more holistic and transparent.

Islamic accounting provides information to enable users to ensure that Islamic organisations abide by the principles of Shariah or Islamic Law in their dealings while conventional accounting only provides informed decisions to efficiently use scarce resources to the most efficient users. The concept of CSR/D in financial statements of Islamic Business Organisations (IBO) should be included but with a somewhat different set of requirement from the conventional western format. The Islamic concept of religion where Islam is al-din (religion) with a complete way of life and its values are universal (shumul) in character, transgressing across geographical, racial and linguistic differences, and catering for all the fields of human existence in all phase of life. In other words, to qualify as Muslim, the fulfilment of God's community and individual rights, based on principles of the Shari'ah, must be observed. The assessment process may have to be relooked such that instead of applying Islamic principles to existing business practices, the original intent of the Shari'ah as it applies to the whole spectrum of Muslim life needs to be explored.

Islam constitutes two fundamental concepts namely faith (iman) and actions (a'mal) which are interrelated and support each other. Iman and a'mal must be integrated in seeking the pleasure of Allah. A Muslim as vicegerent of Allah needs to not only fulfil the obligations to his Lord but also be responsible to fellow beings (man and other creatures). Islam requires all business activities to be

conducted in accordance to the Islamic law (Shariah). Therefore, the Shariah framework would be the answer in developing Islamic Corporate Social Reporting Disclosure (ICSRD) or Islamic Social Reporting (ISR) as it is the most comprehensive. It takes into account the material, moral and spiritual aspects and balances between these factors and forces. It also helps in progressing from a pseudo-value-neutrality towards manifestation of value commitment and value fulfilment as embodied in the Quran and Hadith.delete the full stop (Haniffa & Hudaib, 2010). Islamic Social Reporting (ISR) is needed for the Muslim community with the objectives of demonstrating accountability to Allah and the community and increasing transparency of business activities by providing relevant information in conformance to the spiritual needs of the Muslim decision-makers (Haniffa and Hudaib, 2010).

References

Haniffa, R. & Hudaib, M. (2010). The two Ws of Islamic accounting research. *Journal of Islamic Accounting and Business Research*, 1(1) 5-9.