

UNIVERSITI TEKNOLOGI MARA

**CORPORATE SOCIAL
RESPONSIBILITY (CSR) BASED ON
MAQASID AL-SHARIAH
DISCLOSURE AND IMPACT
TOWARDS ISLAMIC BANKS
FINANCIAL PERFORMANCE IN
MALAYSIA AND MENA REGION**

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ABSTRACT

Islamic Banking works in an economy and achieving the ideal position of Shariah financial institution requires continuous improvement and indicators. The right values and environment of a bank that is operating based on Shariah are important to ensure that the delivery services could be executed in the best manner possible. Islamic Bank therefore should embed with social and the charity work network for the purpose of its corporate social responsibility to the community. The fundamental issue which is due to the lack of focus on the prioritising the social objective of Islamic organisations based on Shariah lead to the inadequacy of conventional CSR theories to underpin CSR practices of Islamic organisations. The existing concept of CSR is grounded on western perspectives. Therefore, it is of great implication to delve CSR within the Islamic perspectives. There have been various studies of the possible advantages that company may obtain through CSR activities as it involves enormous costs. However there appear to be an inconsistent scrutiny on the relationship between CSR and corporate financial performance. Thus, this purpose of this to examine the extent of CSR based on Maqasid Al Shariah in term of four dimensions which are community, workplace, marketplace and environment and its impact on performance of Islamic Banks sector between Malaysia and MENA region for the period of 2013 to 2019. This study employed content analysis method to collect quantitative data and Fixed Effect Regression Model to achieve its objectives based on the Bank Islam annual report and stand-alone sustainability report. In other words, content analysis and regression analysis were carried out to achieve this objective. Generally, the CSR activities cover all organization activities related with the organizations and its various stakeholder. The independent variables used to determine CSR based on maqasid Al-Shariah to measure the financial bank performance that is the dependent variable, Return on Asset (ROA) is used in this study. Based on this model, researcher concluded that Maqasid Al-Shariah CSR's elements which are environment, community, and marketplace have significant impacts on banks financial performance. Through content analysis in measuring the extent for CSR dimensions, it shows that there was mixed ranking for CSR based on Maqasid Al-Shariah dimension and element in Malaysia and MENA region. By employing panel data regression model, the linkage between CSR and CFP found to be significant. The findings from this study could contribute to the body of CSR literature regarding the understanding of CSR-I disclosure and impact it has towards CFP on Islamic Banks in Malaysia and MENA Region. This study also important for both business and regulators to implement mechanism for enhancing high quality CSR practices.

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CHAPTER ONE

INTRODUCTION

1.1 Preamble

On The introduction chapter of this study provides a background of the corporate social responsibility (CSR). The justification leads to the formulation of the research objectives and research questions. Later, the scope of the study, and significant of the study is discussed. At the end of the chapter, it summarized the structure of this study.

1.2 An overview of CSR

In the early 1930s, Corporate Social Responsibility (CSR) had turned out to be part of a business plan for the sustenance, survival and for corporate development (Adamu & Yusoff, 2016). The competitive and vibrant market environment have led to a new challenge for the companies and eventually, CSR becomes very crucial. Therefore, companies not only contribute to the economic development, but they need to consider the environment and society through CSR. This approach is in accordance with the definition of CSR by the European Commission as: “A concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders on a voluntary basis” European Commission 2013).

Nowadays, the corporate social responsibility concept has grown to be a common practice which is not entirely due to regulation of a legal bodies but more on the custom practices of the organization around the world. According to Rahim et al., (2011) CSR activities can lead company to gain better recognition as a responsible enterprise from the local and international investor. The traditional business view which is to maximize profit is no longer be accepted in today’s business environment. As a result, firms have to adopt CSR concept in their practice as it can lead company to have an added value.

Earlier CSR which is concern on economic and social performance has said to be shifted to a broader component which includes stakeholder interest as one of the vital