



An analysis of Islamic CSR concept and the opinions of Malaysian managers

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Abstract

Purpose – The purpose of the paper is to examine the relation between the concepts of Islam with the Malaysian managers' opinion regarding corporate social responsibility (CSR). Nearly, 1.6 billion Muslims believe that Islam is not only a religion, but also a guideline for the complete way of life. As Islam is a complete code of life, it needs to discuss each and every part of life. Indeed, values and principles that have been central to Islam since the time of the holy Prophet Mohammed may serve as a foundation for the notion of CSR similar to those in the West.

Design/methodology/approach – This paper compares the perceptions of managers about the responsibility of a corporation to society in Malaysia with the Islamic concept. An open- and close-ended questionnaire was distributed to 50 listed organizations in Malaysia, including multinational, government link, non-government link and SME companies.

Findings – A similarity between the Islamic concept and top executives' opinion about CSR was found.

Originality/value – The survey findings and annual report analysis are expected to provide guidelines to the managers of other organizations for those who want to follow Islamic CSR.

Keywords Corporate social responsibility, Islam, Managers, Malaysia

Paper type Research paper

Introduction

In the last decade, one of the most discussable issues is corporate social responsibility (CSR). The notion of CSR is explained in various organizations as socially responsible organization (SRC) or corporate responsibility (CR), etc. The notion of CSR or SRC or simply CR refers to a business, ethically responsible to its stakeholders. CSR is an organization's commitment to conduct its business in an economically, socially and environmentally sustainable manner whilst balancing the interests of a diverse range of stakeholders.

CSR can actually enhance brands' reputation and the perception that stakeholders have on their interaction with the company. CSR is not a philanthropy concept; rather it is a concept of making money by satisfying the requirement of customers. For example, in the USA, customers boycott over 800 products, because the companies' products are irresponsible to the society.

If we stop thinking of the poor as victims or as a burden, and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunities will open up. Four billion poor can be the engine of the next round of global trade and prosperity. It can be a source of innovation (Pahalad, 2005).



In the present research, the authors focus on the perceptions of executives on responsibility of corporation to the society in Malaysia. The research is based on primary data. The authors developed a questionnaire on the basis of literature citations. The questionnaire was distributed among 50 organizations of Malaysia. Fourty six questionnaires were received, whereas only 40 are useable for this research.

Background of the research

Islamic worldview starts with the concept of Oneness of God, who dominates the heaven, earth and inside the earth. God sends messengers from first day of the earth and His final messenger is Mohammad. Islam accepts that Jesus and Moses were the apostles of Allah, and they were in the right path. However, Mohammad is messenger for the whole universe and Allah sends *Quran* as a guideline to solve the entire human problem. Islam represents itself not only as a religion but also a complete code of life. *Quran* discusses about literature, law, economics, socialization, politics as well as *Jihad*. But the meaning of *Quran* is not like other books, rather it is completely unique. We need to relate to the time of the Prophet to understand the *Quran*, but most people look the verse itself. In fact, the *Quran* provides the theoretical framework while the Prophet is the practical example of *Quran*. The background of the present research focuses on the beauty of Islam linked with CSR. The values and principles that have been central to Islam since the time of the holy Prophet Mohammed may serve as foundation for the notion of CSR similar to those in the West (Mohammed, 2008).

Theories and dynamism of CSR

Over the past 50 years, business ethicists and management theorists have devoted much effort to thinking through the business-society relationship (Carroll and Buchholtz, 2000), which led to a consensus in thinking about CSR. In fact, large differences exist among business scholars with regard to whom corporations have responsibilities to and what these responsibilities are. According to Friedman (1970), corporation has no responsibility except making profit in a legal way. The practice of CSR only incurs additional cost and hence would jeopardize overall performance and sustainability of an organization (Pikston and Carroll, 1996; Henderson, 2001). On the other hand, some scholars including Carroll (1993, 1999), Donaldson and Preston (1995), and Freeman (1984) argued that a corporation has numerous responsibilities towards its stakeholders.

There are a number of theories that underpin the notion of CSR. The classical view of CSR (Friedman, 1967, 1996) views that the role of social responsibility is to increase profits. He argues that socially responsible activities are only for generating profit not for voluntarily activities.

According to the social contract theory, business must act in a responsible manner, not only because it is in its commercial interest to do so, but also because it is a part of how society implicitly expects business to operate (Moir, 2001). Business should be regulated as a social institution and should join with other social structures like the family.

According to the instrumental theory, business may choose to support some social programs for reasons of good image and for competitive advantage (Burke and Jeanne, 1996; Lantos, 2002; Johnson, 2003; Greenfield, 2004).

Legitimacy theory is the response to the environmental pressures involving social, political and economic forces. The perceptions of society towards the organizations are crucial, and they may affect the survival of the business (Suchman, 1995; Deegan, 2002).

Finally, the stakeholder theory pays attention to the needs and rights of all the stakeholders of a business as a useful way of developing socially responsible behavior by managers (Maignan and Ferrell, 2004).

In addition, CSR refers to the responsibility taken by organizations and the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is extended beyond the statutory obligation to fulfill with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as to the local community and society at large. CSR is the ongoing commitment by organization to behave ethically and add to economic development while civilizing the quality of life of the workforce and their families as well as of the local community and society at large.

Islamic corporate social responsibility

As mention earlier, Islam is a complete code of life. The fundamentals of Islam such as *aqidah* (belief and faith) *ibadah* (worship) and *akhlaq* (morality and ethics) are not subject to change; their manifestation in secondary areas like economics, business and other worldly activities would require flexibility and development according to time and space (Kamali, 1989). So the idea of CSR in Islam is subject to change on the basis of needs of community and society.

Islam introduces human as the representative of God. The entire creation is created by God. As a representative of God, it is his or her responsibility to take care of God's creation. Islam does not allow the misuse the water, even though the water comes from a river.

The concept of CSR in Islam encompasses a broader meaning embracing the *taqwa* (God consciousness) dimension by which a corporation as a group of individuals, assuming the roles and responsibility as servants and vicegerents in all situations (Dusuki, 2008). Hasan (2002) explains that the relationship with God would be inspired by the values of truthfulness, fairness, kindness, uprightness rather than envy, backbiting and discrimination. This should naturally manifest in business activities as well as in the relationship with all stakeholders.

Research methodology

The research is based on a survey, and the study has been conducted on managerial perspective. It focuses on CSR practices in Malaysia within the MNCs, government link organizations (GLCs), non-government organizations and small- and medium-sized enterprises (SMEs). A questionnaire was developed for the survey. The literature review helped the authors to develop the survey instrument, giving due attention to the essentials of CSR. In the survey, about 50 corporations in Malaysia were selected randomly. Among those, the questionnaires were sent directly to 27 corporations while the other 23 corporations obtained the questionnaires through mail. The corporations' executives were invited to fill out the questionnaires, of which 46 completed questionnaires were returned, whereas only 40 are useable. The responses were summarized into strongly agree, agree, no comment, disagree and strongly disagree, and compared with the Islamic parameters (*Farz-Wajib*, *Sunna-Nafal*, *Makru*, *Sagira Guna* and *Kabira Guna*). SPSS version 13.00 was used to analyze the data.

Islamic parameters

Farz-Wajib (obligatory). According to the Islam, there are some orders given by Allah, which are mandatory to all Muslims, and they are known as *Farz* or *Wajib*. If anyone believes in Allah, s/he has no option to avoid such type of obligations. For example, Prayer (*Salat*) five times a day, compulsory donation (*Zakat*) belong to *Farz-Wajib*. A weight of five was given for such cases.

Sunnah-Nafal (better to do). When any duty or order came from His Messenger, it is known as *Sunnah-Nafal*. Islam encourages doing such order or direction. But the Muslim has an option not to do such direction. One of the examples is planting of tree. A weight of four was given to such cases.

Makru (no comment, preference not to do). When any direction comes from *Ulama* (Islamic scholars) on the bases of contemporary situations, and it is either not prohibited by Allah nor by His Apostle, it is called *Makru*. Islam discourages such activities but not entirely prohibits them. On one of the examples is smoking. A weight of three was given for such cases.

Sagira Guna (small sin). When any prohibition comes from the *Ulama* on the basis of contemporary situation after analysis of the *Quranic* verses and the *Hadith* of Mohammad, it is called *Sagira Guna*. A weight of two was given for such cases.

Kabira Guna (big sin). When any prohibition is made by Allah or His Apostle, according to Islam it is *Haram* (strictly prohibited). For example, a murder of the innocent is *Kabira Guna*. A weight of one was given for such cases.

Data analysis

In the survey, 55 percent of respondents were male and 45 percent were female. Their levels of education are considered high. More than 27 percent of respondents held post-graduate degree and 65 percent held undergraduate degree, whereas only 7 percent held higher secondary degree (Table I).

Of the responses (40), six were multinational companies (MNCs), five were GLCs, 23 SMEs and six non-GLCs. Among the companies, more than 57 percent were service providers, whereas almost 43 percent were manufacturing companies (Table II).

Gender	Higher secondary		Undergraduate		Post-graduate		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Male	2		13		7		22	
Female	1		13		4		18	
Total	3	7.5	26	65	11	27.5	40	100

Table I.
Educational
qualifications
of respondents

Nature of company	Services		Manufacturing		CSR policy		No CSR policy	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
MNC	3		3		5	83.33	1	16.66
GLC	5		—		4	80	1	20
Non-GLCs	6		—		4	66.67	2	33.33
SME	9		14		6	26	17	74
Together	23	57.5	17	42.5	19	47.5	21	52.5

Table II.
Existence of CSR policy
in various organizations

From the respondents, most of the MNC (83 percent), GLC (80 percent) and non-GLCs (67 percent) have a CSR policy, whereas only 26 percent of SMEs have a CSR policy. In fact, most of the SMEs are facing financial problems and need support from the Government to start CSR practices in their organization.

The respondents were asked to state their level of agreement/disagreement on five statements pertaining to CSR practices in their organizations. A 1-5 points scale (1, strongly disagree; 2, disagree; 3, no comment; 4, agree; 5, strongly agree) was proposed to be used for expressing their opinions (Table III).

Regarding statement 1, more than 67 percent of managers strongly agree or agree that there is no discrimination in their organization and 22 percent have no comment, whereas only 10 percent disagree. The mean of managers' opinion is 3.87 and standard deviation (SD) is 0.96.

Regarding statement 2 "we consult with employees on important issues", almost 78 percent agree and 17 percent have no comments, whereas 5 percent of respondents mention that their company is not following this statement in their organization. The mean of managers' opinion is 4.12 and SD is 0.88.

Regarding statement 3, 8 percent of managers agree that they have suitable arrangement for health, safety, and welfare of employees and only 20 percent have no comments. The mean of the managers' opinion is 4.02 and the SD is 0.75.

On statement 4 "we try to reduce environmental impact in terms of energy consumption", almost 73 percent of managers agree and strongly agree, whereas only 22 percent have no comment and 5 percent disagrees. The mean of respondent opinion is 4.02 and SD is 0.89.

Finally, 75 percent of managers strongly agree or agree on statement 5 that their organizations offer training and financial support to the local community, whereas 17 percent have no comment and 7 percent disagree. The mean of the respondent is 4.02 and SD is 0.91.

The SD of five statements proves that the opinion of managers varies in each and every statement. The managers of corporations are mostly practicing CSR in their organization while most of the SMEs have no CSR plan in their organization. Among the Malaysian companies' managers there is still lacking in consciousness about the concept of CSR. Hence, there is a need for Government intervention and support for these companies to come-out with CSR policy and CSR report.

Comparative analysis with Islamic concepts

According to Islam it is *Farz-Wajib* (obligatory), not to make discrimination. No Muslim has the right to avoid this obligation. Allah said in his Holy Book (*Quran*):

Allah commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you judge with justice (*Quran*, 4:58).

Statements	Strongly agree (%)	Agree (%)	No comment (%)	Disagree (%)	Strongly disagree (%)	Mean	SD
1	30	37.5	22.5	10	—	3.87	0.96
2	40	37.5	17.5	5	—	4.12	0.88
3	40	40	20	—	—	4.02	0.75
4	35	37.5	22.5	5	—	4.02	0.89
5	35	40	17.5	7.5	—	4.02	0.91

Table III.
Managers' opinions about
five statements

As mentioned in the research methodology, a weight of five was given for *Farz and Wajib*.

The statement on consultation with employees is *Sunnah-Nafal* (Better to do). Prophet practiced this concept in His life-time. After the war of Badar, he decided to free the prisoners of war, if they educate one Muslim. A weight of four was given for *Sunnah-Nafal*.

Regarding statement 4, since the time of Holy Apostle was not the period of industrialization and there was not a single industry like today. So we can look at the Islamic history. One decision of Ottoman Court (Hanafi) was like the following:

If any person constructs a drain or a sewer near a well of water belonging to some other person, and pollutes the water thereof, he may be made to remove the damage. If it is impossible to remove the damage, he may be made to close up the drain or sewer. Again, if any person constructs a sewer near to a water channel, and the dirty water from such sewer flows into the channel and causes great injury thereto, and no other way can be found to remove such injury than by closing it, the sewer shall be closed (*Al-Majallah*, 1365).

A weight of three was given in such a case, because this is not from the life of holy Prophet.

The Muslims believe that man is the *Khalifa* (representative) of Allah (Surah Al-Baqarah: 31). So Muslims have responsibility towards the environment, and it is prohibited to all Muslims to misuse any sort of energy. As Allah mentions, "Indeed, the misspender are the brother of devil" (Surah Al-Isra: 27). A weight of five was given for such case.

Islam views the offering of training and financial support to the local community as righteousness. According to Allah:

It is not righteousness that you turn your faces towards East or West; but it is righteousness- to believe in Allah and the last Day and the Angels, and the Book, and the Messengers; to spend of your substance, out of love for Him, for your kin for orphans, for the needy, for the wayfarer, for those who ask; and for the freeing of captives; to be steadfast in prayer, and practice regular charity; to fulfill the contracts which you made; and to be firm and patient in pain (or suffering) and adversity and throughout all periods of panic, Such are the people of truth, the God-conscious (*Quran*, 2:177).

The Prophet said:

The generous man is near Allah, near paradise, near men and far from hell, but the miserly man is far from Allah, far from paradise, far from men and near hell. Indeed, an ignorant man who is generous is dearer to Allah than a worshipper who is miserly (Tirmidhi).

Since offering financial support to people is mentioned in *Quran & Hadith*, a weight of five was given.

The correlations of Islamic concepts and Managers' opinions about CSR in Malaysia regarding the five statements above were computed. The authors found that there is a strong positive correlation coefficients r (0.894) (Table IV). However, it should be noted that this correlation analysis does not provide us with the real scenario of differences that exist between the Islamic concept and Managers opinion in term of the five statements. Therefore, the authors conducted independent samples t -test to examine the differences in the study variables. The results show that significant differences existed among the five statements (Table IV).

Table IV.

Measures	1	2	3
1. Manager opinion	0.395		
2. Islamic concept	0.510	0.428	
3. Overall	0.395	0.450	0.894
Mean	3.80	4.00	3.00
SD	0.4472	0.70711	1.58

Notes: Bivariate correlation between the managers' opinion and Islamic concept; correlation is significant ($p < 0.005$)

Islamic concept of CSR ($M = 4.00$, $SD = 0.7071$) is reported to be significantly higher in terms of the five statements than the managers' opinion about CSR ($M = 3.8$, $SD = 0.44721$), $t(4) = 4.242$, $p < 0.0005$.

Conclusion

As mentioned earlier, the main focus of this research was to find out the relation between the Islamic concept and CSR. Comparing the Islamic conceptual framework and Malaysian managers' opinion, the research concludes that Islam encourages responsible behavior to the society, environment and economy. The finding highlights the relevance of Islamic concepts and approaches and notes its correlation and contribution to present day CSR policies and strategies. There is a need for further research in this area and for spreading the good Islamic framework and practices to modern organizations and business entities.

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