

# **A Comparative Analysis Between Islamic Concept On Corporate Social Responsibility And Malaysia Mangers Opinion**

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## **Abstract:**

In this Global era, many companies have initiated a variety of sustainable development initiatives to address the demands and expectations of society (Szekely & Knirsch, 2005). Especially in the last decade, not only the large companies are involved in practice of Corporate Social Responsibility (CSR) but also a good number of Small Medium Enterprises (SME) involve in CSR practice. Hopefully, these practices will help the country for making balance among economic prosperity, environmental protection and social equity.

Nearly 1.6 billion Muslims believe that Islam is not only a religious, but also a guide line for the whole life. As they believe that Islam is a complete code of life, so that Islam needs discuss about each and every part of life. Indeed, values and principles that have been central to Islam since the time of the holy Prophet Mohammed (Peace and Blessings be upon him) may serve as foundation for notion of Corporate Social Responsibility (CSR) similar to those in the West (Mohammed, 2007).

In this research we will focus on the principles of Islamic Corporate Social Responsibility. An open and close ended questionnaire has been distributed to fifty listed organizations in Malaysia including multinational, government link, non-Government link and SME. We saw the similarity between Islamic concept and top executives opinion about CSR. The survey findings and annual report analysis are expected to provide guidelines to the managers of other organizations those who want to follow Islamic Corporate Social Responsibility in their organizations.

**Keywords:** CSR, Islamic Social Responsibility, social equity.

## **Introduction:**

In the last decade one of the most discussable issues is Corporate Social Responsibility (CSR). The notion of CSR explains in various organizations as socially responsible organization (SRC) or corporate responsibility (CR), etc. Unlike, the notion of CSR or SRC or simply CR refers the business ethically responsible to its stakeholders. CSR is an organizations 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 the philanthropy concept; rather it is a concept of making money by satisfying the requirement of customers. Tropical examples in United State of America 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 recognize them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity 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. (Prahalad, 2005)

In our present research we focus the perceptions of executives about responsibility of corporation to the society in Malaysia. The research is based on primary data. We have developed one questionnaire on the basis of literature cites, which has been distributed among sixty organizations of Malaysia. We acknowledge forty six questionnaires from respondents, whereas forty are useable for this research.

## **Background of the Research:**

Islamic extremism: In the last decade of the world has experienced great problem with Islamic extremism, terrorist attract all over the globe. The most discussable issue was the US world trade centre. That was a terrorist attack, though there is debate that who actually made the attack. Some people use to blame Muslim without understanding the Islamic worldview.

Islamic Worldview: Islamic worldview start with the concept of Oneness of God, whom is the domination whatsoever in the heaven, earth and inside the earth. God send messengers from first day of the earth and His final messenger is Mohammad (PBUH). Islam says that Jesus and Moses were the apostle of Allah for their nation, and they were in the right path. Mohammad (PBUH) is messenger for the whole globe and Allah send Quran to him as a guideline to solve the entire human problem. Islam represents itself not only as a religious but also a complete code of Life. Quran discuss about literature, law, economics, socialize, politics as well as the technique of fighting (*Jihad*). But the meaning of Quran is not like other books, rather it is completely unique. We need to know the time of Prophet to understand the Quran, but most of the people look the verse itself. In fact, the Quran is theoretical frame work and Prophet (PBUH) is the practical example of Quran.

Reason behind the Islamic extremism: The main reason behind the Islamic extremism is not to understand the beauty of Islam and to simple look on Quraniq verse itself (Murad, 1982). And it is very much simple that the knowledge of military is useless for economist. As Quran came for all of stages of life, we need all the verses of Quran, but need to follow only applicable areas. The background of this present research is focusing the beauty of Islam which is linked with corporate social responsibility.

## **Theories and dynamism of Corporate Social Responsibility (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 corporate social responsibility; 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. CSR may only incur additional cost and hence would jeopardize overall performance and sustainability of an organization (Pikston and Carroll 1996: Henderson 2001). On the other side, some scholars including Carroll (1993, 1999), Donaldson and Preston (1995) and Freeman (1984) argued that a corporation has numerous responsibilities towards its stakeholder. Same thing mentioned by Lee & Kotler (2005) Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resource.

There are number of theories that are the ground and underpin of CSR. According to Classical view of CSR, Fridman (1967, 1996) mention that the social responsibility of business to increase its profits. He argues that socially responsible activities are only for generating profit not for voluntarily activities.

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

According to Instrumental theory business may choose to support some social programs for reasons of good image and for competitive advantage (Burke and Logsdon, 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 which may affect the survival of the business. (Suchman, 1995; Deegan, 2002)

Finally the Stakeholder theory paying attention to the needs and rights of all the stakeholders of a business is a useful way of developing socially responsible behavior by managers (Maignan and Ferrell 2004).

So we can say CSR refers to responsibility taken by organizations for 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. Corporate Social Responsibility 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:**

Before going to understanding the concept Corporate Social Responsibility on Islamic perspective, we need to know the Islamic Worldview. Islam is a complete code of life. The fundamental 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). This is embodied in Islamic *Shari'ah* which is central to the worldview of Islam. Normally, the *Shari'ah* as Islamic Law (Dusuki, 2008), but the boundaries of *Shari'ah* extend beyond the limited horizons of law (Sardar, 2003).

The concept of CSR in Islam encompasses a broader meaning embracing the *taqwa* (God consciousness) dimension by which corporation as group of individual, assuming the roles and responsibility as servants and vicegerents in all situations (Dusuki, 2008).

Hasan (2002) explain that the relationship with God would be inspired by the values of truthfulness, fairness, kindness, uprightness rather than envy, backbiting, discrimination. This should naturally manifest in business activities as well as their relationship with their all stakeholder.

## **Research Methodology:**

The research has been made on survey based and the study has been conducted on managerial perspective. It focuses on corporate social responsibility practices in Malaysia within the multinational, government link, non-government organization and small & medium enterprises. A questionnaire has been developed to conduct the survey. The literature cited in the literature review helped us to develop the survey instrument. Since there was no ready-made questionnaire available in our knowledge to gauge CSR practices, due attention has been paid so that the questionnaire comprises the essentials of CSR. In the survey, about 50 corporations in Malaysia have been selected randomly. Among those, the questionnaires are sent directly to 27 corporations while the other 23 corporations got the questionnaires through mail. The corporations' executives were invited to fill out the questionnaires; among all we got 46 filled questionnaires, whereas only 40 are useable. We summarize the executives' opinion (Strongly Agree, Agree, No Comment, Disagree and Strongly Disagree) and we compare with the Islamic parameters (*Farz-Wajib*, *Sunna-Nafal*, *Makru*, *Sagira Guna* and *Kabira Guna*) and we discover the positive correlation between the opinion of executives and Islamic view. SPSS version 13.00 has been used to analyze the data.

## **Islamic Parameters**

*Farze-Wajib* (Obligatory): According to the Islam, there are some orders given by Allah, which is mandatory to all Muslim is know as *Farze* or *Wajib*. If anyone belief in Allah, he has no option to avoid such type of obligations. For example; Pray (*Salat*) five time in a day, Compulsory donation (*Zakat*). We give weight 5 for such cases.

*Sunnah-Nafal* (Better to do): When any duty or order came from His Messenger (Peace be upon Him), it is know as *Sunnah-Nafal*. Islam encourages doing such order or direction. But the Muslim has option not to do such direction. One of the examples is plantation of tree. We give weight 4 to such cases.

*Makru* (No comment, Preference not to do): When any direction come from *Ulama* (Islamic scholars) on the bases of contemporary situations, and either not prohibited by Allah nor by

His apostle we call it as *Makru*. Islam discourages such activities but not prohibited. On one of the examples is smoking. We give weight 3 for such cases.

*Sagira Guna (Small Sin)*: Most of the cases, when any prohibition came from the *Ulama* on the basis of contemporary situation after analysis of the Quranic verses and the *Hadith* of Mohammad (PBUH). We give weight 2 for such cases.

*Kabira Guna (Big Sin)*: When any prohibition made by Allah or His Apostle, according to Islam it is *Haram* (Strictly prohibited). . For example, murder of innocent. We give weight 1 for such cases.

### **Data Analysis:**

In our research we get fifty five percent of respondents are male and forty five percent are female. And their levels of education are moderate. More than twenty seven percent of respondents are holding post-graduation degree and sixty five percent are holding under graduation degree, whereas only seven percent holding higher secondary degree (see table 1).

As we mentioned earlier, we have send one questionnaire to sixty organizations in Malaysia. We get back forty six replies from six multinational companies (MNC), six national companies (GLC), twenty three Small and Medium Enterprises (SME) and six Non-Government Link Organizations(NGO). Among the companies, more than fifty seven percent are service provider, whereas almost forty three percent are manufacturing companies (see table 2).

In our observation, most of the MNC (83%), GLC (80%) and NGOs (67) have CSR policy, whereas only twenty six percent of SMEs have CSR policy. In fact, most of the SMEs are facing financial problem and they really need support from Government to start CSR practice in their organization (see table 2).

The respondents were asked to state their level of agreement/disagreement on five statements pertaining to CSR practices in their organizations. 1–5 points scale (1= strongly disagree; 2= disagree; 3= no comment; 4= agree; 5= strongly agree) was proposed to use for expressing

their opinions. More than sixty seven percent of managers are strongly agree or agree that there is no discrimination in their organization and nine percent have no comment, whereas only ten percent disagree. The mean of managers' opinion is 3.87 and Standard Deviation (SD) is .96 (see table 3).

Regarding the statement "we consult with employees on important issues", almost seventy eight percent agree and seventeen percent have no comments, whereas five percent respondents mention that their company is not following this statement in their organization. The mean of managers' opinion is 4.12 and SD is .88 (see table 3).

Eight percent of managers agree that they have suitable arrangement for health, safety and welfare of employees and only twenty percent have no comments. The mean of the managers' opinion is 4.02 and the SD is .75 (see table 3).

About the statement four "we try to reduce environmental impact in terms of energy consumption", almost seventy three percent of managers are agree and strongly agree, whereas only twenty two percent have no comment and five percent are disagree. The mean of respondent opinion is 4.02 and SD is .89 (see table 3).

Finally, seventy five percent of managers are strongly agree or agree that their organizations offer training and financial support to the local community, whereas seventeen percent have no comment and seven percent are disagree. The mean of the respondent is 4.02 and SD is .91 (see table 3).

The higher standard deviation of five statement prove that the opinion of managers are various in each and every statement. It is prove that the managers of corporations are practicing CSR in their organization though most of the SMEs have no CSR plan in their organization. In fact Malaysian companies' managers have not enough consciousness about the concept of CSR. So the Government should come to assist them to come-out with CSR policy and CSR report.

### Islamic Conceptual Data Analysis:

According to Islam the first statement is *Farze-Wajib* (Obligatory), not to make discrimination in anywhere. No a single Muslim has right to avoid this obligation. Because 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)

As we mention in research methodology that we give weight 5 for *Farze and Wajib*.

Regarding the statement we consult with employees is *Sunnah-Nafal* (Better to do). Prophet (PBUH) was practicing this concept in life-time. After the war of Badar, he decided to leave them those who get arrest in war, if they educated one Muslim. We give weight 4 as a *Sunnah-Nafal*.

Since the time of Holy Apostle (PBUH) was not the period of industrialization and off course there was not a single industry like today. So we can look on 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.” (Majallah, 1365)

We give weight 3 in such case, because this is not from the life of holy Prophet (PBUH).

We Muslim belief, man is the *Khalifa* (representative) of Allah (2-31). So we have responsibility towards our environment. And it is prohibited to all *Muslim* to misuse any sort of energy. As Allah mention, “Indeed, the misspender are the brother devil.” (Surah Al-Isra: 27)

We give weight 5 for such case.

Islamic view about offering training and financial support to the local community is treated as righteousness, rather than turning faces towards East or West. 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”

And prophet (pbuh) 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 mention in *Quran & Hadith*, we gave weight 5.

#### Correlation:

We computed correlations of Islamic concept & Managers opinion about CSR in Malaysia about the five the statements. Find there is a strong positive correlation coefficients  $r$  (.395 – .894) (see Table 4). 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 five statements. Therefore, we conducted independent samples  $t$ -test to examine the differences in the study variables. Results showed that significant differences existed among the five statements (see Table 4). Islamic concept of CSR ( $M= 4.00$ ,  $SD= .7071$ ) reported to be significantly higher in term of five statement than the mangers opinion about CSR ( $M =3.8$ ,  $SD=.44721$ ),  $t(4) = 4.242$ ,  $p < .0005$ .

#### Conclusion:

We would like to conclude our paper with a statement of Holy Prophet Mohammad (PBUH), he said,

‘The one who looks after and works for a widow and for a poor person. He is like a fighting for Allah’s cause, or like a person who fasts during the day and prays at the night.’

Unfortunately, all the literatures are Western concern, so the beauties of Islam omitted because of lack of consideration of other culture or religious.

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Al-Quran

Al-Majallah, Serial no. 2432, paragraph 1200.

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Appendix:

**Table 1**

Gender	Higher Secondary (HSC)	Under-graduation	Post-Graduation	Total (%)
Male	2	13	7	22
Female	1	13	4	18
Together	3 (7.5%)	26 (65%)	11 (27.5%)	40 (100%)

**Table 2**

Nature of Company	Services	Manufacturing	CSR Policy	No CSR Policy
MNC	3	3	5 (83.33%)	1 (16.66%)
GLC	5	-	4 (80%)	1 (20%)
NGO	6	-	4 (66.67%)	2 (33.33%)
SME	9	14	6 (26%)	17 (74%)
<b>Together</b>	<b>23 (57.5%)</b>	<b>17 (42.5%)</b>	<b>19 (47.5%)</b>	<b>21 (52.5%)</b>

**Table 3**

Statement	Strongly Agree	Agree	No Comment	Disagree	Strongly Disagree	Mean	SD
Statement 1	30	37.5	22.5	10	-	3.87	.96
Statement 2	40	37.5	17.5	5	-	4.12	.88
Statement 3	40	40	20	-	-	4.2	.75
Statement 4	35	37.5	22.5	5	-	4.02	.89
Statement 5	35	40	17.5	7.5	-	4.02	.91

**Table 4:**

*Bivariate correlation between the Managers' opinion & Islamic Concept.*

<i>Measures</i>	<i>1</i>	<i>2</i>	<i>3</i>
1. Manager opinion	.395		
2. Islamic Concept	.510	.000	
3. Overall	.395	.000	.894
<i>Mean</i>	3.80	4.00	11.00
<i>SD</i>	.4472	.70711	.3162

Correlation is significant ( $p < .005$ ).