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### THE RELATIONSHIP BETWEEN ISLAMIC BANK AND CORPORATE SOCIAL RESPONSIBILITY

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#### ABSTRACT

Islamic banks established since a long time and the first fully fledged Islamic bank establish according to the provisions of Islamic Sharia in 1975, which is a Dubai Islamic Bank. The concept of the Islamic Bank has spread dramatically, even in non-Islamic countries due to its solid foundations and based on justice, equality and prevention of monopoly and the interest. One of the main points focus in bank are Social Responsibility, where it is one of the most important concepts that urges us by our Islamic religion, however there is a shortage in clarifying the mechanism of action of Islamic banks in terms of corporate social responsibility. The point of research is to examine the genuine thought of Islamic bank and their connection with corporate social obligation in Saudi Arabia. The examination endeavors to assess the example and inclinations of CSR rehearses by Islamic banks. It likewise attempts to discover the impact of Islamic Tenets on the CSR practices of Islamic banks. To answer these inquiries, two Islamic banks in Saudi Arabia were taken as study, the investigation demonstrate that the bank are rehearsing the base CSR and the client's suppositions affirmed that Islamic banks have a job yet are few and don't diverse altogether from different banks.

#### INTRODUCTION

Corporate Social Responsibility (from now on CSR) has turned out to be one of the overwhelming topics in business in the course of the most recent couple of years [1]. The discussion over the benefits of CSR rotates around whether such ventures are esteem improving or whether they are the esteem obliterating appearance of organization clashes. While there is considerable research on the connections among CSR and firm execution, its greater part centers around the connection among CSR and the expense of value [2].

Companies and banks Focused to the idea of social responsibility from the past decade due to of the idea of globalization, international trade and the complexity of the business [3]. So, the idea of corporate social responsibility work to helping countries create better economic environments. Organizations that contend all around cannot work in nations experiencing disappointment, flimsiness, defilement and absence of majority rule government so the achievement of the organizations do their part in social duty is principally founded on its promise to three criteria: regard and obligation towards the specialists and individuals from the network, network bolster , Protecting the earth both as far as consistence with the item that the organization gives to the earth standards or as far as activity to give what serves the earth and enhance the ecological conditions in the network and address the different natural issues.

After scanning for CSR in the writing it was discovered that, administration writing uses and notices CSR more than the writing of business morals [4-6]. CSR is the primary worry for the administrators since its connection with benefit of the association and it can gauge the banks and financial framework [7]. Additionally, it was discovered that specific territories of CSR weren't investigated enough by inquiries about, for example, CSR lodging inside a corporate structure, CSR administration decisions, and difficulties emerging from seeking after CSR in creating nations [8]. Corporate commitment to social responsibility is one of the most important elements of success and advancement, especially in the resource sector [9]. Companies that provide information on their social responsibility, generally characterized by large size and possess high systems to measure the risk, while emphasizing the strength of its long-term measurement of companies that refrain from disclosing this information [10].

The idea of the Islamic Bank is a bank that conforms to the arrangements of Islamic Sharia in all financing exchanges, managing an account, venture and budgetary establishment subject to supervision and control of the national bank [11]. Besides, the Islamic Bank in accordance with the standards of Islamic law in all exchanges and items gave to its clients, regardless of whether these items are venture stores or instruments or investment funds accounts [11].

The social responsibility of banks in saudi arabia is based on Islamic Sharia laws, focusing on several aspects of the most important of respect for contracts and providing financing to individuals and companies and work with transparency and credibility in transactions [12]. The second aspect is to focus on supporting youth and the provision of appropriate job opportunities for them and some banks are more focused on the internal community in terms of saving the environment appropriate for employees and motivate them, therefore considered social responsibility consider one of the most important things that are keen on companies and banks because it gives a positive image of the organization and show the reflection of the image of Islam in their business in terms of poverty alleviation and interdependence of society and achieve economic goals based on Sharia law [12].

It was reported that social responsibility is an integral part of the Islamic banking culture that derives its legitimacy from Islamic laws and regulations and is not imported from the West [13]. The social responsibility of Islamic banks affects all aspects of social life, which ensures the economic development of a balanced and sustainable society.

Therefore, in this work, the point was to examine the genuine thought of Islamic bank and their connection with corporate social duty in Saudi Arabia. The examination attempts to assess the example and inclinations of CSR honed by Islamic banks. In expansion, this investigation endeavors to discover the impact of Islamic Tenets on the CSR practices of Islamic banks.

## **METHODOLOGY**

The research will follow mixed methodology quantitative and qualitative and the data will be collected through an interview with 25 employees from 2 Islamic Saudi banks. The mixed method will achieve the best result regarding the problem. Data collection was done by interviews recorded by voice, daily notes, observations (field), and document analysis which include reports, plans, manuals and publications.

The point of this examination proposition was to research the genuine thought of Islamic bank and their connection with corporate social duty in Saudi Arabia. The investigation attempts to assess the example and inclinations of CSR rehearsed by Islamic banks. It additionally attempts to discover the impact of Islamic Tenets on the CSR practices of Islamic banks. To accomplish these, this examination will pursue a blended strategy to explore the outcomes that are free of measurable systems, relationships, or some other scientific counts; they really rely upon translating substantial and non-numerical content-based information.

## **RESULT AND DISCUSSION**

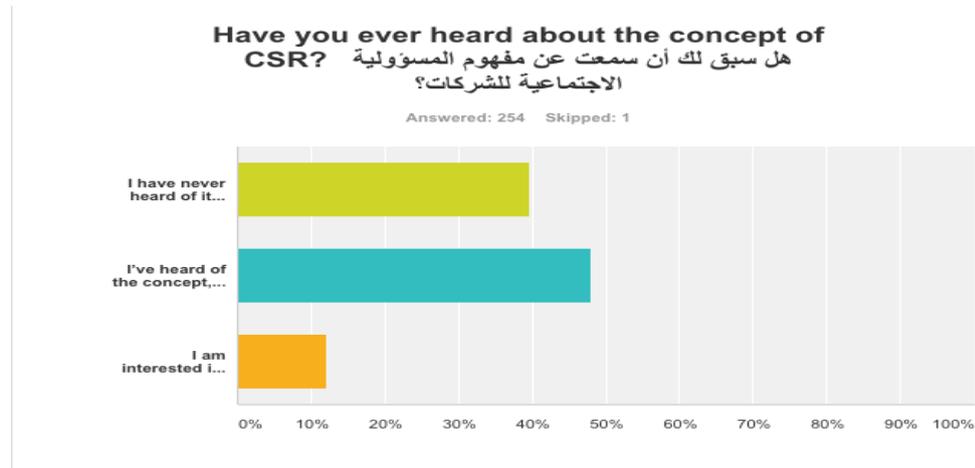
Data for this study consist of two parts: the first part which is a survey focused on the opinion of 250 bank customers regarding the CSR activity and the second part which is an interview with two banks to know their principles of CSR and how it is related to Islamic sharia. First, the survey consists of a total of five (150) surveys. The participants in this study were male and female bank customers and the personality of the respondents was kept classified by doing out pen names P1 for Participant 1, P2 for Participant 2, et cetera. The translation of discoveries is composed alongside the examination's exploration questions and subquestions, and subjects that arose all through the members' reactions and the materialness of a few speculations introduced in the writing survey. The second part consists of meetings with two bank agents: the first is from Alriyad Bank and the second one from Alrajhi Bank and the meeting was basic and the following segment will examine the outcome.

### **PART ONE SURVEY**

#### ***The Concept Of CSR***

According to the study as shown in Figure 1, which targeted 250 bank customers, the study revealed that 40% of the bank's customers heard about

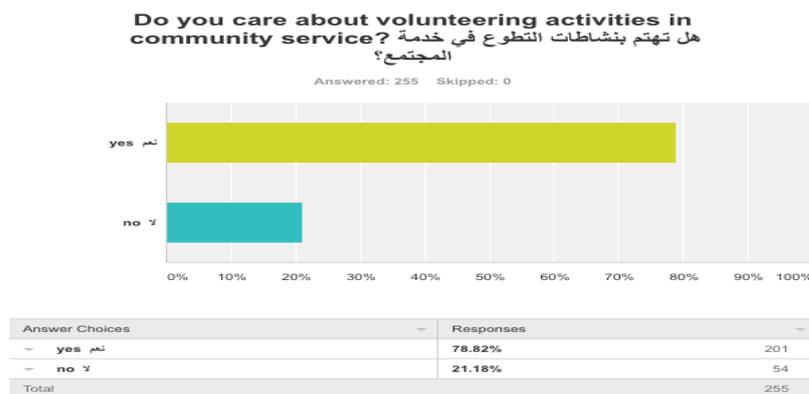
the concept of social responsibility for companies, but don't really know what it is the concept which indicate that the majority of the target segment have a lack of awareness or unclear idea about the concept of social responsibility, which means that Companies should focus on clarifying the concept for the society but this does not mean that companies or banks do not provide services to the community but rather that the community does not know the name of this services.



**Figure 1.** Enquiry on The Concept Of CSR

**The Concept of CSR**

Based on Figure 2, the ratio shows the interest of society to voluntary activities and volunteer work in the whole work of non-profit and non-functional or professional ,carried out by an individual or group of individuals in order to provide any assistance to any segment of the human segments and volunteer activities encourage by all heavenly religions, including the Islamic religion so g a large proportion of the community of all ages focuses participate in awareness activities and help others, especially that volunteering helps to create an atmosphere of brotherhood and noble values and social solidarity and sponsor the development of intellectual abilities and rooting Islamic principles and empathy based on religious foundations and the Volunteer work can restricted to simple actions.



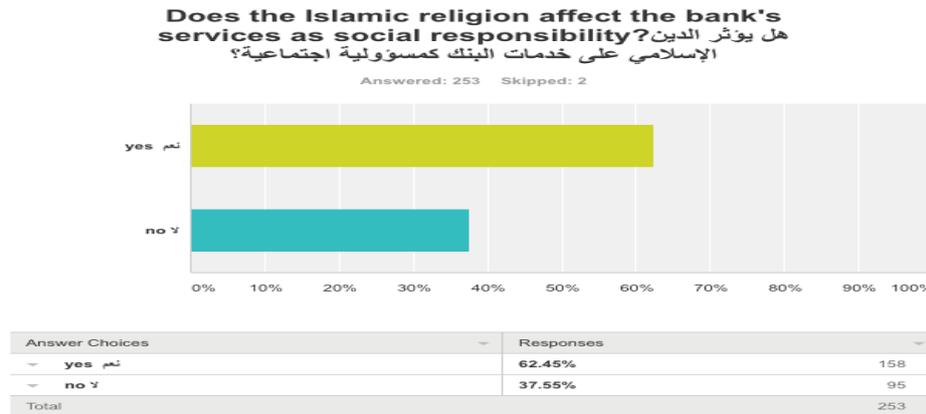
**Figure 2.** Interest of Society to Voluntary Activities***The Bank Activities as Social Responsibility***

Based on Figure 3, According to the study the majority of the bank customers Do not participate in the activities and services provided by banks as a service to the community which is mean They do not participate in the activities and services provided by banks as a service to the community. This can indicate two things first the lack of activities and initiatives provided by the bank, which means that banks do not provide enough activities and initiatives that entice the society to participate in them or second part can refer that the banks do not properly and clearly announce the activities they offer to the community. The banks should focus on disclosing the activities provided to society as social responsibility because this is important in highlighting the level of the bank's activity and thus a strong indicator of social development. so, this agreed with the World Business Council for Sustainable Development, which said the important of CSR is to contribute to social development and improve the living conditions of the community.

**Figure 3.** The Bank Activities as Social Responsibility***The Influence of The Islamic Religion Approach in The Bank Activities As CSR***

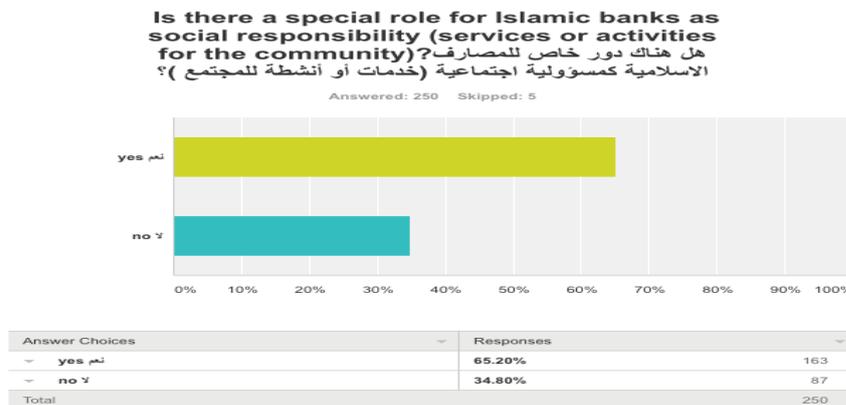
According to the study Which was conducted on 250 of the customers of the bank 60% of Participants agree that the Islamic religion has an impact on the activities of banks as a social responsibility, which indicates that the Islamic religion directly affects the banks particularly in Saudi Arabia as it is a state that implements the Sharia law as the first constitution and this influence is concentrated in several principles, The most important is the prohibition of dealing with usury Second, ethical standards When Muslims invest their money in something that must be beneficial to the individual and society and thirdly the moral and social values where the Holy Quran calls all its followers to care and support the poor and the needy,so financial institutions should provide assistance to those in need and fourthly to the comprehensive concept of justice, as all concerned parties must participate in the sharing of risk and profit for any project. Therefore, the results of the study agree with the

statement that commercial activities are a religious obligation in Islam (Shibani, 1997).



**Figure 4.** Influence of The Islamic Religion Approach in The Bank Activities  
3.1.5 Role of Islamic Bank as Social Responsibility

Based on Figure 5, According to the study 65.20% from Participants agree that the Islamic bank have a special role as social responsibility which mean Islamic banks have a significant role in society and have a special role in providing services and activities that satisfy the Muslim community. According to the participants, these services focus on providing support and assistance to the needy and contributing to the education of orphans and supporting charitable societies and supporting contests and memorizing Quran and other activities. Note that Islamic banks focus on external activities rather than providing banking services that are compatible with the idea of Islamic banks.



**Figure 5.** Influence of The Islamic Religion Approach in The Bank Activities

**PART TWO INTERVIEWS**

*Al-Riyad Bank*

The concept of "social responsibility and community service" occupies an advanced position and a prominent address within the priorities of Riyad Bank The following pillars are the values that form the starting point of Riyad Bank

in its activity in community service and social responsibility: Vision: Riyad Bank has its own vision in the field of community service, which is based on adopting promising programs of public benefit, and helping people to improve themselves. Sustainability: Riyad Bank is quick to receive display projects and activities went for accomplishing a subjective expansion to the Bank's commitment to feasible advancement. Activity: Riyad Bank comprehends that "social work" in its genuine viewpoint requires genuine undertaking to give creative thoughts that can get constructive change the lives of individuals and society alike. Association: concerning Riyad Bank, social work requires an aggregate exertion in which endeavors are joined together and where goals and will unite to improve things. The Bank strives to consolidate the concept of corporate social responsibility as a key rule of the bank's excellence and a source of understanding of belonging and loyalty to the land of this country and its people. The Islamic sharia affects a lot taking in consideration we are working in an Islamic country, so all of your transactions are built on the basis of the Islamic religion. Islam has a great influence in terms of the first prohibition of transactions of usury in all its forms and the second commitment to ethical standards, where our clients ensure that their investments and transactions are useful and also our commitment to ethical and social values. The Qur'an calls on all its followers to take care of and support the poor and destitute. This is not limited to charitable donations, but also to the provision of non-profit loans.

### ***Al- Rajhi Bank***

As one of the principal Islamic banks on the planet, our items have been embraced as a good example for banks locally, provincially and universally. Each result of our items is completely agreeable with the arrangements of the Sharia, in the wake of being deliberately considered by the Sharia Committee, which incorporates a determination of the most recognized researchers in the Kingdom, we work as per the affirmed strategies regarding business, acquisition of hardware, venture administration and inside upkeep, through which we apply the largest amounts of social obligation. We are earth capable as far as vitality utilize and squander reusing. Our qualities keep up the obligation of the social obligation in the asset area which Strengthening shared steadfastness and building individual associations with every worker. The representative and the business share a similar social vision, which adds to building a family inside the bank, the social duty of the bank is constantly dedicated to a progression of social projects inside an unmistakable philosophy in different divisions of society, including training, wellbeing and others Through our brilliance in network benefit programs, we have accomplished ahead of everyone else in the field of philanthropy.

Our obligation towards our locale is dependably at the front line of our duties and is one of the key goals that Al Rajhi Bank is seeking after. One of the qualities we esteem is that we are an individual from the network and dependably endeavor to give the best of all in the public arena. the majority of our items are completely Sharia agreeable and every one of our administrations are ponder by an authorize board of trustees.

There are a number of key factors, which are at the core of the work of Al Rajhi Bank as an Islamic bank, the most important of which is Dependence on Shariah which The Bank's practices are governed by Islamic Shari'a according to the vision and jurisprudence of the Shariah Committee which governs its actions. Consequently, all the products and services it provides come within the framework of the teachings of Islamic Sharia, Prohibition of usury the basic rule of Islamic financial transactions is the renunciation of riba processes, whether these transactions are carried out directly or by other names. The source of increased money is effort and labor. This means that money is not the only source of increased profits, and that money should not generate money, but labor and effort. Risk Sharing when a client shares a bank, the individual and the bank share the risks inherent in any partnership between them.

## CONCLUSION

The objectives of this work were to investigate the relationship of Islamic banks toward CSR from Al-Shariah and Islamic CSR standards perspective; what's more, to examine if the Shariah Board has any job in creating CSR strategies. Along these lines, this investigation was directed in two Islamic banks in Saudi Arabia and A study was likewise appropriated to around 250 of bank clients. This technique has been pursued to guarantee precise outcomes from all side bank as suppliers of social administrations and clients profiting from these administrations. The outcomes acquired from the information investigation demonstrated that these banks are rehearsing the base CSR and the client's assessments affirmed that Islamic banks have a job however are few and don't distinctive essentially from different banks, this shows Islamic bank have the goal and want to add to the welfare of person driven by religion drive. This is regardless of the contrasts between banks as each bank has its own particular manner of giving administrations to the network. This outcome could be because of various reasons, for example, they are confounded among philanthropies and CSR for that they don't have a decent organized arrangement that covers all Corporate social duty and from opposite side the client don't have a decent foundation on the idea of social obligation.

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