SHARIAH, SOCIAL, ENVIRONMENTAL & GOVERNANCE DISCLOSURE OF ISLAMIC BANKS IN MALAYSIA

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Abstract

This study examines Shariah, social, environmental, and governance (SSEG) disclosures in Malaysian Islamic banks from 2019 to 2023. Employing a qualitative exploratory approach with content analysis methodology, the research systematically evaluates annual reports from four institutions: Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB), Malaysia Building Society Berhad (MBSB), and Hong Leong Islamic Bank (HLISB). The primary objectives are to evaluate the corporate social responsibility (CSR) disclosure performance of these banks and to compare the differences in the use of phrases and graphical content in their disclosures. The findings indicate a significant trend towards enhanced transparency and a stronger commitment to social initiatives, particularly in the realms of Shariah compliance and governance. Moreover, the research contribute to the body of the literature by identifying critical gaps in environmental sustainability disclosures, suggesting that these banks have not adequately addressed their strategies and actions relating to environmental protection. This deficiency poses a challenge in aligning with global sustainability demands and highlights the need for improved accountability in environmental matters. Overall, the study underscores the evolving landscape of CSR practices among Islamic banks in Malaysia, reflecting both progress and areas requiring further development.

Keywords: *CSR disclosure, Shariah, Social, Environmental, Governance, Islamic Banks, Malaysia*

Abstrak

Kajian ini meneliti pendedahan Syariah, sosial, alam sekitar, dan tadbir urus (SSEG) dalam bank Islam Malaysia bagi tempoh 2019 hingga 2023. Menggunakan pendekatan penerokaan kualitatif dengan metodologi analisis kandungan, penyelidikan secara sistematik menilai laporan tahunan daripada empat institusi: Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB), Malaysia Building Society Berhad (MBSB), dan Hong Leong Islamic Bank (HLISB). Objektif utama adalah untuk menilai prestasi pendedahan tanggungjawab sosial korporat (CSR) bank-bank ini dan untuk membandingkan perbezaan penggunaan frasa dan kandungan grafik dalam pendedahan mereka. Penemuan menunjukkan trend ketara ke arah peningkatan ketelusan dan komitmen yang lebih kukuh terhadap inisiatif sosial, terutamanya dalam aspek pematuhan Syariah dan tadbir urus. Selain itu, kajian ini menyumbang kepada badan literatur dengan mengenal pasti jurang kritikal dalam pendedahan kelestarian alam sekitar, menunjukkan bahawa bank-bank tersebut masih belum menangani secara memadai strategi dan tindakan mereka yang berkaitan perlindungan alam sekitar. Kekurangan ini menimbulkan cabaran dalam penyesuaian dengan tuntutan kelestarian global dan menekankan keperluan untuk peningkatan akauntabiliti dalam hal alam sekitar. Secara keseluruhan, kajian ini menekankan landskap CSR yang sedang berkembang di kalangan bank Islam di Malaysia, mencerminkan kemajuan serta bidang yang masih memerlukan pembangunan seterusmya.

Kata kunci: Pendedahan CSR, Syariah, Sosial, Alam Sekitar, Tadbir Urus, Bank Islam, Malaysia

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List of Abbreviations

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institution
BNM	Bank Negara Malaysia
BIMB	Bank Islam Malaysia Berhad
BMMB	Bank Muamalat Malaysia Berhad
CSEAR	Centre for Social and Environmental Research
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
GRI	Global Reporting Initiative
HLISB	Hong Leong Islamic Bank
IFSA	Islamic Financial Services Act
IFSB	Islamic Financial Services Board
MBSB	Malaysia Building Society Berhad
OECD	Organization for Economic Cooperation and Development
SSB	Shariah Supervisory Board
SSEG	Shariah, Social, Environmental, and Governance
VBI	Value-Based Intermediation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The notion of companies possessing a social responsibility as opposed to generating a profit was around for centuries, but it didn't achieve significant recognition until the post-World War II era. The current generation of CSR is usually traced back to the 1950s, with Bowen's book "Social Responsibility of Businessmen" published in 1953 (Sengupta et al., 2020). This essential work stated the idea that companies have a duty to pursue values and the principles that are good for society, instead of just to make a profit.

A number of theories currently exist to describe CSR, including stakeholder theory, which highlights the necessity of taking in account the interests of all stakeholders (workers, customers, suppliers, and communities), instead of just shareholders (Freeman, 1984). The understanding and practice of CSR is evolving over the years. The knowledge and application of CSR has evolved over the decades. Based on the World Business Council for Sustainable Development, CSR represents the constant dedication by corporations to perform its duties morally in order to contribute to sustainable growth whereas increasing the quality of life of employees and their households, as well as the community (Sengupta et al., 2020). The broader concept of CSR covers not only charitable contributions, but also a commitment to moral, sustainable, and socially responsible business operations.

The globalization of industry is making CSR bigger and more complex. Companies are currently beneath an abundance of pressure to address global environmental and social challenges. Which is why organizations like the UN Global Compact and the Sustainable Development Goals (SDGs) have been established (United Nations, 2015). Public demands, regulatory requirements, and the need for long-term sustainability are encouraging progressively more companies to integrate CSR in their business strategies. Companies are also being under surveillance for how they affect people and the globe as well, which makes them more transparent and accountable (Porter & Kramer, 2006). There are plenty of causes for the swift increase in understanding of CSR. Those variety of causes, such as the community's growing knowledge and awareness of the social and environmental impacts of business, as well as the acknowledgment that ethical corporate behaviour may aid businesses (Rahdari & Anvary Rostamy, 2015).

Business organizations in the financial sector now view CSR as a core component of ethical that contributes to sustainable enterprise success. A fundamental mandate of Shariah law in Islamic banking requires dedicated transparency toward ethical behavior throughout all banking operations alongside pressing for social justice and community welfare. Customers, regulators, and investors now assess companies through their performance, demonstrating the organizations' brpoader engagement with societal welfare alongside financial results in CSR initiatives. CSR principles become highly relevant to Islamic principle which is *Maqashid al-Sharia,* which focus on human welfare and communal fairness. (Jusoh & Ibrahim, 2017; Wan Jusoh et al., 2015).

From the Islamic perspective, social responsibility has a longstanding significance, with two key practices identified as manifestations of this concept: the collection of zakat and the forbade practice of riba (usury). Islam encourages Muslims to demonstrate kindness towards all creatures and humans as evidence of their faith. Therefore, the topic require brought up together with the idea of Tawhid (the Almighty) and Shariah principles. (Dusuki & Abdullah, 2007)

These ideas hold that in order to attain *maqasid Shariah*, people must continue to establish positive relationships with Allah, other people, and the environment. These connections also hold true for any kind of corporate entity that considers itself to be Shariah compliant, such as those in manufacturing, banking and finance, agriculture, and other industries. In order to preserve the environment and respect the rights of all stakeholders, including shareholders, employees, consumers, and society at large, organizations should make sure that all business activities and transactions adhere to Shariah principles.(Abdul Rahman et al., 2010)

Therefore, Islamic financial institutions must include CSR practices within their operations due to religious requirements, and this requirement separates Islamic banks from conventional banking models. Muslim banks rely on ethical investment practices and charitable work because their Shariah principles disallow riba while forbidding support to unethical industries (Wan Jusoh & Ibrahim, 2020). These institutions use their ethical framework as a direction for financial operations while shaping CSR plans prioritizing community development and social equity. Research in Malaysia shows that Islamic banks direct their CSR efforts toward educational social development initiatives as part of their commitment to community welfare development (Wan Jusoh & Ibrahim, 2020).

Islamic finance regards Malaysia as a key geography in which its regulatory system and market conditions create perfect circumstances to analyze CSR activities in Islamic banking. Research shows that Malaysian Islamic banks implement multiple CSR frameworks but depend predominantly on traditional models. Only 32.4% of Islamic banks exclusively follow the Bursa Malaysia CSR Framework per Jusoh & Ibrahim (2020), yet others implement it along with their self-developed CSR frameworks. A customized CSR framework that respects Islamic principles becomes essential to achieve uniform CSR reports that benefit all stakeholders (Wan Jusoh & Ibrahim, 2020; Amran et al., 2017). The standardized approach scientists advocate offers a better evaluation mechanism for non-financial CSR activity consequences, strengthening support for a bespoke CSR framework (Wan Jusoh & Ibrahim, 2020).

Islamic banks require their operational framework to adopt social objectives for adequate progress towards socio-economic justice and sustainable development. Research indicates that Islamic banks should move beyond simple profit pursuits since their broader societal responsibilities support their ethical financial identities (Aisyah et al., 2022). The recognition of Islamic banks as social agents who operate beyond financial transactions to embody CSR program objectives sets social change and sustainable development as priorities, according to Noor et al. (2015).

The convergence between CSR principles and Islamic banking practices in Malaysia establishes a distinctive platform for studying how financial institutions might achieve ethical compliance and positive societal impact. Islamic finance prioritizes sustainability and responsibility through individual CSR frameworks and ethical activities, demonstrating increased CSR importance for sector-wide sustainable development.

1.2 Problem Statement

Current knowledge about the disclosure level and quality of CSR reporting in Islamic Banks needs exploration despite CSR being naturally compatible with Islamic finance ethical standards. In the broader context, CSR also knonw as Environmental, Social, and Governance (ESG) activities, that have transitioned from niche concerns to mainstream business imperatives, driven by regulatory pressures and stakeholder demands for ethical practices (The Edge Malaysia, 2024). Yet, global adoption remains uneven. In Malaysia, for instance, Bursa Malaysia reports persistently low ESG integration among listed firms (Bursa Malaysia, 2024), reflecting broader challenges in emerging markets: resource constraints, short-term financial pressures, and standardization gaps that enable greenwashing (Abdelsalam et al., 2023).

This disconnect underscores a deeper tension between modern ESG frameworks and timeless ethical paradigms. Surah Al-Mulk (67:15) anchors sustainability in divine trust (*amanah*) and accountability (*mas'uliyyah*), offering a *Tawhidic* epistemological foundation for ESG (Al-Qur'an, n.d.). Under this lens, ESG transcends compliance to embody *khalifah* (stewardship), *Halalan Toyyiban* (ethical consumption), and *Ummatic Excellence*—principles that align with but expand beyond conventional ESG metrics.

The research landscape shows extensive studies of CSR disclosures for conventional banks yet lacks substantial empirical analysis regarding Islamic banks which is particularly sparse in Malaysia. Existing CSR reporting practices show deficits in adequacy and transparency levels across the Islamic banking sector while maintaining uniform standards (Haniffa & Hudaib, 2007).

The incomplete knowledge about CSR disclosure practices in Islamic banks leads to multiple vital consequences. When stakeholders lack a complete understanding of CSR disclosure practices, they find evaluating Islamic banks' dedication to their ethical and social duties more challenging. Current understandings reveal a gap that weakens regulatory frameworks that mandate transparency and accountability in CSR practices. Islamic banking institutions face an endangerment of their legitimacy because these entities must maintain exemplary ethical practices according to Shariah expectations (Haniffa & Hudaib, 2007).

The previous literature, for example Maali et al. (2006) shows that the gap between the disclosure of CSR in Islamic banks is lower than stakeholder's expectations. Those studies find that Islamic banks more focus to state thaier responsibility to customers only and lack of transparency in Shariah, social, environment, and governance dimensions. As this study will be focusing onto those dimensions to gather the enhancement of CSR disclosure in Islamic banks.

To narrow the focus, this study considers the operational forms of Islamic banking in Malaysia. Islamic banks in Malaysia operates in 3 forms. First, a full-fledged Islamic bank which a bank that possess a full sharia principle in their operations. Next, Islamic bank that is a subsidiary of a conventional bank. Lastly, window banking which is a conventional bank that delivers product with Islamic's principles. The previous literature has explored CSR reporting in islamic banking in general and not yet investigate the CSR initiative in particular type of Islamic bank. This study will specialize the research on the full-fledged Islamic bank in Malaysia.

This study focuses exclusively on full-fledged Islamic banks in Malaysia due to three justifications. First, theoretically full-fledged Islamic banks have a distinct Shariah governance structure that sets them apart from conventional banks and Islamic windows. These banks have stronger governance frameworks and stricter disclosure requirements, this is because these banks operated under Shariah Supervisory Board (SSB) and Accounting and Auditing Organization for Islamic Financial Institutions

(AAOIFI). Additionally, these banks align with the principles of Maqasid al-Shariah (objectives of Islamic law), focusing on social justice, environmental care, and overall welfare. Researchers like Dusuki & Abdullah (2007) and Hassan & Syafri Harahap (2010) show that full-fledged Islamic banks disclose more social and ethical activities compared to Islamic windows, emphasizing their commitment to holistic values.

Second, regulatory obligations justification. The full-fledged Islamic banks in Malaysia have many company-parents policies. Bank Negara Malaysia (BNM) enforces strict rules on full-fledged Islamic banks through the Islamic Financial Services Act (IFSA, 2013), the Value-Based Intermediation (VBI) Scorecard (VBI Guideline, 2023) requires these banks to report on sustainability, social impact and governance separately. Prior research (Haniffa & Hudaib, 2007) confirms that full-fledged Islamic banks in Malaysia disclose more extensive social, environmental, and governance (SEG) activities than conventional banks, primarily driven by Shariah compliance requirements.

Last, empirical justification. There are studies that exclusively analyze full-fledged Islamic banks for consistency. For example, Platonova et al. (2018) studied GCC-based Islamic banks to avoid the mixing data from conventional banks. Mustapha et al. (2011) also studied on full-fledged Islamic banks from Saudi Arabia to to ensure consistency and accuracy in his research.

Additionally, most of the previous researches ignore the formatting heterogeneity. The differences in CSR disclosure formats are rare to analyze among scholars. Aribi & Gao (2010) stated that formatting differences affect stakeholder readability but are understudied. There are a few studies that compares the word count in CSR disclosure, like Platonova et al. (2018) , but they ignore the visual of CSR disclosure.

Through analysis of full-fledged Islamic banks' CSR disclosure practices in Malaysia, this study strives to address identified shortcomings and the gap. The analysis of annual reports from four Islamic banks between 2019 and 2023 enables this study to explore CSR disclosure in certain themes and formatting patterns while showing their alignment with Islamic values.

1.3 Research Questions

There are two questions for this research:

1. What are the CSR disclosures performance of Islamic Bank in Malaysia during 2019-2023?
2. How different are the CSR disclosure of phrases and graphics content between the Islamic Banks?

1.4 Research Objectives

1. To evaluate the CSR disclosure performance of Islamic Banks in Malaysia from 2019 to 2023.

2. To compare the differences in CSR disclosure between phrases and graphics content among Islamic Banks in Malaysia.

1.5 Significance of the Study

The key aspects that explains significance of this study are as follows:

1. This study will extend the literature review of CSR disclosure in full-fledged islamic banking, especially in Malaysia.
2. This research completes a missing academic study of CSR disclosure practices in Malaysia's full-fledged Islamic banking
3. This research evaluates Islamic banks' CSR communication to stakeholders through an exhaustive analysis of their disclosure practices.
4. The research will guide government regulators, policymakers, and market professionals. Results from the study can help regulators develop a reporting standards and frameworks and allow policymakers to construct approaches for ensuring CSR transparency and accountability in a full-fledged islamic banking.
5. This research can be a CSR disclosure guideline so the full-fledged Islamic banking institutions can boost their credibility with stakeholders while improving their reputation.
6. The future study can diverse the findings by adding new themes to explore CSR items that has been disclosed or examine the impact of CSR on financial performance in a bank.

1.6 Scope of the Study

This study focuses on exploring CSR items in Islamic banks. The previous study still focus on only one islamic bank or all islamic banks without considering the form of the islamic bank. This research differs from the previous because it will only focus on the 'full-fledged' islamic banks in Malaysia.

This study aims to explore the items that has been disclosed as CSR in full-fledged islamic banks. This research is also aiming to see the consistency of the banks in reporting CSR using phrases and graphics.

This study sets the population of islamic banks in Malaysia. The samples are the full-fledged islamic banks in Malaysia. This study is using the data in annual report in the 5 years back period. This research gathers the secondary data and conducts with content analysis. This study will present as qualitative research. The challenges of this study are the chance of incomplete secondary data, the limits of literature review and the minimum time that given to conduct the study.

1.7 Definition of Key Terms

The key terms of this study are : shariah, social, environmental, governance, Islamic banks and Malaysia.

Shariah is a synonym word for Islamic law. Shariah, derived from the Arabic term meaning "path" or "way," represents the divine law and ethical framework in Islam. It is rooted in the Quran and the Sunnah (teachings and practices of Prophet Muhammad, peace be upon him) and is further elaborated through scholarly consensus (ijma) and analogical reasoning (qiyas) (Kamali, 2008). Its overarching objectives, known as Maqasid al-Shariah, focus on preserving essential human values such as faith, life, intellect, property, and lineage, promoting the common good and preventing harm (Al-

Ghazali, 1937). Shariah as a Corporate Social Responsibility (CSR) theme integrates Islamic ethical principles into business practices, ensuring alignment with the moral, social, and environmental mandates of Shariah law. It reflects the objectives of Maqasid al-Shariah, which emphasize social justice, environmental stewardship, and the equitable distribution of wealth (Dusuki & Abdullah, 2007).

Social refers to the responsibilities and obligations that organizations have toward society and their stakeholders, including employees, customers, communities, and the broader public. According to (Carroll, 1991), the social dimension of corporate responsibility is an integral part of the broader framework of Corporate Social Responsibility (CSR), which includes economic, legal, ethical, and philanthropic expectations that society places on organizations. This includes initiatives like community development, workplace diversity, education programs, and support for social causes.

Environmental refers to a company's responsibility to manage its impact on the natural environment. This includes minimizing negative effects such as pollution, resource depletion, and habitat destruction while promoting sustainability through practices like energy efficiency, waste reduction, and the use of renewable resources. the environmental dimension is one of the three pillars of the Triple Bottom Line framework, which urges corporations to measure success not only by financial performance but also by their environmental and social impact. Companies are expected to adopt sustainable practices, comply with environmental regulations, and contribute to the long-term health of ecosystems and communities (Elkington, 1999).

Governance refers to the system of rules, practices, and processes by which a company is directed, controlled, and held accountable. Corporate governance deals with ensuring that corporate managers act in the best interests of shareholders, minimizing conflicts of interest, and promoting organizational efficiency. It includes structures like boards of directors, internal controls, accountability mechanisms, and policies that guide the organization's strategic direction and risk management. (Shleifer & Vishny, 1997)

Islamic bank is a financial institution that operates in compliance with Shariah, which prohibits activities involving interest, excessive uncertainty, and investments in unethical or harmful industries, such as gambling and alcohol. Instead, Islamic banks employ profit-sharing, asset-backed financing, and socially responsible investing to ensure that financial transactions align with ethical and religious principles. (Iqbal, 2011)

The emergence of Islamic banking practices in Malaysia has been substantial over the years, establishing the nation as a prominent player in the global Islamic finance sector. Malaysia's dual banking system facilitates the coexistence of Islamic and conventional banks, underpinned by robust regulatory backing from the Central Bank of Malaysia (Bank Negara Malaysia) and the presence of a specialized Shariah Advisory Council. Islamic banks in Malaysia focus on promoting social justice, enhancing financial inclusion, and fostering sustainable development through various initiatives, including zakat contributions and microfinance programs. This comprehensive framework has drawn the attention of both domestic and international stakeholders, positioning Malaysia as a central point for innovation and development in Islamic banking.(Dusuki & Abdullah, 2007)

1.8 The Organisation of the Study

Chapter one contains introduction that outlines background, problem statement, research questions, objectives, the significance of the study, key-term definition and the ogranisation of the study. Chapter two deals with the reviewing of literature which will explore the previous studies. Chapter three discusses the methodology that describes the method of this study and the data that uses by this study. Chapter four deals with the analyses of the data used for this study and discussion. Chapter five entails conclusion and recommendation of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two deals with the reviewing of literature which will explore the previous studies. This chapter has a structure as follows: a brief explanation of the theories that related to CSR disclosure. Then, it follows with the paragraphs of social responsibility definition. Next, a brief description about Islamic Banks in Malaysia. Moreover, this chapter will cover about CSR initiatives in Malaysia, a comprehensive review of the previous studies, and it ends with the summary of this chapter.

2.2 Theory Basis

There are two theories that relate to this study, with the following explanation:

2.2.1 Stakeholder Theory

Emphasizing the importance of addressing the interests and needs of all stakeholders in the making of organizational choices, stakeholder theory serves as a fundamental framework within company ethics and governance in general. (R. E. Freeman, 1984) Initially introduced by R.Edward Freeman (1984), this theory posits that companies exist not as standalone entities but as part of a complex web of interactions with numerous stakeholders, each possessing a legitimate interest in the company's operations and outcomes. From this perspective, a company's ability to effectively manage and integrate the diverse interests of its stakeholders is crucial for its long-term sustainability and success. (R. E. , Freeman et al., 2010)

In the realm of social disclosing and sustainability, stakeholder theory holds significant relevance as it provides a foundational framework for understanding the rationale behind businesses adhering to ethical practices. By carefully considering the needs of stakeholders, businesses can build trust, enhance their reputation, and foster long-term relationships that contribute to their competitive advantage (Donaldson & Preston, 1995). Furthermore, stakeholder theory encourages a dedication to societal expectations, thereby enhancing the concepts of moral governance and accountability (Jones et al., 2018).

Within the context of Islamic banking, the importance of stakeholder theory is heightened due to the industry's adherence to ethical and Shariah-compliant policies. Islamic banks are anticipated to embody fundamental principles of social justice, equitable wealth distribution, and societal welfare, which are central to Maqashid Shariah (Dusuki & Abdullah, 2007). Stakeholder theory enhances the Islamic banking designs by offering a systematic framework for identifying and addressing the needs of various stakeholders, such as depositors, investors, regulatory authorities, and the broader community (Aribi & Gao, 2010).

2.2.2 Accountability theory

The theory of accountability offers a structured approach to analyze the mechanisms and regulations through which individuals and organizations are held responsible for their actions, choices, and outcomes. Accountability theory, informed by the domains of company behavior, management, and morals, emphasizes the importance of transparency, responsibility, and the duty to provide justification for actions to the parties.(Tetlock, 1985) Within the context of business governance, authorities, and CSR, the theory holds significant relevance as it offers a foundation for understanding how businesses can cultivate legitimacy and trust among their employees.

The theory of accountability emphasizes the significance of transparency and disclosure as fundamental elements of accountability. Disclosure pertains to the specific reporting of actions, decisions, and outcomes, whereas transparency involves the prompt and open dissemination of information. Disclosure and openness are critical for stakeholders to assess organizational performance and ensure accountability for corporate activities. (Hess, 2007) Accuracy and openness are essential components within the framework of CSR, serving as evidence of a company's commitment to ethical behavior and the environment.

In the context of Islamic banking, transparency serves as a fundamental Shariah principle that aligns with the core tenets of Maqasid al-Shariah (Dusuki & Abdullah, 2007). In Islamic banking, accountability mechanisms encompass not only financial performance but also ethical conduct, social impact, and adherence to Shariah principles.

2.3 Social Responsibility Concept

Social responsibility denotes the obligation of businesses to generate a positive influence on society while executing their operations in an ethical and sustainable manner. This concept includes practices that tackle environmental, social, and economic challenges, illustrating that a company's objectives go beyond merely generating profit. By implementing these initiatives, businesses cultivate enduring trust with stakeholders, such as customers, employees, and communities. Carroll & Shabana

(2010) highlight that social responsibility plays a vital role in contemporary business strategy, integrating profitability with the welfare of society.

An important aspect of social responsibility involves the management and care of the environment. A significant number of companies have adopted strategies aimed at reducing their environmental footprint, including the implementation of sustainable production methods, waste reduction initiatives, and the promotion of renewable energy projects. Unilever has set a target to reach net-zero emissions throughout its supply chain by 2039, showcasing its commitment to environmental sustainability (Unilever, 2023). These initiatives appeal to environmentally aware consumers and correspond with worldwide issues regarding climate change and the sustainability of resources.

Community development represents a crucial component of corporate social responsibility. Businesses frequently engage in efforts related to education, healthcare, and poverty alleviation to enhance the well-being of the communities they serve. Microsoft initiated the Global Skills Initiative aimed at enhancing digital literacy and technical skills among underserved communities globally. This effort seeks to bridge the digital divide and empower individuals to succeed in a technology-driven economy (Microsoft, 2023). These initiatives demonstrate the capacity of companies to influence societal advancement by tackling local issues and fostering equitable development.

Islamic banking manifests its social responsibility approach based on Islamic principles alongside ethical standards, which promote communal welfare and ethical business practices. The dual nature of Islamic banking demands that these institutions generate profits while simultaneously implementing practices that benefit the wider community and are in line align with Islamic ethical standards. A unique CSR framework must be developed exclusively for Islamic banks because conventional, Western CSR models utilized by many banks fall short of representing full Islamic values (Wan Jusoh & Ibrahim, 2020).

Additionally, Islamic banking CSR practices reflect Shariah principles, which focus on community welfare, ethical behavior, and social justice values (Maali et al., 2006). Islamic banks couple commercial pursuits with social goals, including equitable resource distribution, environmental protection, and social advancement through their financial practices. According to Maali et al. (2006), Islamic banks obtain their reputation for having a "social face" through principles mandating more open accountability and transparency with CSR activities. The report established that Islamic banks that pay zakat comply with more excellent social disclosure standards than banks that do not have this requirement.

The CSR concept applied within Islamic banking requires an exclusive framework because it connects strongly to Islamic moral and ethical precepts. Islamic banks experience the dual benefits of advancing their societal duties and improving financial results alongside stakeholder confidence by incorporating CSR practices into their daily operations.

2.4 Islamic Banks in Malaysia

In Malaysia, Islamic banks function through three distinct forms. A dual banking system should be established alongside conventional banks to provide Shariah-compliant financial services. These banks adhere to Islamic principles that forbid interest (riba), uncertainty (gharar), and investments in non-halal activities. The Islamic Financial Services Act (IFSA) 2013 serves as the primary regulatory framework for

Islamic banking, outlining the guidelines for financial activities that comply with Shariah principles. Furthermore, Bank Negara Malaysia (BNM) regulates the activities of Islamic banks and guarantees adherence to standards via its Shariah Advisory Council (SAC) (Bank Negara Malaysia, 2023). The frameworks have played a significant role in establishing Malaysia as a prominent center for Islamic finance on the global stage.

Another significant form is the Islamic banking windows operated by conventional banks. This model allows conventional banks to offer Islamic banking services without establishing a separate entity. Mizuho Bank Malaysia Berhad, for example. Mizuho Bank Malaysia Berhad has begun operating its Islamic Banking Window (IBW), facilitating the offering of Islamic finance products in the country's national currency, Malaysian Ringgit. The initiation of IBW operations underscores Mizuho Bank Malaysia's dedication to bolstering the Malaysian government's initiatives aimed at positioning Malaysia as a frontrunner in Islamic finance. Mizuho Bank Malaysia is dedicated to providing local corporations with expanded funding alternatives and assisting businesses engaged in the halal industry ecosystem in Malaysia. Mizuho Bank Malaysia anticipates that the initiation of its IBW operations will enhance its capacity to contribute effectively to the economic and social growth of the country (Mizuho Bank Malaysia Berhad, 2024).

Finally, the most prominent type of Islamic banks in Malaysia is the full-fledged Islamic banks, which operate entirely based on Shariah principles, avoiding any conventional banking activities. Examples of these banks include Bank Islam Malaysia Berhad (BIMB), which was established in 1983 as Malaysia's first Islamic bank and offers a broad range of services such as retail banking, corporate banking, and Takaful.

Another example is Bank Muamalat Malaysia Berhad (BMMB), founded in 1999, which focuses on personal financing, SME banking, and community-driven financial solutions. MBSB Bank Berhad (MBSB) became a full-fledged Islamic bank in 2018 and stands out for its innovative approach to Shariah-compliant retail and corporate banking as well as wealth management. Similarly, Hong Leong Islamic Bank Berhad (HLISB), which has operated as a full-fledged Islamic bank since 2005, combines Shariah values with modern banking services, offering deposit accounts, financing, and investment options. Together, these banks are key players in shaping Malaysia's Islamic banking landscape, fostering ethical financial practices and driving economic inclusivity.

The diversity of Islamic banking forms in Malaysia demonstrates the adptability of Islamic finance principles to meet various financial needs. This multifaceted system has played a significant role in positioning Malaysia as a global hub in Islamic finance.

2.5 CSR Themes in Islamic Banks

Corporate Social Responsibility (CSR) in Islamic banks is uniquely shaped by the convergence of Shariah principles, social equity, environmental stewardship, and ethical governance. Rooted in maqasid al-Shariah (the objectives of Islamic law), CSR disclosures in Islamic banking transcend conventional philanthropy by mandating alignment with divine ethical imperatives—such as the prohibition of riba (interest) and gharar (excessive uncertainty)—while actively promoting social justice, economic inclusion, and ecological sustainability (Haniffa & Hudaib, 2007; Dusuki & Abdullah, 2007). These disclosures reflect a tripartite commitment: to God (taqwa), society (maslahah), and the environment (hifz al-bi'ah), distinguishing Islamic banks as institutions where financial success is inextricably tied to moral accountability. Together, these themes form a holistic SSEG (Shariah, Social, Environmental, Governance) framework, positioning Islamic banks as pioneers in ethical finance.

The themes of **Shariah** in Corporate Social Responsibility (CSR) disclosure highlight ethical principles rooted in Islamic values, particularly *maqasid al-shariah* (the objectives of Shariah). These principles are designed to foster social justice, economic equity, and environmental sustainability. These themes assist organizations in aligning their business practices with Islamic law, particularly regarding the prohibition of riba (interest), gharar (excessive uncertainty), and activities deemed detrimental to society. CSR disclosures incorporating Shariah themes typically emphasize community welfare, ethical treatment of employees, and responsible environmental practices, demonstrating a commitment to accountability to both God and society (taqwa). These practices hold growing importance for organizations functioning in Muslim-majority countries, as they contribute to the establishment of stakeholder trust and align with the ethical standards expected by Shariah-compliant investors.(Haniffa & Hudaib, 2007)

Social themes present in Corporate Social Responsibility (CSR) disclosure emphasize an organization's dedication to enhancing societal well-being and cultivating constructive relationships with stakeholders. This theme frequently emphasize intiatives concerning community development, education, healthcare, poverty alleviation, and the promotion of diversity and inclusion. CSR disclosures that prioritize social aspects highlight the importance of ethical labor practices, including provision of fair wages, the protection of employee rights, the maintenance of workplace safety, and the facilitation fo professional growth opportunities. Their focus includes the equitable treatment of marginalized groups and initiatives aimed at reducing inequality. Organizations that prioritize social thems seek to illustrate their accountability to society, foster stakeholder trust, and advance development goals. (Carroll, 1999)

The focus on **environmental** themes in Corporate Social Responsibility (CSR) disclosure highlights an organization's dedication to reducing its ecological impact and tackling worldwide environmental issues. Themes in this context generally encompass aspects like energy efficiency, waste reduction, water conservation, pollution control, and the integration of renewable energy sources. Organizations frequently reveal strategies aimed at addressing climate change, safeguarding biodiversity, and promoting sustainable resource utilization. Environmental disclosures emphasize adherence to environmental regulations, financial commitments to green technologies, and collaborations with organizations dedicated to environmental conservation. Integrating environmental themes into CSR practices allows organizations to showcase their accountability and ethical responsibility while aligning with stakeholder expectations for sustainable development and long-term value creation.(Clarkson et al., 2008)

Governance themes in Corporate Social Responsibility (CSR) disclosure emphasize the role of ethical leadership, accountability, and robust management systems in ensuring sustainable and responsible business practices. Companies disclose information about board composition, diversity, independence, and oversight mechanisms to demonstrate ethical governance and equitable treatment of stakeholders. Governance-related CSR also includes risk management strategies, compliance with legal and regulatory frameworks, and policies to ensure stakeholder engagement and participation. By integrating governance themes, organizations signal their commitment to fostering trust, reducing risks, and promoting long-term sustainability.(Jamali et al., 2008)

The evolution of Corporate Social Responsibility (CSR) practices in Islamic banking has been marked by significant advancements, influenced by Shariah principles and an increasing demand for ethical and sustainable financial practices. Islamic banks have integrated CSR as a fundamental aspect of their operations, grounded in principles such as maqasid al-shariah (objectives of Islamic law), which emphasize social justice and economic equity. Initial CSR practices were primarily centered around charitable contributions, including zakat (mandatory almsgiving) and sadaqah (voluntary charity). Over time, these practices have broadened to encompass environmental stewardship, ethical labor practices, and initiatives aimed at community development. Improvements in governance frameworks and the evolving expectations of stakeholders have resulted in more organized and transparent CSR disclosures. Today, Islamic banks focus on integrating CSR with Shariah compliance and global sustainability standards, demonstrating a comprehensive strategy for generating societal value while maintaining ethical principles.(Dusuki & Abdullah, 2007)

The evolution of CSR in Islamic banking underscores a dynamic shift from charity-centric practices (e.g., zakat and sadaqah) to strategic, integrated disclosures that harmonize Shariah compliance with global sustainability standards (Dusuki & Abdullah, 2007). Modern Islamic banks now embed CSR into their core operations, leveraging governance frameworks to ensure accountability (Jamali et al., 2008), social initiatives to address inequality (Carroll, 1999), and environmental policies to mitigate ecological harm (Clarkson et al., 2008). This progression reflects responsiveness to stakeholder demands for ethical rigor and long-term value creation, while adhering to the divine mandate of istiqamah (steadfastness in righteousness). As Islamic finance grows, CSR disclosures will remain pivotal in bridging spiritual obligations with sustainable development, reinforcing the industry's role as a catalyst for equitable prosperity.

2.6 CSR Reporting Practices in Malaysia

CSR reporting initiatives in Malaysia evolve significantly, diven by government policies, stakeholder expectations, and global sustainability trends. The government and regulatory bodies systematically encourage Corporate Social Responsibility (CSR) by implementing a range of mandates, policies, and incentives. Bursa Malaysia, the stock exchange of the country, mandates that publicly listed companies reveal their sustainability and CSR initiatives in accordance with the Sustainability Reporting Framework established in 2016. This framework promotes clarity in tackling environmental, social, and governance (ESG) matters. The 11th Malaysia Plan (2016–2020) and its subsequent iterations have integrated CSR as an essential element for fulfilling national development objectives, especially in domains like environmental sustainability, economic inclusivity, and social equity (Economic Planning Unit, 2015). The Malaysian government provides tax incentives to stimulate private sector involvement in CSR initiatives focused on education, healthcare, and environmental preservation, thereby encouraging companies to align their efforts with national priorities (Bursa Malaysia, 2021).

In Malaysia, CSR initiatives typically focus on areas such as education, environmental sustainability, community development, employee welfare, and inclusivity. Programs centered on education, like the Petronas Education Sponsorship Program, offer scholarships to disadvantaged students in the fields of science, technology, engineering, and mathematics (STEM), thereby promoting fair access to quality education (Petronas, 2022). Environmental sustainability represents a significant area of concentration, exemplified by Nestlé Malaysia's Project RELeaf, which seeks to restore degraded landscapes while fostering sustainable agricultural methods (Nestlé Malaysia, 2021). Community development projects frequently focus on marginalized groups by providing healthcare support, implementing housing programs, and facilitating disaster relief efforts. Maybank Foundation allocates resources to micro-entrepreneurship initiatives, whereas AirAsia Foundation focuses on empowering local artisans and social enterprises (Maybank Foundation, 2023). These efforts indicate an increasing dedication among Malaysian companies to tackle significant social and environmental issues.

On the other hand, reports of social responsibility approaches developed by Malaysian Islamic financial institutions have gained substantioal investigative focus recently. The twin of regulatory requirements combined with core Islamic financial ethics shapes the operational practices in the field. Malaysian Islamic banks demonstrate through their social responsibility reporting their dedication to transparency and accountability practices, which help maintain stakeholder trust and build their ethical reputation. (Musa et al., 2020)

The CSR disclosure practices in full-fledged Islamic commercial banks received focused research attention from 2004 to 2010 through the key studies conducted by Darus et al. According to research by Faizah et al. (2018), Bank Islam stands out above its commercial competition in CSR disclosure practices, which reflects its established proactive transparency and stakeholder engagement. The bank's practice of leading CSR communication demonstrates how individual banks can establish normative practices for CSR engagement across the field.

Harun et al. explored what drives CSR disclosure practices in Malaysian Islamic banks while noting how the revised AAOIFI governance standard No. 7 plays a crucial role in this process. According to Harun et al., 2019, this standard exemplifies CSR disclosure in Islamic banks, motivating them toward broader standardized reporting. Research indicates that agency and stakeholder theories deliver meaningfully constructive insights for analyzing the purpose behind CSR disclosures in this sector. Islamic banks that base their operations on these academic theories will improve their accountability and ensure better responses to stakeholder demands (Harun et al., 2019).

Islamic banks use their ethical identity to determine how they disclose CSR activities. Musa et al..'s observations demonstrate how Malaysia's Islamic finance industry regulatory ethics framework modifies banking employee behavior and molds ethical organizational culture. Islamic banks require this ethical foundation to meet the operational demands of their sector and maintain alignment with Islamic moral principles that promote social justice and community welfare.

Ameer and Bakar (2011) researched the readability levels of CSR messages from Malaysian businesses, revealing distinct differences in language complexity between companies. Companies that delivered poor performance produced difficult CSR reports to hide harmful data, thus providing evidence for the obfuscation hypothesis. This research result emphasizes the need for straightforward and transparent CSR disclosures because Islamic banks must maintain superior ethical principles.

The disclosure of CSR information from Islamic banks continues to exhibit variability in detail and uniformity throughout the sector. Research reveals that selected Islamic banks submit voluntary social disclosures in their annual reports, while other banks omit social information even though they report their Islamic frameworks (Kim Peong et al., 2018). The lack of unified CSR reporting practices demands adopting standardized frameworks like the Bursa Malaysia CSR Framework to improve disclosure accuracy and sector-wide comparability in CSR data (Anas et al., 2015)

2.7 The Previous Studies of CSR Disclosure in Islamic Bank

This study gathers 12 previous literatures that explore the CSR disclosure in Islamic banks. The details are provided in the following table:

Table 2.7-1

No	Author (year)	Method	Sample size, location and (year)	Indexes used
1	Maali, et al (2006)	content analysis	29 Islamic banks, around the world (2000)	disclosure index consists of 30 items
2	Haniffa & Hudaib (2007)	content analysis	7 Islamic banks, Gulf Countries (2002-2004)	ethical index consists of 78 items
3	Belal, et al (2014)	content analysis	1 Islamic bank, Bangladesh (1983-2010)	disclosure index consists of 149 items and 16 themes
4	Hassan and Harahap (2010)	content analysis	7 Islamic banks, Bahrain Bangladesh Malaysia, Saudi Arabia, Kuwait, UAE (2006)	adapted Haniffa and Hudaib
5	Rashid et al (2013)	content analysis	16 islamic banks , Bangladesh, Malaysia, the Arabian Gulf Region (2001-2008)	adapted Haniffa and Hudaib
6	Abdul rahman (2010)	content analysis	1 islamic bank, Malaysia (1992-2005)	Adapted Maali Index
7	Kamla and Rammal (2013)	content analysis	19 islamic banks, all around the word (1997-2004)	adapted Maali, Haniffa & Hudaib, GRI index

8	Zafar and Sulaiman (2021)	content analysis	1 islamic bank of Pakistan (2003-2017)	Maali, Haniffa & Hudaib, Hassan & Harahap, Farook, Aribi & Gao, Platonova
9	aribi et al (2015)	interview and content analysis	7 islamic banks, Bahrain (2006,2008,2010)	Maali, Haniffa & Hudaib, Kamla, Aribi & Gao
10	al haija and kolsi (2021)	content analysis	1 islamic bank , Abu Dhabi Islamic Bank (2014-2019)	adapted GRI
11	Abd-Ghani (2019)	content analysis, regressio n	34 i.banks, Malaysia and Bahrain (2010-2014)	adapted Belal, Maali, Haniffa & Hudaib, GRI, CSEAR, OECD, IFSB, and AAOIFI)
12	Zubairu (2011)	content analysis	4 full-fledged islamic banks in Saudi Arabia (2008-2009)	adapted Haniffa and Hudaib

Previous Literatures

Of these twelve articles, the first three act as fundamental building blocks for the creation of benchmarks meant to standardize corporate social responsibility reporting among Islamic banks. Along with other indexes derived from different international non-profit organizations, including AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions), GRI (Global Reporting Initiative), CSEAR (Centre for Social and Environmental Research), OECD (Organization for Economic Cooperation and Development), and IFSB (Islamic Financial Services Board), the remaining nine articles use indexes modified from the works of Maali et al. (2006), Haniffa & Hudaib (2007), Belal et al. (2015).

In 2006 Maali et al.created a 30-item CSR index to assess social reporting from Islamic banks. Their results showed that these banks fell short of the criteria, especially in fields including environmental issues and poverty reduction. Although some banks revealed details on employee relations and Sharia compliance, more general social concerns got little attention. This begs issues regarding the dedication of Islamic banks to their social obligations. The study emphasizes the need of more openness and responsibility in social reporting inside the Islamic banking sector. It exhorts banks to enhance their disclosures and match their operations with Islamic basic values. To encourage better reporting, the writers advise stakeholder pressure, legislative acts, and uniform policies. They also underline the need of including social issues into strategic decisions of banks instead of seeing them as subordinate to economic objectives.

The Ethical Identity Index (EII) developed by Haniffa & Hudaib (2007) found a significant discrepancy between Islamic banks' ethical standards and their public representation. Only one of the seven banks scored above the average EII, indicating a strong correlation between their ethical standards and their communication practices. Other banks showed inconsistencies in four critical domains: societal well-being, corporate vision, charitable giving, and top management transparency. The study emphasizes the need for Islamic banks to align their expressed identity with their ethical principles, focusing on transparency and effective communication about essential ethical practices. Addressing these communication gaps can strengthen their ethical identity, improve their reputation, and build trust among stakeholders. The study also underscores the importance of annual reports in communicating a bank's ethical commitments, enhancing stakeholder relationships and enhancing their overall ethical image.

The study conducted by Belal et al. (2015) provides an in-depth longitudinal examination of ethical reporting practices in the realm of Islamic banking. The findings of the study indicate a notable enhancement in the ethical disclosures made by IBBL throughout the duration of the research. In its formative years, the bank's reporting predominantly highlighted specific Sharia compliance, concentrating on illustrating its commitment to Islamic principles and distinguishing itself from traditional banking institutions. Nevertheless, after 2005, there has been a noticeable transition towards more comprehensive disclosures, addressing a wider array of social, environmental, and community-related concerns. This transition indicates an increasing recognition of the significance of stakeholder involvement and corporate social responsibility in the realm of Islamic banking. The research underscores the dynamic characteristics of ethical reporting within Islamic banking and the increasing impact of worldwide corporate social responsibility trends. The research highlights the imperative for enhanced transparency and accountability in the reporting practices of Islamic banks, especially in relation to critical financial and social matters. The researchers propose that regulatory interventions and the establishment of standardized reporting guidelines may significantly improve ethical reporting practices in the Islamic finance sector.

Abu Al-Haija et al. (2021) apply GRI standard to asses CSR disclosure in Abu Dhabi Islamic Bank (ADIB) in 2014-2019. The researchers look at ADIB's yearly and sustainability reports from the past 5 years using content analysis to see how well they follow GRI's guidelines for economic, environmental, and social issues. The results show that ADIB does put out sustainability reports, but they only partly meet GRI guidelines. The bank does a better job of following social standards, largely when it comes to things such as training and community work. However, it fails to meet the standard when it comes to some economic and environmental disclosures. The study says that some gaps might be because of how ADIB works, while others show that CSR reporting is up to the company.

Abdul Rahman et al. (2010) also analyse only one bank but they adapt index from Maali et al. (2006) which consists of 30 items. Abdul Rahman et al. (2010) investigate Bank Islam Malaysia Berhad's 1992–2005 corporate social responsibility commitments. Themes, degree, and patterns of CSR reporting in BIMB's annual reports have been researched by the authors using content analysis. According to the analysis, BIMB concentrates on disclosures on community involvement, staff, products and services. The disclosures are mostly found in the chairman's statement, financial statements, and director's report. The report also notes a general increase in CSR disclosure volume and presentation across the period, implying rising awareness of CSR relevance.

Zafar & Sulaiman (2021) also analyse only on 1 bank, which is Islamic Bank of Pakistan from the year of 2003-2017 using a composite index adapted from Maali et al. (2006); Haniffa & Hudaib (2007); Hassan & Syafri Harahap (2010); Farook et al. (2011); Aribi & Gao (2010); and Platonova et al. (2018). The findings reveal that the mean disclosure level stands at 31.23%, which is markedly below the expected threshold for organizations that emphasize ethical and social goals. The overall level is still low, even though larger and older Islamic banks—especially local ones—tend to disclose more. The report emphasizes how inadequate Pakistan's current CSR disclosure laws are and it urges changes to promote more openness, particularly in light of the differences between domestic and international Islamic banks. This study enhances our comprehension of CSR practices within Pakistan's Islamic banking sector, highlighting the necessity for more robust regulatory frameworks that foster accountability and align with the social mission inherent in Islamic finance.

Rashid et al. (2013) apply Ethical Identity Index from Haniffa & Hudaib to evaluate the CSR disclosure in 16 Islamic banks from Bangladesh, Malaysia and the Arabian Gulf from 2001-2008. The study finds out that these banks prioritize customer satisfaction and efficiency themes to disclose. On the other hand, this often comes at the expense of strict Sharia adherence. The study contributes a unique customer-centric CSR framework for Islamic banks, raising important questions about balancing religious principles with market-driven demands.

Mustapha et al. (2011) also apply Ethical Identity index from Haniffa & Hudaib to investigate the CSR reporting in 4 full-fledged Islamic banks in Saudi Arabia in from 2008-2009. The study shares a finding in common with Rashid et al. (2013) which is that the banks prioritize to disclose the items that related to customers, but lag in another areas, such as environmental activities, *Zakat*, charity, products and services, and community commitment. The analysis indicates that Saudi Islamic banks must enhance their social reporting to accurately demonstrate their dedication to Sharia principles and the improvement of society. This underscores the necessity of establishing a thorough CSR reporting standard specifically for Islamic banks.

Hassan & Syafri Harahap (2010) develop another framework that combines with Ethical Identity Index from Haniffa & Hudaib (2007). The analysis indicates that, among seven banks, only one has a CSR disclosure index that surpasses the average, implying that CSR is not a significant priority for the majority of Islamic banks. The implications for the Accounting and Auditing Organization for Islamic Financial Institutions are significant, as the development of a CSR reporting standard could potentially enhance the global image and competitiveness of Islamic banks. This study enhances the current discourse surrounding CSR by examining it through an ethical lens, especially in the context of Islamic finance, while also prompting critical inquiries regarding the development of new disclosure practices.

The last 3 articles are using composite index to asses CSR disclosure in Islamic banking. Kamla & Rammal (2013) combine indexes from Maali et al. (2006); Haniffa & Hudaib (2007); and GRI index to evaluate CSR disclosure in 19 Islamic banks in all around the world from 1997-2004. The scholars explore whether the reporting policies of these institutions fit their ethical assertions grounded in Sharia values. According to the study, although Islamic banks stress their fundamentalist character and compliance to Sharia, their disclosures sometimes lack particular information regarding programs aiming at social justice or poverty eradication. This discrepancy between words and deeds begs questions about the banks' dedication to their social purpose. The study exposes differences between claims and actions and emphasizes the need of social justice in Islamic banking, so contributing to both social accounting and Islamic accounting literature. It also implies that higher awareness of this disparity among stakeholders may motivate good change in the social roles of Islamic banks.

Aribi & Arun (2015) merge the indexes from Maali et al. (2006); Haniffa & Hudaib (2007) and Aribi & Gao (2010) to investigate 7 Islamic banks in Bahrain in the period of 2006, 2008, and 2010. Researchers looks at CSR disclosures in annual reports and interact with managers. They notice an imbalance between managers' knowledge of CSR and its real application. Although managers shown a decent awareness of CSR ideas, the banks' policies not quite align with this. According to the study, IFIs are not fully embraced their possible contribution to social welfare, which could create difficulties in the present financial scene. Though it limits the generalizability of the results, the study's emphasis on Bahrain provides insightful analysis of the CSR report within Islamic finance.

Abd-Ghani (2019) combine 3 indexes from the previous literatures (Click or tap here to enter text. and 5 indexes from organizations (GRI, CSEAR, OECD, IFSB, and AAOIFI). The study reveals differences in social reporting practices between Malaysian and Bahraini Islamic banks. The study identifies specific areas where disclosure practices diverge between the two countries. For instance, Malaysian Islamic banks tend to disclose more information about their Sharia governance practices, whereas Bahraini banks focus more on traditional financial performance indicators, reflecting different priorities and regulatory requirements in each jurisdiction. Overall, the study indicates that regulatory frameworks significantly influence the public reporting methods used by Islamic banks. A more comprehensive regulatory framework, similar to that in Malaysia, could promote enhanced transparency and accountability. The study emphasizes the significance of internal factors, including management commitment and organizational culture, in facilitating substantial social disclosures.

In conclusion, the analysis of corporate social responsibility (CSR) reporting among Islamic banks reveals a significant gap between their ethical commitments and actual disclosures, highlighting the need for improved transparency and accountability. The studies collectively advocate for standardized reporting practices and regulatory frameworks to enhance the alignment of Islamic banks' operations with their stated social and ethical values.

2.8 Summary of the Chapter

This study examines two theories pertinent to Islamic banking: stakeholder theory and accountability theory. Stakeholder theory highlights the necessity of considering the interests of all stakeholders in organizational decisions, which in turn cultivates trust and improves reputation. Accountability theory highlights the importance of transparency and responsibility, which in turn cultivates legitimacy and trust within the workforce. Transparency serves as a core principle in Islamic banking, closely aligned with the objectives of Maqasid al-Shariah. Both theories establish a framework for comprehending business governance and corporate social responsibility.

The definition of Social responsibility is a structure that entails the duty of businesses to create a positive influence on society while conducting their operations in an ethical and sustainable manner. This entails tackling environmental, social, and economic issues while building trust with stakeholders. Organizations such as Unilever and Microsoft are adopting sustainable practices aimed at minimizing their environmental impact. Islamic banking integrates commercial activities with social objectives, emphasizing community welfare and ethical business practices in accordance with Islamic principles. This distinctive CSR framework aligns with Islamic moral and ethical principles, thereby improving societal responsibilities and financial outcomes.

In Malaysia, Islamic banks function through three specific models: dual banking, Islamic banking windows, and conventional banks. The Islamic Financial Services Act (IFSA) 2013 functions as the central regulatory framework for Islamic banking, delineating the guidelines for financial activities that adhere to Shariah principles. Bank Negara Malaysia (BNM) oversees the operations of Islamic banks and ensures compliance with established standards through its Shariah Advisory Council (SAC). Comprehensive Islamic banks, including Bank Islam Malaysia Berhad (BIMB), Bank Muamalat Malaysia Berhad (BMMB), Hong Leong Islamic Bank (HLISB), and Malaysia Building Society Berhad (MBSB), offer a diverse range of services such as savings accounts, investment products, financing options, and wealth management solutions. Another notable form is the Islamic banking windows managed by conventional banks, exemplified by Mizuho Bank Malaysia Berhad, which has initiated its Islamic Banking Window (IBW) to provide Islamic finance products in the Malaysian Ringgit. The variety of Islamic banking forms in Malaysia illustrates how Islamic finance principles can be effectively applied to address diverse financial requirements, significantly contributing to Malaysia's status as a global center for Islamic finance.

Government rules, stakeholder expectations, and worldwide sustainability trends have significantly influenced Malaysia's Corporate Social Responsibility (CSR) reporting efforts. By means of policies, requirements, and incentives, the government and regulatory authorities promote CSR. Usually, CSR projects center on education, environmental sustainability, community development, employee welfare, and inclusiveness. In order to keep stakeholder confidence, Malaysian Islamic financial institutions have evolved social responsibility strategies showing openness and responsibility. In terms of CSR disclosure policies, Bank Islam is unique in showing proactive openness and involvement of stakeholders. But the absence of consistent CSR reporting policies in the industry demands the acceptance of uniform frameworks such as the Bursa Malaysia CSR Framework to increase sector-wide comparability in CSR data and disclosure accuracy.

The prior studies reveal a significant gap between their ethical commitments and actual disclosures, highlighting the need for enhanced transparency and accountability. This discrepancy raises critical questions about the authenticity of the ethical principles that Islamic banks profess to uphold, particularly in a financial landscape where trust and integrity are paramount. To address this gap, the analysis underscores the importance of establishing robust regulatory frameworks and standardized reporting guidelines tailored specifically for Islamic banks. The establishment of these frameworks would encourage Islamic banks to adopt best practices in CSR reporting, which could include more detailed disclosures on their contributions to community development, environmental sustainability, and ethical financing.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the research methodology used to address the objectives of this study, focusing on a qualitative approach and a case study design. The qualitative method was chosen because it allows for a deep exploration of complex issues, providing rich insights and a thorough understanding of the topic beyond just numerical data. By emphasizing context and meaning, this approach is particularly effective in capturing the subtleties and complexities of the subject under investigation.

The case study method serves as the primary research strategy to analyze the subject's specific context in depth. This method facilitates a thorough examination of the chosen case, yielding significant insights into practical applications and practices. The case study design, by concentrating on a particular entity or phenomenon, reveals distinctive characteristics that other methodologies may overlook. The method aligns with the research objectives, which seek to investigate contextual and situational dynamics relevant to the study.

The chapter commences with an elucidation of the research design, emphasizing the justification for selecting a qualitative case study methodology. The subsequent section delves into the criteria for case selection, the methodologies employed for data collection, and the systematic approaches utilized for data analysis. The study also examines the reliability and validity of the research to uphold its rigor. This chapter lays the groundwork for tackling the research questions and fulfilling the study's objectives through a systematic and clearly articulated methodology.

3.2 Research Frameworks

A research framework comprises a set of concepts, principles, and rules that shape and guide the research process. This process assists in clarifying the study problem, objectives, inquiries, assumptions, hypotheses, and limitations. This process aids in clearly defining the research problem, establishing research objectives, formulating research questions, outlining assumptions, developing hypotheses, and identifying limitations. Furthermore, a research framework plays a critical role in the selection of research design, methodology, data collection, analysis, and interpretation. A theory, model, paradigm, or perspective can all function as the basis for a research framework. In this qualitative research, the research framework shown in Figure 3.1 explores CSR disclosure in Malaysia's full-fledged Islamic banks. Here, the emphasis is on the disclosure of 4 themes that align with the principles of Islamic banking, which emphasize ethical, social, and environmental responsibility.

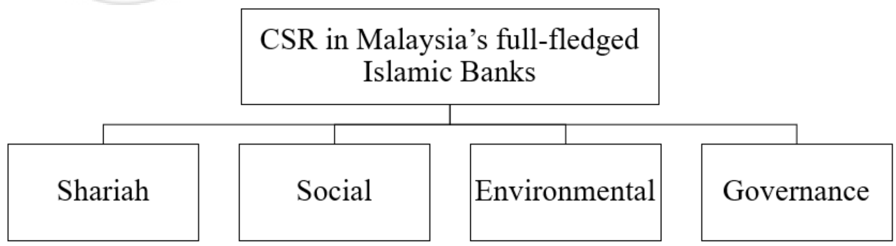

Figure 3.2-1
Research Framework
Source : IFSA (2013)

According to Haniffa & Hudaib (2007), CSR disclosures incorporating Shariah themes typically emphasize community welfare, ethical treatment of employees, and responsible environmental practices, demonstrating a commitment to accountability to both God and society (taqwa). This study will explore 7 items under this theme.

Second theme is social theme. This theme frequently emphasize intiatives concerning community development, education, healthcare, poverty alleviation, and the promotion of diversity and inclusion (Carroll, 1999). This study has 12 items disclosure under this theme.

Next is environmental theme. Environmental disclosures emphasize adherence to environmental regulations, financial commitments to green technologies, and collaborations with organizations dedicated to environmental conservation (Clarkson et al., 2008). On this paper the environmental theme has four items disclosure to assess.

Lastly, governance theme. This theme emphasize the role of ethical leadership, accountability, and robust management systems in ensuring sustainable and responsible business practices. Companies disclose information about board composition, diversity, independence, and oversight mechanisms to demonstrate ethical governance and equitable treatment of stakeholders (Jamali et al., 2008). As the full-fledged Islamic banks are the object of this study, the governance theme has seven items disclosure that related to Sharia principle.

3.3 Research Design

This research employs a qualitative methodology to examine the disclosure practices of Sharia, Social, Environmental, and Governance within the full-fledged Islamic banking institutions in Malaysia. Qualitative methodology is most effective for examining complex, context-sensitive phenomena, such as the CSR disclosures of Islamic banks. This study scrutinizes annual reports to identify the predominant themes of corporate social responsibility, while also assessing the alignment of these disclosures with Islamic principles.

Study case research approaches have been chosen by the researcher to collect the qualitative data through assessing annual reports in each bank from 2019 to 2023. The sketch of how the research should be conducted can be prepared using research design.

3.4 Operational Definition

In this study, qualitative research refers to an exploratory approach that focuses on understanding complex issues by gathering and analyzing rich, descriptive information. Rather than relying on numbers or statistics, it emphasizes context and depth, helping to uncover patterns, meanings, and relationships that might otherwise go unnoticed. This approach is well-suited for studying topics that require a deeper understanding of underlying factors and perspectives.

The research uses a case study as its central strategy, allowing for an in-depth exploration of a specific instance, organization, or context. By focusing on a particular case, this method provides valuable insights into the unique features and dynamics of the subject while considering its real-life environment. A case study is particularly effective for studying multifaceted issues, where the lines between the phenomenon and its surrounding context are closely intertwined.

To collect and analyze data, this study uses document analysis as the method. Document analysis involves carefully reviewing and interpreting written materials, such as reports, policies, records, or other relevant documents, to extract meaningful insights. This method helps identify key themes, patterns, and trends within the documents that relate to the research objectives. By systematically analyzing these materials, the study aims to build a deeper understanding of the case and the broader issues it represents.

In essence, this study combines qualitative research with a case study approach and document analysis to thoroughly examine the topic at hand. By using this method, the research aims to draw meaningful conclusions based on real-world data, offering a comprehensive perspective on the subject within its specific context.

3.5 Data Collection

The method applies to this study is through document analysis with content analysis approach. In this study, content analysis will analyze corporate social responsibility disclosures from annual reports. Through content analysis, researchers gather a composite index based on prior studies to discover themes, patterns, and data trends in textual materials.

This research will concentrate on two fundamental aspects. The initial examination delves into themes and focal points present in the disclosed documents, pinpointing the primary subjects and particular concerns emphasized by the companies. This highlights the key priorities and areas of focus within their CSR initiatives. Secondly, it investigates the degree of disclosure, assessing the frequency of reporting occurrences and the word counts allocated to Corporate Social Responsibility (CSR) content in corporate financial documents. This allows for a measurement of the extent to which companies prioritize CSR in their reporting practices. To fulfill the objectives of this study, the following 2 checklists will apply :

3.5.1 Themes Checklist

Table 3.5-1

Corporate Social Responsibility Disclosure Checklist		Sources
Serial		
	1. Shariah	
1	Commitments in operating within Shariah principles	Haniffa and Hudaib (2007)
2	Does the bank finance quard hassan?	Haniffa and Hudaib (2007)
3	Balance of Qard Hassan	Haniffa and Hudaib (2007)
4	Does the bank pay zakah?	Maali. et al, (2006)
5	Balance of zakah fund	Maali. et al, (2006)
6	Conferences or seminar on Islamic economics	Haniffa and Hudaib (2007)
7	Does the bank train employee in shariah awareness?	Haniffa and Hudaib (2007)
	2. Social (Community and Charity)	
1	Does the bank work closely with the local community?	OECD (2011)
2	Is the bank committed to supporting community organisations?	Haniffa and Hudaib (2007)
3	Sources of funds used for community activities	Maali, et al (2006)
4	Description of community programmes	GRI (2000-2011)
5	Any mention of commitment to local economic development?	Birth, Illia, Lurati, and Zamparini (2008)
6	Creating job opportunities	Haniffa and Hudaib (2007)
7	is there a description of charitable activities done?	Belal (2001)
8	charitable donation expenditure	Belal (2001)
9	sources of funds used fo charitable donations	Maali, et al (2006)
10	does the bank support employee involvement in charities?	CSEAR (1990-91)
11	amount spent on donations through employee schemes	CSEAR (1990-91)
12	balance of charity fund	Haniffa and Hudaib (2007)
	3. Environmental	
1	Nature of donation to protect environment	Haniffa and Hudaib (2007) ; Maali et al. (2006)
2	amount donated on protecting environment	Haniffa and Hudaib (2007) ; Maali et al. (2006)
3	details of the project financed which caused harm for environment	Haniffa and Hudaib (2007) ; Maali et al. (2006)
4	Environment policy statement	Cho, Patten, and Roberts (2006)
	4. Governance	
1	Are names, positions and pictures of the SSB members provided?	Haniffa and Hudaib (2007)
2	does the governance committee include a shariah scholar?	IFSB (2006)
3	how many meetings have the SSB held?	Haniffa and Hudaib (2007)
4	Disclosure of any unlawful transactions	Haniffa and Hudaib (2007)

5	Amount of the revenue earned in unlawful transactions	Maali. et al, (2006)
6	Picture of management team	Haniffa and Hudaib (2007)
7	Pofile management team	Haniffa and Hudaib (2007)

CSR Themes Checklist

This checklist will utilize to gather the items that disclosed by the banks. This checklist is a small composite index that based on the previous studies.

3.5.2 Phrases and Graphics Checklist

Table 3.5-2

Bank's Name :

Indicators		(year)	
		Phrases	Graphics
	1. Shariah		
1	Islamic Comitment		
2	Shariah awareness		
3	Zakat		
	Total		
	2. Community		
1	Sponsorship to a local community		
2	Charitable sponsorship		
	Total		
	3. Governance		
1	Shariah Supervisory board		
2	Shariah non Compliance income		
	Total		
	4. Environment		
1	Nature of donation for protecting environment		
2	Recycle (the saving energy)		
3	Environment policy statement		
	Total		

Content Analysis Quality Checklist

This checklist will employ to count the phrases and graphs that disclosed by the banks per themes. This checklist is a small composite index that based on the previous studies.

3.6 Sampling

Many prior studies that explore islamic banks in Malaysia, yet there is no specification of the form of the Islamic banks that applied. To address this gap, this study will choose the sample from Islamic bank in Malaysia, specify in the full-fledged form. The study analyse the annual report of those 4 Islamic banks In Malaysia

1. Bank Islam Malaysia Berhad
2. Bank Muamalat Malaysia Berhad
3. Malaysia Building Society Berhad
4. Hong Leong Islamic Bank

The research draws its information from annual banking reports spanning 2019 to 2023. It source from the official banks' websites and public platforms to obtain the necessary reports. Existing data will be obtained from annual reports because these documents organize CSR activities in a standardized manner.

3.7 Summary of the Chapter

This research offers an in-depth exploration of the corporate social responsibility (CSR) disclosures made by full-fledged Islamic banking institutions in Malaysia. By employing qualitative methodologies, the study seeks to uncover significant themes that emerge from these disclosures and evaluate how well they align with the core principles of Islam.

The analysis focuses on annual reports spanning from 2019 to 2023, providing a temporal context that allows for a thorough examination of trends and developments in

CSR reporting within the Islamic banking sector. This timeframe is particularly relevant as it captures the evolving landscape of CSR practices in response to both regulatory changes and societal expectations.

Through this comprehensive analysis, the research aims to illuminate the priorities that these banks place on CSR initiatives, as well as the extent to which they communicate their efforts and achievements to stakeholders. By identifying key themes in the disclosures, the study will shed light on how Islamic banking institutions interpret and implement CSR in a manner that is consistent with Islamic ethical standards, which emphasize social justice, community welfare, and environmental stewardship.

Moreover, this research addresses a significant gap in the existing literature, which has often overlooked the specific context of Islamic banking in relation to CSR. By focusing on this niche area, the study contributes to a deeper understanding of how Islamic financial institutions navigate the complexities of social responsibility while adhering to their religious and ethical obligations. Ultimately, the findings of this research will not only enhance academic discourse but also provide valuable insights for practitioners, regulators, and stakeholders interested in the intersection of finance, ethics, and social responsibility within the Islamic banking framework.

CHAPTER FOUR

RESULTS & DISCUSSION

4.1 Introduction

This chapter offers the results of the research together with a thorough analysis of their ramifications. The research questions and objectives described in the previous chapters guide the arrangement of the results, therefore guaranteeing a logical flow of information. Analyzed and interpreted, the data gathered using content analysis addresses the main themes and trends of CSR in 4 full-fledged Islamic banks in Malaysia.

The part on the debate puts the results of the current literature in context and points up areas of agreement and conflict. It also investigates the relevance of the outcomes in respect to the theoretical framework and study aims. This chapter seeks to give a complete knowledge of the research problem and add to the general scholarly debate by combining the results with past investigations.

At last, the chapter ends with comments on the limits of the research and recommendations for next studies, therefore providing a fair view of the consequences and possible uses of the results.

4.2 CSR Disclosure of Islamic Bank in Malaysia

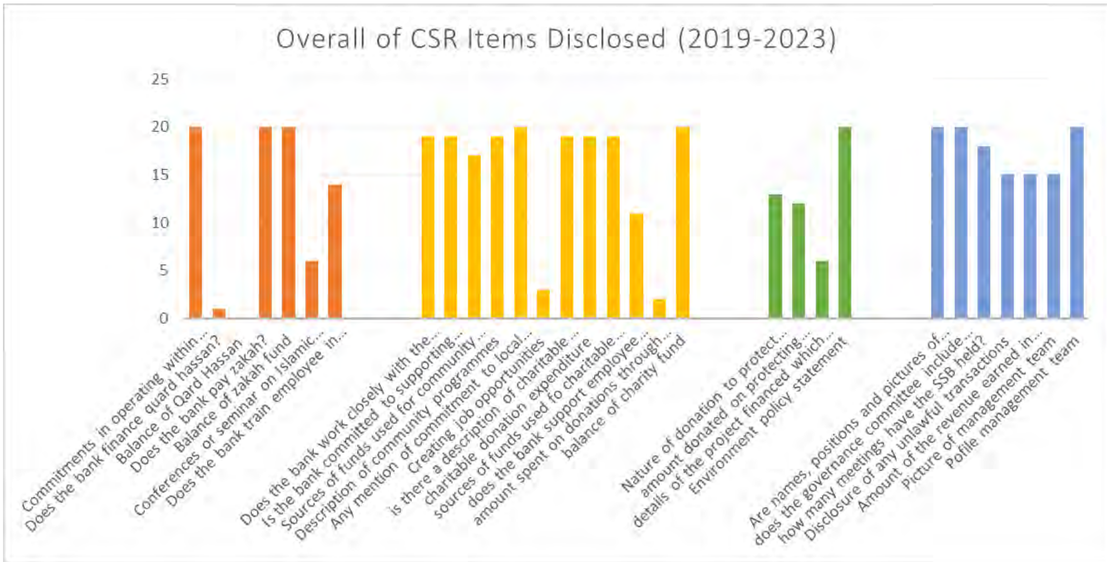

Figure 4.2-1
Graph of Overall CSR disclosure

The bar chart illustrates the disclosure of CSR items by the Islamic banks in Malaysia over the period 2019–2023. The colour represents the themes of CSR, such as orange for Shariah theme; yellow represents Social theme; green is for Environmental theme; and blue is for Governance.

Certain CSR items, such as "Commitments in operating within Shariah compliance" "Does the bank pay Zakah?" and "creating job opportunities," are disclosed frequently, suggesting these are critical areas for the organization. Similarly, environmental policy statements and management team profiles are also consistently disclosed, indicating that these aspects are central to the organization's CSR strategy and governance.

On the other hand, items like "Description of community programs," "Amount spent on donations through employee schemes," and "Sources of funds used for charitable donations" show moderate levels of disclosure. While these areas receive steady attention, they are slightly less emphasized compared to the consistently disclosed items. However, some CSR topics, such as "Conference or seminar on Islamic economic" and "Does the bank train employees in shariah awareness," are rarely disclosed. This may reflect a lower priority for these initiatives or an inconsistency in their implementation.

The distinct CSR themes presented in the graph further emphasize the organization's alignment with stakeholder and accountability principles. Shariah compliance and charity-related items cater to religious and ethical stakeholders, while community support demonstrates a broader commitment to social impact. Environmental policies address the growing concerns of environmentally conscious stakeholders, and governance-related disclosures focus on maintaining accountability to regulators and shareholders. While this balanced approach reflects a clear understanding of stakeholder needs, it also highlights areas that could be further developed, such as internal employee engagement and educational outreach.

In terms of trends, the organization's emphasis on high-impact areas like charity, environmental policies, and governance aligns with stakeholder theory by prioritizing issues of greatest concern to its audience. However, accountability theory suggests that there are opportunities to enhance transparency and completeness, particularly in less frequently disclosed items such as employee training and seminars. Addressing these gaps would not only strengthen relationships with stakeholders but also reinforce the organization's commitment to its ethical and social responsibilities.

This phenomenon indicates the rise of CSR practices in Malaysia, particularly in Islamic banks. According to the graph, CSR disclosure reaches 73%, signifying a noteworthy improvement in transparency and reporting. This marks an upgrade for the literature review, as it reflects the increasing prioritization of CSR activities within the banking sector, particularly those guided by Islamic principles. The findings align with trends in the broader Malaysian financial sector, where CSR initiatives are gaining momentum as a response to societal expectations and regulatory frameworks.

4.3 CSR Disclosure in Bank Islam Malaysia Berhad BIMB

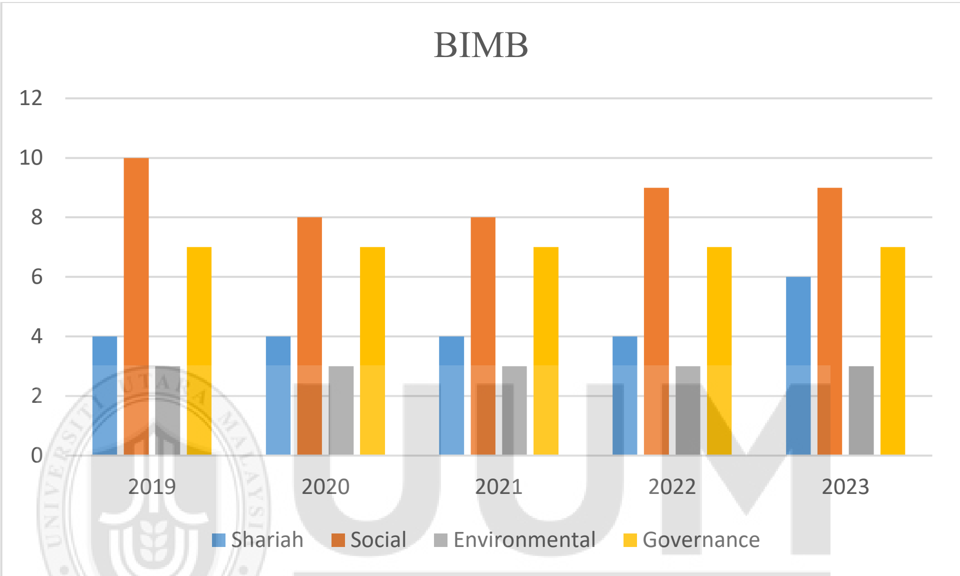

Figure 4.3-1
Graph of CSR disclosure in BIMB

The graph indicates that, due to the relatively lower focus on Shariah and environmental reporting, BIMB prioritizes social disclosures more than other areas. Governance is of secondary importance. The data indicates a notable enhancement in governance and social reporting over the five-year period, reflecting a growing commitment to these issues. The limited attention given to environmental and Shariah-related disclosures highlights potential opportunities for enhancement in corporate social responsibility policies.

Table 4.3-1

BIMB (Bank Islam Malaysia Berhad)					
Themes (total items)	2019	2020	2021	2022	2023
Shariah (7 items)	4	4	4	4	6
Social (12 items)	10	8	8	9	9
Environmental (4 items)	3	3	3	3	3
Governance (7 items)	7	7	7	7	7
Total (30 items)	24	22	22	23	25
Percentage	80%	73%	73%	77%	83%

BIMB's checklist result

The aggregate scores and percentages presented in the table illustrate BIMB's comprehensive performance across the four dimensions of Shariah, Social, Environmental, and Governance. Throughout the five-year span, the total score exhibited minor fluctuations, with the lowest values observed in 2020 and 2021 (22), while the peak was reached in 2023 (25). The upward trend is reflected in the percentages, rising from 73% in 2020 and 2021 to 83% in 2023. This suggests that BIMB has demonstrated significant advancement in its performance, especially in the most recent years. The observed fluctuations indicate that external factors, including the COVID-19 pandemic, could have influenced the bank's capacity to sustain uniform performance across various dimensions.

Multiple significant insights can be derived from table 4.3 The increase in the Shariah score in 2023, rising from 4 to 6, indicates that BIMB has likely improved its compliance with Islamic principles. This may be attributed to better Shariah governance or a broader range of Shariah-compliant products. Second, the Social score, which fell to 8 in 2020 and 2021, presumably as a result of the pandemic, rebounded to 9 in 2022 and 2023, suggesting a resurgence in community-oriented initiatives. The Environmental score exhibited no change, remaining at 3 over the five-year period, indicating a potential opportunity for enhancement in light of the increasing global focus on sustainability. The Governance score held steady at 7, indicating stable management practices without notable advancements in this domain.

The implications of these findings for BIMB are significant. The bank has shown overall progress, especially in Shariah compliance and social initiatives; however, the stagnation in environmental efforts indicates a necessity for increased attention to sustainability. Given the escalating significance of environmental issues worldwide, it is essential for BIMB to enhance its investments in green financing, renewable energy projects, and various sustainability initiatives to meet stakeholder expectations and adhere to global trends. The consistent governance score, though stable, suggests opportunities for improving governance frameworks to promote long-term resilience and adaptability. By focusing on these areas, BIMB can enhance its performance and uphold its status as a prominent Islamic bank in Malaysia.

4.3.1 Contents of The Disclosure

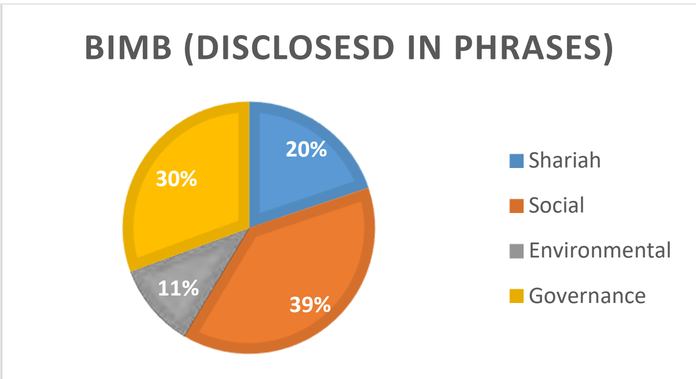

Figure 4.3-2
BIMB's CSR disclosure in phrases

In terms of content phrases, BIMB's CSR disclosures show a strong focus on Social theme (39%), which ties in closely with the values of Islamic banking, particularly its emphasis on social justice and community welfare. Governance comes in as the second priority at 30%, highlighting BIMB's dedication to transparency, and meeting regulatory standards. While Shariah compliance (20%) is a key aspect of BIMB's identity as an Islamic bank, the relatively lower disclosure rate suggests that these principles might be woven into broader CSR areas. On the environmental front, disclosures are the lowest at 11%, pointing to limited reporting on sustainability efforts. This could mean that BIMB is prioritizing social and governance issues for now, but there's room to grow in areas like green financing or reducing its carbon footprint. Overall, BIMB's approach reflects a strong commitment to social and governance responsibilities, with opportunities to expand its environmental and Shariah-specific transparency.

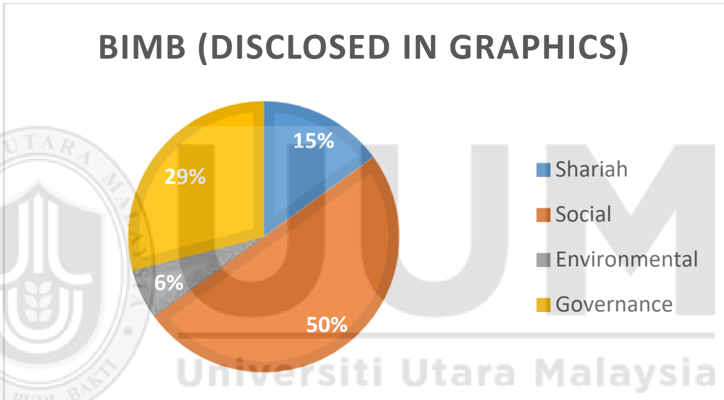

Figure 4.3-3
BIMB's CSR disclosure in graphics

BIMB's graphical CSR disclosures show a clear focus on Governance (50%), which reflects its dedication to transparency. Shariah disclosures (29%) come next, highlighting BIMB's role as an Islamic bank, possibly showcasing its adherence to ethical financing principles. On the Environmental front, the disclosures are more modest at 15%, suggesting that environmental sustainability efforts aren't as prominently featured in the graphs. Interestingly, Social initiatives (6%) receive the least visual attention, which is a bit surprising given Islamic banking's strong emphasis on community welfare.

This contrasts with the phrase-based disclosures, where social efforts were more detailed, indicating that BIMB might use more phrases to communicate community impact while relying on graphs to highlight structural and governance-related achievements. To better align with stakeholder expectations, BIMB could consider enhancing its graphical representation of social and environmental initiatives, ensuring a more balanced and holistic view of its CSR efforts.

4.4 CSR Disclosure in Bank Muamalat Malaysia Berhad

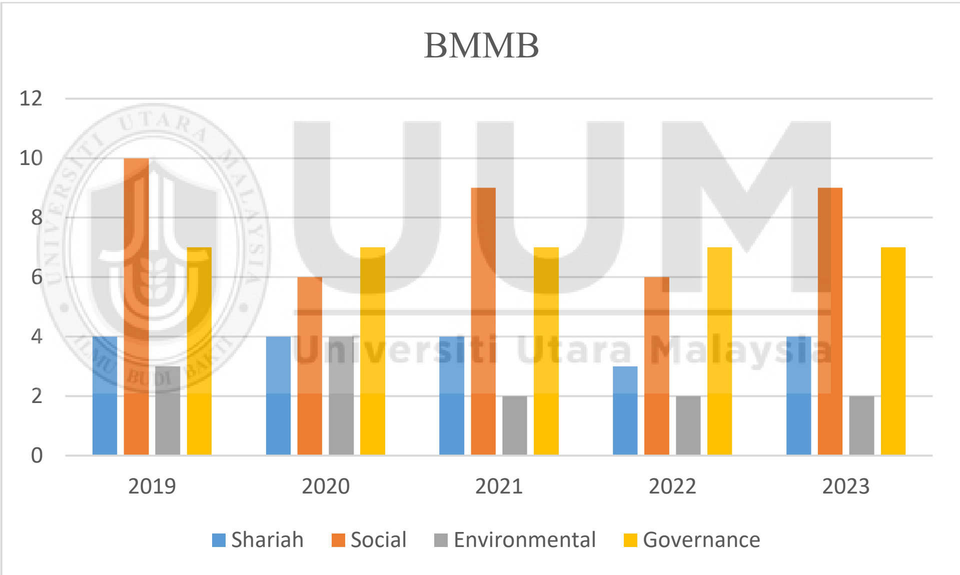

Figure 4.4-1
Graph of CSR disclosure in BMMB

The chart presents multiple significant insights regarding BMMB's CSR performance throughout the five-year span. Initially, there is substantial evidence indicating a general enhancement, especially in the domains of Shariah compliance and governance. The consistent or upward trajectory in these areas indicates the bank's dedication to upholding Islamic principles and effective management practices, both of which are crucial for its credibility as an Islamic bank. Secondly, the social dimension indicates a recovery following possible setbacks in 2020 or 2021, likely attributable to the challenges presented by the COVID-19 pandemic. The recovery demonstrates BMMB's capacity for resilience and its skill in adjusting social initiatives in response to evolving circumstances. Nevertheless, the environmental dimension shows a lack of progress, exhibiting minimal to no enhancement over the years. This underscores a significant deficiency in the bank's CSR strategy, given that global trends are progressively prioritizing sustainability and environmental accountability.

Table 4.4-1

BMMB (Bank Muamalat Malaysia Berhad)					
Themes (total items)	2019	2020	2021	2022	2023
Shariah (7 items)	4	4	4	3	4
Social (12 items)	10	6	9	6	9
Environmental (4 items)	3	4	2	2	2
Governance (7 items)	7	7	7	7	7
total	24	21	22	18	22
Percentage	80%	70%	73%	60%	73%

BMMB's checklist result

The table presents a detailed analysis of BMMB's CSR performance across five years, highlighting strengths in governance and social resilience while pinpointing environmental efforts as a sector needing enhancement. By identifying and addressing these gaps, BMMB has the potential to refine its CSR strategy and achieve greater alignment with global sustainability trends.

The aggregate scores and corresponding percentages offer a comprehensive assessment of BMMB's overall CSR performance. The total score reached a high of 24 in 2019, subsequently declining to a low of 18 in 2022, presumably as a result of difficulties related to Shariah compliance and social initiatives. Nevertheless, it rebounded to 22 in 2023, signifying an improvement in performance. The percentages exhibited a consistent pattern, varying from 60% in 2022 to 80% in 2019. The observed fluctuations indicate the bank's susceptibility to external disruptions, including the pandemic, while simultaneously highlighting its capacity for recovery and adaptation over time.

The table illustrates various significant trends in BMMB's CSR performance throughout the five-year span. The scores for Shariah compliance exhibited stability at 4 from 2019 to 2021, experienced a decline to 3 in 2022, and subsequently rebounded to 4 in 2023. The observed temporary decline indicates possible difficulties in sustaining Shariah compliance in 2022, likely influenced by various internal or external factors. However, the rebound in 2023 suggests that appropriate corrective actions were taken. The social dimension exhibits considerable variability, peaking at a score of 10 in 2019, followed by marked declines to 6 in both 2020 and 2022, presumably influenced by the repercussions of the COVID-19 pandemic. The recovery to 9 in 2021 and 2023 illustrates the bank's capacity for resilience and its strategic adaptation of social initiatives in response to evolving circumstances. The environmental dimension exhibits a troubling downward trend, as evidenced by scores decreasing from 3 in 2019 to 2 starting in 2021. This stagnation underscores an insufficient emphasis on sustainability, potentially obstructing the bank's alignment with global environmental trends. Throughout the years, the governance dimension maintained a stable score of 7, indicating reliable management practices without notable advancements, which implies potential opportunities for innovation in governance frameworks.

The observations present significant considerations for BMMB's forthcoming CSR strategy. The bank exhibits notable strengths in governance and shows resilience in its social initiatives; however, the observed decline in environmental efforts represents a significant area that requires attention and enhancement. BMMB should focus on improving its CSR performance by strategically investing in green financing, renewable energy projects, and various eco-friendly initiatives. The bank must persist in enhancing its Shariah compliance and social initiatives to uphold stakeholder trust and address community requirements effectively. Ultimately, the development of innovative governance frameworks may enhance long-term resilience and adaptability, allowing the bank to address future challenges with greater efficacy. By focusing on these areas, BMMB has the potential to enhance its CSR profile and achieve greater alignment with global sustainability trends.

4.4.1 Contents of The Disclosure

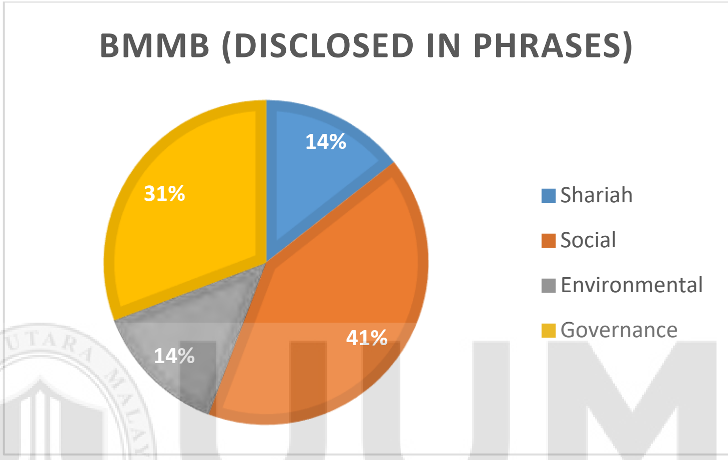

Figure 4.4-2
BMMB's CSR disclosure in phrases

BMMB's CSR disclosures reveal a strong focus on Social initiatives (41%), reflecting its commitment to community welfare and alignment with Islamic banking's emphasis on social justice. Governance comes in as the second priority at (31%), highlighting BMMB's dedication to transparency and adherence to Shariah governance frameworks. While Shariah compliance (14%) is a core aspect of BMMB's identity, its relatively lower disclosure rate suggests that Shariah principles may be integrated into broader categories. On the Environmental front, disclosures are also at 14%, indicating limited reporting on sustainability efforts, which could reflect a gap in BMMB's CSR strategy or a prioritization of social and governance issues. Overall, BMMB's approach demonstrates a strong commitment to social and governance responsibilities, with opportunities to enhance its environmental and Shariah-specific transparency to align with global ESG trends and stakeholder expectations.

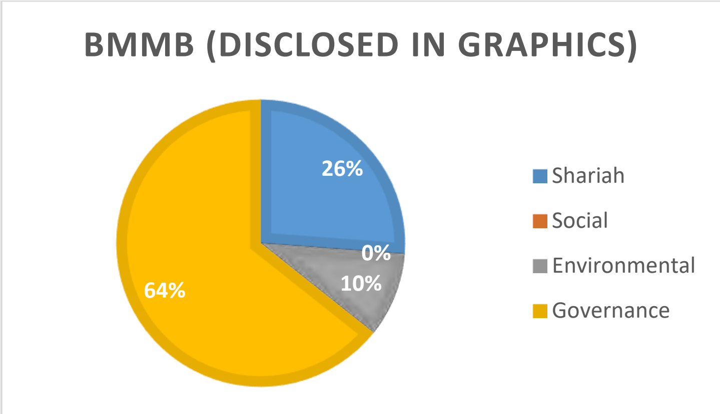

Figure 4.4-3
BMMB's CSR disclosure in graphics

BMMB's graphical CSR disclosures highlight a strong focus on Governance (64%), showcasing its dedication to transparency, regulatory compliance, and ethical leadership. This likely includes visuals like board structures, which is essential for building trust with stakeholders. Shariah disclosures (26%) also play a key role, reflecting BMMB's identity as an Islamic bank, possibly through ethical financing practices or Shariah-compliant investments. However, Social initiatives are completely missing (0%) in the graphs, which is surprising given their prominence in phrase-based disclosures (41%). This suggests BMMB uses text to describe community programs, while keeping social metrics out of visual formats. Additionally, Environmental efforts (10%) receive little attention, indicating that sustainability initiatives like green financing or carbon reduction aren't a major focus in graphical reporting.

This approach—where graphs emphasize governance and Shariah compliance (90% combined) and phrases focus on social impact—creates an uneven picture of BMMB's CSR efforts. While governance and Shariah visuals cater to stakeholders looking for structural integrity and ethical standards, the lack of social and environmental visuals might not align well with global CSR trends or the broader values of Islamic finance, which emphasize social justice and environmental care. To better reflect its commitments, BMMB could balance its graphical disclosures by adding visuals for social initiatives and increasing transparency around environmental efforts, ensuring a more well-rounded and engaging CSR narrative.

4.5 CSR Disclosure in Malaysia Building Society Berhad (MBSB) Bank

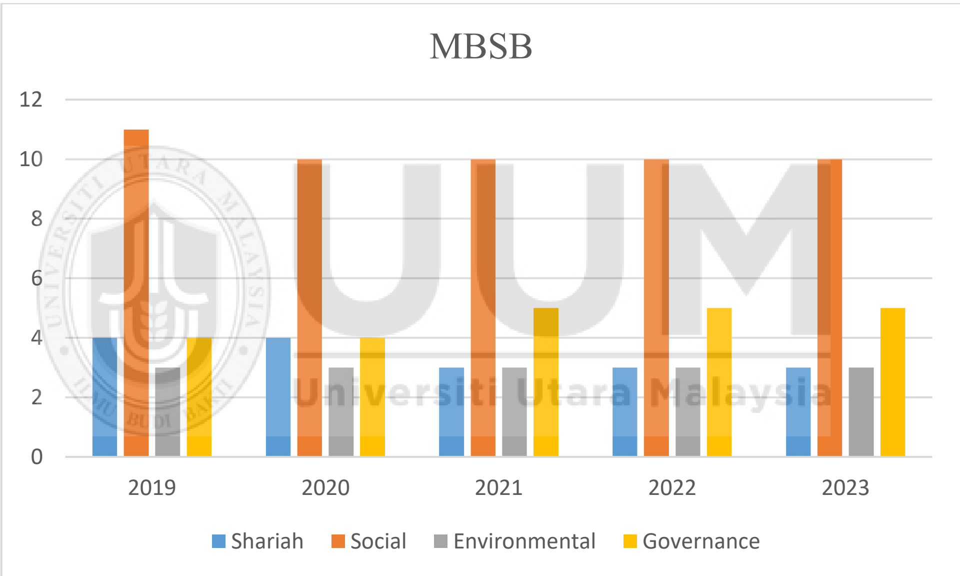

Figure 4.5-1

Graph of CSR disclosure in MBSB

The chart provides a visual representation of MBSB's CSR performance over five years, showing progress in some areas (e.g., Shariah, governance) and identifying opportunities for improvement in others (e.g., environmental initiatives). By addressing these gaps, MBSB can strengthen its CSR strategy and contribute more effectively to sustainable development.

Table 4.5-1

MBSB Bank					
Themes (total items)	2019	2020	2021	2022	2023
Shariah (7 items)	4	4	3	3	3
Social (12 items)	11	10	10	10	10
Environmental (4 items)	3	3	3	3	3
Governance (7 items)	4	4	5	5	5
total	22	21	21	21	21
Percentage	73%	70%	70%	70%	70%

MBSB's checklist result

The table provides a comprehensive overview of MBSB's CSR performance over five years, highlighting both strengths and areas for improvement. The bank has demonstrated resilience in social initiatives and made progress in governance, reflecting its commitment to community development and ethical leadership. However, the decline in Shariah compliance and the stagnation in environmental efforts are notable concerns. Shariah compliance is a cornerstone of MBSB's identity as an Islamic financial institution, and the drop-in scores suggests a need for renewed focus on adhering to Islamic principles. Similarly, the lack of progress in environmental initiatives indicates a gap in the bank's sustainability strategy, which could hinder its alignment with global environmental trends. By addressing these gaps—through enhanced Shariah governance, investment in green projects, and continued innovation in governance frameworks—MBSB can strengthen its CSR strategy, build stakeholder trust, and position itself as a leader in sustainable and ethical banking. This holistic approach will not only improve the bank's CSR performance but also contribute to broader societal and environmental well-being.

From the table, it reveals that several important trends in MBSB's CSR performance over the five-year period. In terms of Shariah compliance, the scores remained consistent at 4 in 2019 and 2020 but dropped to 3 from 2021 onwards. This decline suggests potential challenges in maintaining Shariah compliance, possibly due to internal or external factors, and highlights a need for corrective measures to ensure adherence to Islamic principles. The social dimension shows a slight decline from 11 in 2019 to 10 in 2020, likely due to the impact of the COVID-19 pandemic, but it remained stable at 10 from 2021 to 2023. This indicates resilience in social initiatives, with the bank consistently contributing to community development and financial inclusion. However, the environmental dimension remained stagnant at 3 throughout the five years, reflecting limited progress in sustainability efforts. This stagnation is a concern, as global trends increasingly emphasize the importance of environmental responsibility. On the other hand, the governance dimension improved from 4 in 2019 and 2020 to 5 from 2021 onwards, reflecting enhanced management practices and a commitment to transparency and ethical leadership.

The total scores and percentages provide an overview of MBSB's overall CSR performance. The total score was highest in 2019 (22) but dropped to 21 from 2020 onwards, indicating a slight decline in overall performance. The percentages followed a similar trend, ranging from 70% (2020–2023) to 73% (2019). These fluctuations suggest that while MBSB has maintained relatively stable performance, external factors such as the pandemic may have impacted its ability to sustain higher levels of CSR engagement. The consistent total scores from 2020 onwards, however, indicate that the bank has been able to stabilize its performance despite challenges.

These observations have important implications for MBSB's future CSR strategy. While the bank has demonstrated strengths in social initiatives and governance, the decline in Shariah compliance and the stagnation in environmental efforts are critical areas for improvement. To enhance its CSR performance, MBSB should prioritize strengthening its Shariah compliance to maintain its identity as an Islamic financial institution. Additionally, the bank should invest in environmental initiatives, such as green financing and sustainability projects, to align with global trends and meet stakeholder expectations. Continuing to improve governance frameworks will also be essential for ensuring long-term resilience and adaptability. By addressing these areas, MBSB can strengthen its CSR profile and contribute more effectively to sustainable development.

4.5.1 Contents of The Disclosures

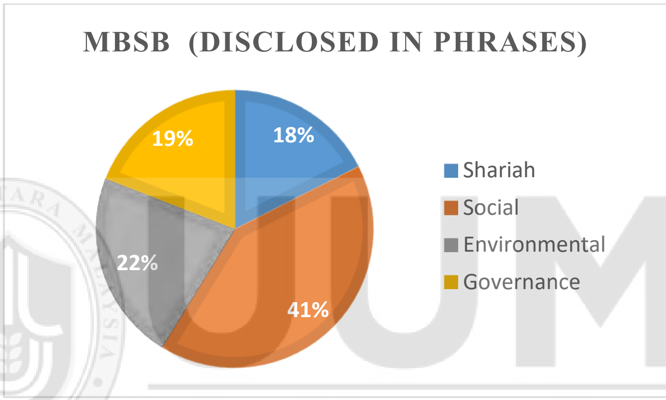

Figure 4.5-2
MBSB bank's CSR disclosure in phrases

The pie chart illustrates the distribution of MBSB Bank's CSR disclosures across four categories: Social, Environmental, Governance, and Shariah. Social disclosures dominate with 41% of the total, reflecting the bank's strong focus on community development, charitable initiatives, and societal well-being. This indicates that the bank prioritizes its role in addressing social concerns and engaging with local communities, aligning with stakeholder theory by meeting the expectations of key external and internal stakeholders.

Environmental disclosures make up 22%, emphasizing the bank's commitment to sustainability through eco-friendly practices and environmental protection initiatives. Governance disclosures, representing 19%, highlight the bank's efforts to maintain transparency. Meanwhile, Shariah-related disclosures account for 18%, focusing on adherence to Islamic financial principles. These proportions demonstrate the bank's dual focus on meeting faith-based requirements and maintaining accountability as an Islamic financial institution.

Overall, the chart reflects MBSB Bank's balanced approach to CSR, with a strong emphasis on social and environmental initiatives while maintaining transparency and compliance with Islamic values. The distribution of disclosures supports the growing emphasis on CSR practices in Malaysia, particularly within Islamic banks. This reinforces trends observed in the literature, where CSR disclosure rates have risen to 73% in recent years. MBSB Bank's focus on these areas aligns with both stakeholder theory—addressing the interests of diverse stakeholder groups—and accountability theory, by fulfilling its responsibility to provide transparent and ethical reporting across all CSR dimensions.

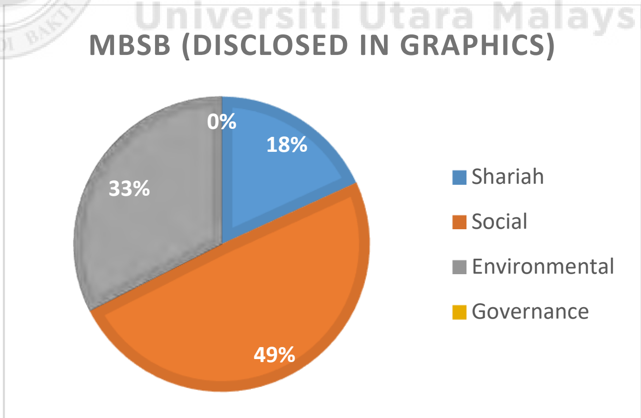

Figure 4.5-3
MBSB bank's CSR disclosure in graphics

The pie chart shows how MBSB Bank communicates its CSR efforts visually. Social initiatives take up the largest share at 37%, reflecting the bank's focus on community support, charitable activities, and societal development. This suggests that the bank prioritizes connecting with stakeholders by highlighting its contributions to society.

Environmental efforts make up 24% of the graphics, showcasing the bank’s commitment to sustainability and addressing growing environmental concerns.

Governance-related visuals represent 25% of the total, emphasizing the bank’s dedication to transparency, which is crucial for maintaining trust with both regulators and stakeholders. Shariah-based disclosures, which focus on Islamic principles and Shariah compliance, make up the smallest portion at 14%. While this percentage is lower, it’s likely because Shariah principles are deeply embedded in the bank’s identity and operations, requiring less visual emphasis compared to other areas.

When comparing between the graphics contents and the phrases, a noticeable shift in focus can be observed. In the phrases chart, Shariah disclosures were slightly higher at 18%, while social initiatives were even more dominant at 41%. The reduced visual representation of Shariah (14%) may suggest that these principles are now considered an inherent part of the bank's operations rather than something that needs constant visual reinforcement. Meanwhile, governance and environmental disclosures have slightly increased in graphics, signalling the bank’s growing effort to visually communicate its commitment to sustainability and transparency. Overall, this reflects a strategic approach by MBSB Bank to use different methods—phrases and graphics—to balance its Islamic banking roots with modern CSR practices, further highlighting the evolution of CSR in Malaysia’s Islamic banking sector.

4.6 CSR Disclosure in Hong Leong Islamic Bank

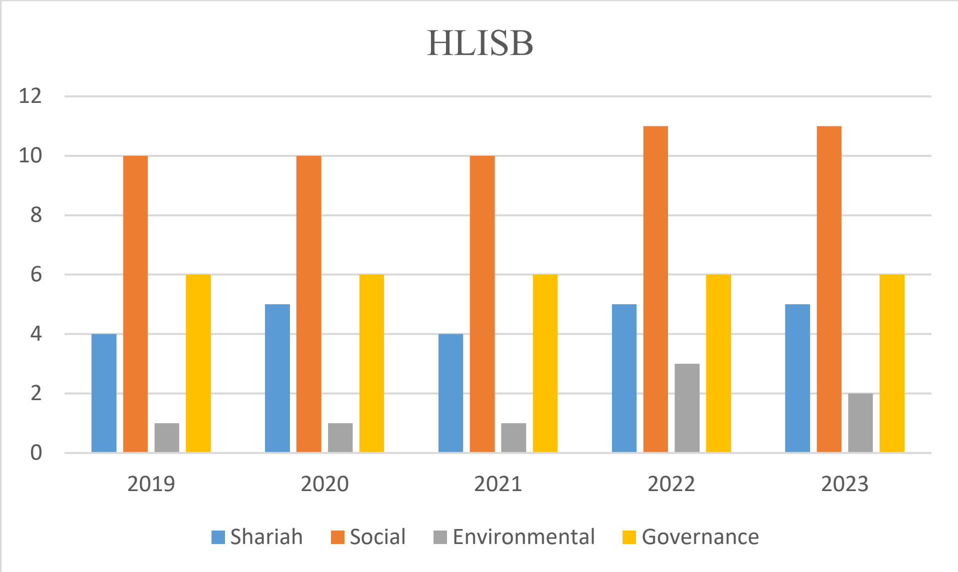

Figure 4.6-1
Graph of CSR disclosure in HLISB

The chart provides a comprehensive visual representation of Hong Leong Islamic Bank's (HLISB) CSR performance over a five-year period (2019–2023), highlighting both strengths and areas for improvement across four key dimensions: Shariah, Social, Environmental, and Governance.

Overall, the chart highlights HLISB's strengths in Shariah compliance and governance, as well as its ability to recover and adapt in the social dimension. However, the stagnation in environmental efforts is a notable concern, as it indicates a gap in the bank's sustainability strategy. To enhance its CSR performance, HLISB should prioritize investing in environmental initiatives, such as green financing and sustainability projects, while continuing to strengthen its Shariah compliance and governance frameworks. By addressing these areas, HLISB can not only improve its CSR profile but also contribute more effectively to sustainable development and align with global trends in ethical and responsible banking.

Table 4.6-1

HLISB					
Themes (total items)	2019	2020	2021	2022	2023
Shariah (7 items)	4	5	4	5	5
Social (12 items)	10	10	10	11	11
Environmental (4 items)	1	1	1	3	2
Governance (7 items)	6	6	6	6	6
total	21	22	21	25	24
percentage	70%	73%	70%	83%	80%

HLISB's checklist result

The table provides a comprehensive overview of HLISB's CSR performance over five years, showing strengths in Shariah compliance and social initiatives but identifying environmental efforts and governance as areas for improvement. By addressing these gaps, HLISB can enhance its CSR strategy, align with global sustainability trends, and strengthen its reputation as a responsible Islamic bank.

The table highlights several key observations about HLISB's CSR performance. The bank has demonstrated strong and consistent performance in Shariah compliance and social initiatives, reflecting its commitment to Islamic principles and societal well-being. However, the environmental dimension remains a significant area for improvement, as the low and fluctuating scores indicate a lack of sustained focus on sustainability. The steady but stagnant scores in governance suggest that while the bank has strong management practices, there is potential for further innovation to enhance long-term resilience.

In terms of Shariah compliance, HLISB has demonstrated consistent performance, with scores ranging from 4 to 5. The score improved from 4 in 2019 to 5 in 2020, dipped back to 4 in 2021, and then stabilized at 5 in 2022 and 2023. This indicates that the bank has maintained strong adherence to Islamic principles, which is central to its identity as an Islamic financial institution. The slight fluctuations suggest minor challenges in certain years, but the overall trend reflects a commitment to Shariah compliance.

The social dimension shows a strong and consistent performance, with scores of 10 in 2019, 2020, and 2021, increasing to 11 in 2022 and 2023. This improvement highlights HLISB's dedication to social well-being, including community development, financial inclusion, and charitable activities. The increase in scores in 2022 and 2023 suggests that the bank has enhanced its social initiatives, possibly in response to the challenges posed by the COVID-19 pandemic, and has continued to prioritize its contributions to society.

However, the environmental dimension reveals a significant area for improvement. The scores were consistently low, starting at 1 in 2019, 2020, and 2021, increasing to 3 in 2022, and then dropping slightly to 2 in 2023. This indicates that HLISB has made limited progress in environmental sustainability efforts. While the improvement in 2022 suggests some attention to environmental issues, the drop in 2023 highlights the need for a more sustained and focused approach to sustainability, such as investing in green financing or reducing the bank's carbon footprint.

In the governance dimension, HLISB has maintained a steady score of 6 across all five years. This reflects consistent management practices, transparency, and ethical leadership. However, the lack of improvement in this area suggests that while the bank has strong governance frameworks in place, there is room for further innovation and enhancement to ensure long-term resilience and adaptability.

The total scores and percentages provide an overall picture of HLISB's CSR performance. The total score increased from 21 in 2019 to 25 in 2022, before slightly dropping to 24 in 2023. The percentages followed a similar trend, ranging from 70% in 2019 and 2021 to 83% in 2022, and then dropping to 80% in 2023. These fluctuations indicate that while HLISB has made overall progress in its CSR performance, there are still areas that require attention, particularly in environmental sustainability.

4.6.1 Contents of The Disclosures

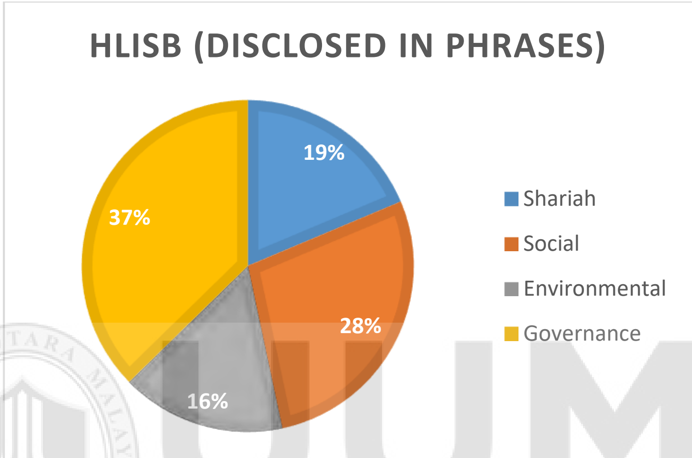

Figure 4.6-2
HLISB's CSR disclosure in phrases

The pie chart highlights the distribution of CSR disclosures in Hong Leong Islamic Bank (HLISB) using phrases. Governance disclosures take the largest share, accounting for 37%. This indicates the bank's strong focus on regulatory compliance. In an Islamic banking context, such emphasis is crucial to building trust and maintaining accountability with stakeholders, including regulators, investors, and customers.

Social disclosures come in second at 28%, reflecting HLISB's commitment to addressing societal needs, which aligns with stakeholder theory by meeting the expectations of external stakeholders who prioritize social impact. Meanwhile, Shariah discloses phrases make up 19% of the total, emphasizing the bank's adherence to Islamic principles and Shariah compliance in its operations. Although this percentage is lower than governance and social disclosures, it remains a key aspect of the bank's identity as an Islamic financial institution.

Environmental disclosures represent the smallest portion, at 16%, suggesting that while the bank is making efforts to address sustainability and ecological concerns, this area is less prominent compared to others. This may indicate an opportunity for HLISB to further enhance its environmental commitments in the future, aligning with global trends in sustainability reporting. Overall, the chart shows HLISB's strategic prioritization of governance and social responsibilities while positioning Shariah and environmental concerns as important, but less emphasized, components of its CSR disclosures in phrases.

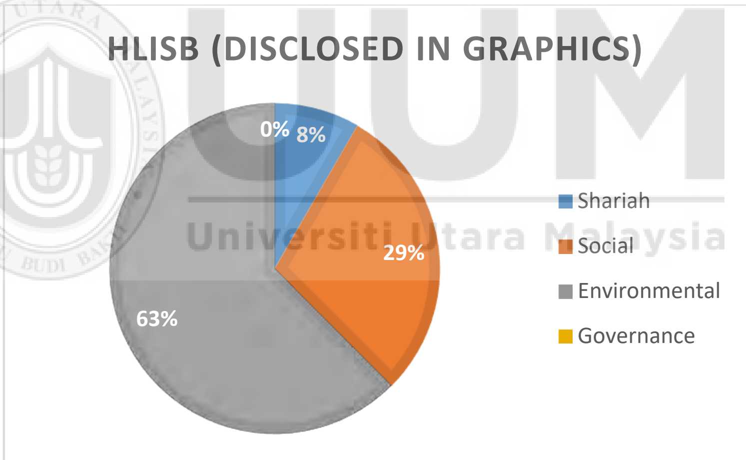

Figure 4.6-3
HLISB's CSR disclosure in graphics

A comparison of this chart with the previous one that examined CSR disclosures in phrases reveals a notable difference in emphasis. Although governance constituted the largest category in phrases at 37%, it is entirely lacking in graphics. In contrast, environmental disclosures represented the least significant category in terms of phrases, accounting for 16%, yet they comprised a substantial 63% of the graphics. This contrast underscores the bank's approach to customize its communication techniques—employing specific language for intricate or abstract subjects such as governance and

Shariah, while utilizing visuals to effectively present concrete aspects like environmental and social initiatives. The shift highlights HLISB's strategic method of engaging stakeholders, effectively balancing detailed information with visual elements to improve comprehension of its CSR initiatives.

4.7 Summary of the Chapter

The CSR disclosure of Islamic banks in Malaysia from 2019-2023 shows a rise in CSR practices, particularly in Islamic banks. The graph shows that Shariah compliance, environmental policy statements, and management team profiles are frequently disclosed, while community programs, charitable projects, and sources of funds used show moderate levels of disclosure. However, some CSR topics, such as Islamic finance and employee training, are rarely disclosed. The organization's emphasis on high-impact areas like charity, environmental policies, and governance aligns with stakeholder theory, but there are opportunities for improvement in transparency and completeness. Bank Islam Malaysia Berhad (BIMB) prioritizes social disclosures more than other areas, with governance of secondary importance. The bank has shown progress in Shariah compliance and social initiatives, but the stagnation in environmental efforts suggests a need for increased attention to sustainability. BIMB can enhance its performance and uphold its status as a prominent Islamic bank in Malaysia by focusing on these areas.

Bank Islam Malaysia Berhad (BIMB) has shown a strong commitment to social and governance issues, with opportunities to expand its environmental and Shariah-specific transparency. However, there is room for growth in areas like green financing and reducing its carbon footprint. BIMB's graphical CSR disclosures show a clear focus on governance (50%), Shariah (29%), and environmental sustainability efforts (15%). Social initiatives (6%) receive the least visual attention, which is surprising given Islamic banking's strong emphasis on community welfare. To better align with stakeholder expectations, BIMB could consider enhancing its graphical representation of social and environmental initiatives. By identifying and addressing these gaps, BIMB has the potential to refine its CSR strategy and achieve greater alignment with global sustainability trends.

Malaysia Building Society Berhad (MBSB) Bank's CSR disclosures show a strong focus on social initiatives (41%), demonstrating its commitment to community welfare and Islamic banking's emphasis on social justice. Governance is the second priority at (31%), highlighting BMMB's dedication to transparency and adherence to Shariah governance frameworks. However, the bank's graphical CSR disclosures highlight a strong focus on governance (64%), showcasing its dedication to transparency, regulatory compliance, and ethical leadership. The lack of social and environmental visuals might not align well with global CSR trends or the broader values of Islamic finance, which emphasize social justice and environmental care. By addressing these gaps, BMMB can strengthen its CSR strategy, build stakeholder trust, and position itself as a leader in sustainable and ethical banking.

MBSB Bank's CSR performance has shown a slight decline in recent years, with a total score of 21 in 2019 and a percentage of 73% in 2019. This suggests that external factors like the pandemic may have impacted the bank's ability to sustain higher levels of CSR engagement. To enhance its CSR performance, MBSB should prioritize strengthening its Shariah compliance to maintain its identity as an Islamic financial institution, invest in environmental initiatives, and improve governance frameworks. The bank's balanced approach to CSR, focusing on social and environmental initiatives while maintaining transparency and compliance with Islamic values, aligns with stakeholder theory and accountability theory. The bank's visual communication of its CSR efforts reflects a strategic approach to balance its Islamic banking roots with modern CSR practices.

HLISB's CSR performance over five years shows strong performance in Shariah compliance and social initiatives, but identifies areas for improvement in environmental efforts and governance. The bank has maintained strong adherence to Islamic principles and societal well-being, with scores ranging from 4 to 5. However, the bank has made limited progress in environmental sustainability efforts, with scores consistently low. The bank's governance score has maintained a steady 6 across all five years, indicating consistent management practices but room for further innovation to enhance long-term resilience. The total scores and percentages show that while HLISB has made progress in its CSR performance, there are still areas that require attention, particularly in environmental sustainability. By addressing these gaps, HLISB can enhance its CSR strategy, align with global sustainability trends, and strengthen its reputation as a responsible Islamic bank.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Introduction

The last chapters of this paper have investigated among Islamic banks in Malaysia the degree and consequences of Shariah, Social, Environmental, and Governance (SSEG) disclosure policies. Operating under Islamic law, these banks are obliged to maintain not only Shariah compliance but also more general ethical obligations including social welfare, environmental sustainability, and strong government as financial organizations. The main results of the research are compiled in this chapter together with links between the theoretical framework, empirical data, and the pragmatic reality of SSEG disclosure in the Malaysian Islamic banking market. Moreover, it offers practical suggestions for Islamic banks, legislators, and authorities to improve openness, responsibility, and congruence with world environmental goals. This chapter seeks to add to the continuing conversation on ethical banking methods and the part Islamic finance may play in advancing sustainable development by tackling the opportunities and difficulties this study finds.

5.2 Conclusion

This study confirms that Malaysian Islamic banks have significantly strengthened their CSR disclosure practices, achieving a notable 73% overall disclosure rate between 2019 and 2023. The banks excelled in aligning with core Islamic ethical principles and regulatory demands, particularly in disclosing Shariah themes, governance themes, social and environmental themes, reflecting their commitment to religious obligations and stakeholder accountability. However, performance remains uneven: while transparency in high-priority areas demonstrates progress, gaps persist in providing the description of community programs, training in Shariah awareness, and seminars on Islamic economics. These shortcomings highlight opportunities to enhance holistic accountability and address evolving stakeholder expectations. Overall, this finding aligns with the first objective of this study, which is to evaluate the CSR disclosure performance of Islamic Banks in Malaysia from 2019 to 2023.

The findings reveal distinct patterns in CSR disclosures across Malaysian Islamic banks. BIMB has shown notable progress, particularly in social and governance disclosures, demonstrating consistency by covering all themes through both phrases and graphics. However, it needs to strengthen its focus on environmental sustainability and Shariah compliance. BMMB excels in governance and social resilience, aligning well with Islamic principles, but falls short in supporting its social disclosures with graphical representations. MBSB performs strongly in social and governance themes, maintaining proportional disclosure across phrases and graphics, though it lacks sufficient emphasis on Shariah and environmental aspects. Meanwhile, HLISB demonstrates commendable adherence to Shariah compliance and social initiatives but shows stagnation in environmental disclosures and fails to present governance-related information graphically. These variations highlight each bank's unique CSR priorities and areas needing improvement to achieve comprehensive transparency. Overall, these results is reflecting the second objective of this study.

5.3 Recommendation

5.3.1 Contribution of The Study

This study contributes to the literature by offering a detailed qualitative analysis of CSR disclosures in Islamic banks, emphasizing the differences in how phrases and graphical content are used. It fills a gap in existing research by focusing on Islamic banks in Malaysia during the period from 2019 to 2023. The findings aim to benefit not just researchers, but also bankers, policymakers, and anyone interested in Shariah-compliant banking and its role in fostering sustainability and accountability.

5.3.2 Limitation of The Study

This study has a few limitations to keep in mind. First, it focuses only on Islamic banks in Malaysia between 2019 and 2023. While this gives a detailed look at the local context, the findings might not apply to banks in other countries or to the banking industry as a whole. Also, since this is a qualitative study, the results rely on the researcher's interpretation of the CSR disclosures, which might introduce some bias.

Another limitation is that the study looks at what banks disclose in their CSR reports but doesn't examine how these initiatives are actually carried out or their real-world impact. It also relies on publicly available information, which means it might miss internal efforts that aren't reported.

Finally, the study focuses on a specific timeframe, so it might not capture long-term trends or very recent changes in CSR practices. It also doesn't include the perspectives of stakeholders, like customers or employees, who could provide valuable insights into how effective or credible these disclosures are. These limitations point to opportunities for future research to explore these areas in more detail.

5.3.3 Suggestion for Future Study

There are many suggestions for the future scholars to expand this study. First, future studies could broaden their scope by examining Islamic banks in other regions with significant Islamic finance sectors, such as the Gulf Cooperation Council (GCC) countries, Indonesia, and Pakistan. A comparative analysis across different regulatory and cultural contexts would provide valuable insights into how SSEG (Shariah, Social, Environmental, and Governance) disclosures vary based on regional influences. Additionally, while this study focused on four full-fledged Islamic banks in Malaysia, future research could include a larger sample size, incorporating both full-fledged Islamic banks and Islamic windows of conventional banks. This expansion would offer a more comprehensive understanding of SSEG disclosure practices across different types of Islamic financial institutions, highlighting potential differences in transparency and reporting standards.

Next, to understand better the evolution of SSEG disclosures, future research could adopt a longitudinal approach, tracking reporting trends over an extended period. Such studies would help identify patterns in disclosure practices, assess the impact of regulatory changes, and evaluate how global sustainability initiatives influence SSEG reporting in Islamic banks. By analyzing data across multiple years, researchers could determine whether Islamic banks are improving their transparency and accountability or if gaps persist in areas such as environmental sustainability.

Lastly, while this study utilized a qualitative exploratory approach, future research could benefit from mixed-method designs that combine qualitative content analysis with quantitative techniques. Surveys and interviews with key stakeholders—such as bank executives, Shariah board members, and customers—could provide deeper insights into the motivations behind SSEG disclosures, challenges in implementation, and stakeholder perceptions. A mixed-method approach would enrich the findings by offering both statistical trends and nuanced explanations, ultimately contributing to a more robust understanding of CSR practices in Islamic banking.

5.4 Summary of the Chapter

The research emphasizes the critical need for Islamic banks in Malaysia to enhance their Corporate Social Responsibility (CSR) disclosure practices, ensuring alignment with ethical standards inherent in Islamic finance. By addressing existing gaps in transparency and governance, these banks can foster greater stakeholder trust, promote sustainable growth, and fulfill their unique ethical obligations to society. The findings aim to benefit not just researchers, but also bankers, policymakers, and anyone interested in Shariah-compliant banking and its role in fostering sustainability and accountability

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Appendices

Example of CSR item

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SHARIAH-COMPLIANT CONFIRMATION STATEMENT

بسم الله الرحمن الرحيم

الحمدلله رب العالمين، والصلاة والسلام على سيدنا محمد، الذي أرسله الله رحمة للعالمين، هاديا مهديا،

السلام عليكم ورحمة الله وبركاته and 'Salam Sejahtera'

In carrying out the roles and responsibilities of the Shariah Committees, as prescribed in the policy documents and guidelines issued by the regulators namely Bank Negara Malaysia and the Bursa Malaysia Securities Berhad for the respective financial industries and in compliance with our letters of appointment, we on behalf of the Shariah Committees of the respective Companies within BIMB Holdings Berhad Group, namely Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Keluarga Berhad and BIMB Securities Sdn. Bhd. hereby submit the following confirmation for the financial year ended 31 December 2019.

Group Overview | Sustaining The Group | Management Discussion & Analysis | Group Governance

Item of Commitments in operating within Shariah principle.

Themes Checklist's Score

Checklist Themes		SSEG Disclosure Score in Islamic Bank in Malaysia (2019-2023)																			
Serial		BIMB (bank Islam)					BMMB (muamalat)					MBSB bank					HLISB (Hong Leong Islamic Bank)				
		2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	1. Shariah																				
1	Commitments in operating within Shariah principles	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	Does the bank finance quard hassan?	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Balance of Qard Hassan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Does the bank pay zakah?	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
5	Balance of zakah fund	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6	Conferences or seminar on Islamic economics	1	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	1	0	1	1
7	Does the bank train employee in shariah awareness?	0	1	1	1	1	1	1	1	0	1	0	1	0	0	0	1	1	1	1	1
	Total	4.00	4.00	4.00	4.00	6.00	4.00	4.00	4.00	3.00	4.00	4.00	4.00	3.00	3.00	3.00	4.00	5.00	4.00	5.00	5.00
	2. Social (Community and Charity)																				
8	Does the bank work closely with the local community?	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1

9	Is the bank committed to supporting community organisations?	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1
10	Sources of funds used for community activities	1	0	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11	Description of community programmes	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1
12	Any mention of commitment to local economic development?	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	Creating job opportunities	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	1	0
14	is there a description of charitable activities done?	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1
15	charitable donation expenditure	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1
16	sources of funds used for charitable donations	1	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1
17	does the bank support	1	0	0	0	1	0	0	0	0	0	1	1	1	1	1	1	0	1	1	1

	employee involvement in charities?																				
18	amount spent on donations through employee schemes	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1
19	balance of charity fund	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Total	10	8	8	9	9	10	6	9	6	9	11	10	10	10	10	10	10	10	11	11
	3. Environment																				
20	Nature of donation to protect environment	1	1	1	1	1	1	1	0	0	0	1	1	1	1	1	0	0	0	1	0
21	amount donated on protecting environment	1	1	1	1	1	0	1	0	0	0	0	1	1	1	1	0	0	0	1	1
22	details of the project financed which caused harm for environment	0	0	0	0	0	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0
23	Environment policy statement	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Total	3	3	3	3	3	3	4	2	2	2	3	3	3	3	3	1	1	1	3	2
	4. Governance																				
24	Are names, positions and pictures of the	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

	SSB members provided?																				
25	does the governance committee include a shariah scholar?	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
26	how many meetings have the SSB held?	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	1
27	Disclosure of any unlawful transactions	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	1	1	1	1	1
28	Amount of the revenue earned in unlawful transactions	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	1	1	1	1	1
29	Picture of management team	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0
30	Pofile management team	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
	Total	7	7	7	7	7	7	7	7	7	7	4	4	5	5	5	6	6	6	6	6
	Total items	24	22	22	23	25	24	21	22	18	22	22	21	21	21	21	21	22	21	25	24

Phrases and Graphics Checklist's Score

1. BIMB

Bank's Name : Bank Islam Malaysia Berhad

	Indicators	2019		2020		2021		2022		2023	
		Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics
	1. Shariah										
1	Islamic Comitment	1 statement	1 symbol	1 statement	1 symbol	1 statement	1 symbol	1 statement	1 symbol	1 statement	1 symbol
2	Shariah awareness	1 report	1 photo	0	0	0	0	0	0	1 report	1 photo
3	Zakat	1 balance , 2 report	3picts	1 balance, 1 report	1 pict	1 balance, 3 report	3 pict	1 balance, 2 report	1 pict	1 balance, 2 report	0
	Total	5	5	3	2	5	4	4	2	5	2
	2. Community										
1	Sponsorship to a local community	3 reports	2 pict	5 reports	7 pict	3 report	2 pict	6 report	6 pict	3 report	4 pict
2	Charitable sponsorship	6 report	6 pict	5	18	4	5	5	0	3	0
	Total	9	8	10	25	7	7	11	6	6	4
	3. Governance										
1	Shariah Supervisory board	3 bio	3 bio	8	8	6	6	6	6	6	6
2	Shariah non Compliance income	1	0	1	0	1	0	1	0	1	0
	Total	4	3	9	8	7	6	7	6	7	6
	4. Environment										
1	Nature of donation for protecting environment	1 report	1 report	1	1	2	2	1	1	1	1

2	recycle (the saving energy)	0	0	0	0	0	0	0	0	1	0
3	Environment policy statement	1 statement	0	1	0	1	0	1	0	1	0
	Total	2	1	2	1	3	2	2	1	3	1
	Total score	20	17	24	36	22	19	24	15	21	13

2. BMMB

Bank's Name : Bank Muamalat Malaysia Berhad

Indicators		2019		2020		2021		2022		2023	
		Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics
	1. Shariah										
1	Islamic Comitment	1	1	1	1	1	2	1	4	1	2
2	Shariah awareness	0	0	0	0	0	0	0	0	0	0
3	Zakat	2	1	2	0	2	0	2	0	2	0
	Total	3	2	3	1	3	2	3	4	3	2
	2. Community										
1	Sponsorship to a local community	3	0	5	0	2	0	4	0	3	0
2	Charitable sponsorship	3	0	8	0	7	0	0	0	8	2
	Total	6	0	13	0	9	0	4	0	11	2
	3. Government										
1	Shariah Supervisory board	6	6	5	5	5	5	5	5	6	6
2	Shariah non Compliance income	1	0	1	0	1	0	1	0	1	0
	Total	7	6	6	5	6	5	6	5	7	6
	4. Environment										

1	Nature of donation for protecting environment	1	0	1	1	0	0	0	0	0	0
2	recycle (the saving energy)	1	0	3	3	1	0	1	0	1	0
3	Environment policy statement	1	0	1	0	1	0	1	0	1	0
	Total	3	0	5	4	2	0	2	0	2	0
	Total score	19	8	27	10	20	7	15	9	23	10

3. MBSB Bank

Bank's Name : Malaysia Building Society Berhad Bank

Indicators		2019		2020		2021		2022		2023	
		Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics
	1. Shariah										
1	Islamic Comitment	1	1	1	1	1	1	1	2	1	1
2	Shariah awareness	1	0	0	0	0	0	0	0	0	0
3	Zakat	2	0	2	0	2	0	9	8	2	0
	Total	4	1	3	1	3	1	10	10	3	1
	2. Community										
1	Sponsorship to a local community	5	4	5	1	4	0	8	8	8	8
2	Charitable sponsorship	5	5	4	0	4	3	8	8	3	1
	Total	10	9	9	1	8	3	16	16	11	9
	3. Government										
1	Shariah Supervisory board	4	4	5	5	5	5	6	6	5	5
2	Shariah non Compliance income	0	0	0	0	0	0	0	0	0	0
	Total	4	4	5	5	5	5	6	6	5	5
	4. Environment										

1	Nature of donation for protecting environment	5	4	1	0	1	1	2	2	2	2
2	recycle (the saving energy)	1	2	3	1	1	1	6	10	2	2
3	Environment policy statement	1	0	1	0	1	0	1	0	1	0
	Total	7	6	5	1	3	2	9	12	5	4
	Total score	25	20	22	8	19	11	41	44	24	19

4. HLISB

Bank's Name : Hong Leong Islamic Bank Berhad

Indicators		2019		2020		2021		2022		2023	
		Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics	Phrases	Graphics
	1. Shariah										
1	Islamic Comitment	1	0	1	0	1	0	1	0	1	0
2	Shariah awareness	0	0	1	1	0	0	1	1	1	0
3	Zakat	1	0	2	0	1	0	1	0	1	0
	Total	2	0	4	1	2	0	3	1	3	0
	2. Community										
1	Sponsorship to a local community	1	0	2	0	2	2	2	0	2	1
2	Charitable sponsorship	5	0	2	1	1	1	1	1	3	1
	Total	6	0	4	1	3	3	3	1	5	2
	3. Government										
1	Shariah Supervisory board	5	0	3	0	5	0	5	0	5	0
2	Shariah non Compliance income	1	0	1	0	1	0	1	0	1	0
	Total	6	0	4	0	6	0	6	0	6	0
	4. Environment										

1	Nature of donation for protecting environment	0	0	0	0	0	0	1	1	0	0
2	recycle (the saving energy)	1	1	1	4	2	6	1	1	1	2
3	Environment policy statement	1	0	1	0	1	0	1	0	1	0
	Total	2	1	2	4	3	6	3	2	2	2
	Total score	16	1	14	6	14	9	15	4	16	4