

A Comparative Study of CSR Practices of Islamic Banks and Conventional Banks in GCC Region

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Abstract

The CSR activities lead to the upliftment of the destitute among the society. Banks established according to the principles of any religion may have more inclination towards fulfilling their religious duties as well as their social duties by practicing CSR. On the other hand Conventional banks guided by their moral duties and social and mandatory compulsions for undertaking CSR activities. The study examines the preferences and patterns of both the kinds of banks. The study also compares their CSR practices. An effort is also made to evaluate the effects of Islamic Tenets on the CSR practices. The study also looked into the preferences of the banks regarding CSR Collaborating Agencies. Case study method, Content Analysis and Dimension Score Analysis have been undertaken to fulfill the objectives of the study. The study reveals that the Islamic Banks are more innovative in their CSR practices and the effects of Islamic Tenets could be envisaged in their practices. Conventional banks are at par with the Islamic Banks as far as the CSR practices are concerned. The international organizations like UN, UNICEF, UNESCO, WHO etc can play vital role in directing the banks about the CSR patterns, CSR activities, the deserving geographical regions. Collective and coordinated efforts of such international organizations, corporate world, Government Agencies etc can make this world a better place to live.

Keywords: CSR, Gulf Cooperation Council, Conventional Banks, Islamic Financial Institutions, and Islamic Banks

1. Introduction

Now a days corporate social responsibility is given utmost importance. The needy and destitute should also be taken into account and be benefited by the CSR activities. Gulf Cooperation Council region contains countries with maximum wealth and natural resources. This region also has majority of the people believing in Islam. The Financial Institution of this region includes two different types of banks. One is conventional or main-stream banks and the other is Islamic banks. The Islamic banks function according to the Injunctions and Tenets of Islam. The present study is directed to make comparative study of the CSR practices by Islamic banks and conventional banks.

1.1 Objectives of the study:

The study tries to evaluate the pattern and preferences of CSR practices by conventional banks and Islamic banks. It also tries to find out the effect of Islamic Tenets on the CSR practices of Islamic banks. An effort is also made to compare the CSR practices of both the kinds of the banks.

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The study looks into the inclination of the banks for choosing the collaborating agencies for CSR practices.

2. Corporate Social Responsibility (CSR) - Conceptual Framework

2.1 Concept of CSR

Concept of CSR revolves around the issues like ethics, social upliftment, environmental protection and solution to other global problems. The organisations direct their efforts towards the upliftment and benefit of the stakeholders.

Who are stakeholders? If stakeholders are “those individuals or groups who depend on the organisation to fulfill their own goals and on whom, in turn, the organisation depends” (Johnson and Scholes, 2002), then one organisation is concerned with a very large amount of people, if not everyone since many people depend, either directly or indirectly, on an organisation’s activity. And, if the organisation is accountable to all its stakeholders (i.e., everyone) rather than to one constituency (i.e., the shareholders), then the notion of accountability becomes valueless because it is too broadly set and useless from a managerial point of view (Hummels, 1998; Vinten, 2000).

In order to limit the scope of the term ‘stakeholder’, various authors have sub-categorized them. The most widely used is the external/internal stakeholder framework (Johnson and Scholes, 2002,p.206). Others prefer the primary/secondary stakeholder framework (e.g., Weiss, 2003,p.34), whilst some separate voluntary from involuntary stakeholders (e.g., Post et al., 2002), and some favour the social/non-social stakeholders categorisation (e.g., Wheeler and Sillanpää, 1998). Another interesting approach is that of Phillips (2001; Jones et al., 2002), who identifies ‘intrinsic’ or ‘definitional’ stakeholders, and ‘instrumental’ stakeholders who affect the definitional stakeholders. In that view, organisations have moral obligations to all stakeholders, but also specific obligations to definitional stakeholders only.



Exhibit 1: Corporate Social Responsibility

(Source: industryplayer.com)

2.2 CSR in Globalization Environment:

The topics surrounding Corporate Social Responsibility (CSR) have become more complex due to the globalization of the economy and the issues that arise from companies competing in international markets. Companies are manufacturing goods, hiring local labor, utilizing raw materials and resources extracted from the environment in international locations. (Vlad, Yevgeniy 2010)

2.3 CSR and Sustained Development initiatives

There are a number of projects and initiatives that are shaping the goals and principles of corporate social responsibility and sustainable development, such as:

2.3.1 Organization for Economic Cooperation and Development (OECD) is an international organization with 35 industrialized countries as participants. These countries share 76 per cent of the world's trade.

The themes that this organization addresses include environmental, human rights, labor issues, health, education, and information disclosure.

2.3.2 UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights (UN official website, 2003) were formed with the help of consideration with stakeholders and CSR experts like unions, business, and NGOs.

2.3.3 International Labour Organization (ILO) and its Tripartite Declaration emphasize the "social aspects of the activities of multinational enterprises, including employment creation in the developing countries" (Governing Body of International Labor Office, 204th session). The principles established by this organization are to be voluntarily adopted, and hence it has a limited reach. (www.ilo.org, 1996-2014)

2.3.4 United Nations' Global Compact was established in 1999 by United Nations' Secretary Kofi Annan as a voluntary international initiative. Participant companies are asked to demonstrate their support to ten different international principles of human and labor rights, anti-corruption and environmental protection, to seek solutions to the challenges of globalization and promote responsible corporate citizenship.

2.3.4 Kyoto Protocol was agreed on in 1997 to reduce greenhouse gas emissions by 2012. Many countries and the EEC have ratified the protocol (envroliteracy.org, 2007).

3. Gulf Cooperation Council (GCC) Region:

3.1 Gulf Cooperation Council – key features:

GCC was formed in 1981 by oil-exporting nations, headquarters in Riyadh. GCC countries have common faith in the religion of Islam and similar Arabian Culture. On a per capita basis, they are among the richest countries in the world.

3.2 Members of GCC : The GCC consists of six members:

3.2.1 The Kingdom of Bahrain - Its 1.2 million people enjoy a GDP per capita of \$40,500. Its economy grew 4.5% in 2010.

3.2.2 Kuwait - Its population is double that of Bahrain. They enjoy the 10th highest standard of living (\$48,900 per person). The country holds 9% of the world's oil reserves.

3.2.3 The Sultanate of Oman - Its dwindling oil reserves means it's increasingly relying on tourism to improve the lifestyle of its 3 million residents.

3.2.4 Qatar - The richest country in the world, with a GDP per capita of \$179,000 for its 848,000 residents. It has 25 billion barrels of proven oil reserves and 14% of the world's natural gas reserves.

3.2.5 The Kingdom of Saudi Arabia - The largest of the GCC countries (26 million people) has 20% of the world's proven oil reserves. Its GDP per capita is only \$24,200.

3.2.6 The United Arab Emirates (UAE) - Its 5.1 million people enjoy a per capita GDP of \$49,600 thanks to a diversifying economy that includes Dubai and the world's tallest building, the Burj Dubai Khalifa.

(Source: WEF, The GCC Countries and the World: Scenarios to 2025, May 19, 2007; Washington Post, Arab Spring Yields Different Results in Bahrain, Egypt and Libya, December 20, 2011)

4. Conventional Banks

The conventional banks are established on different principles. Interest is not prohibited. It treats money as a commodity. The following points will make the idea regarding conventional bank clear.

4.1 Characteristics of a Bank:

- 4.1.1 Deals in Money: Banks deal with depositors' money.
- 4.1.2 Stores Money: One of the basic functions is to provide a safe place for investors' valuables.
- 4.1.3 Saving Money/Accept Deposits: They offer various means of saving money.
- 4.1.4 Lend Money/Offer Loans: They lend money to those who need funds.
- 4.1.5 Establishes a connecting link: It acts as a link between those who need money and those who have surplus funds.
- 4.1.6 Profit/Service oriented: Just like any other business, banks are also profit oriented.
- 4.1.7 Business: The business of banking cannot function as a subsidiary to any business.

4.2 Functions of a Bank:

Primary functions and Secondary Functions of a Bank	
<u>Primary Functions</u>	<u>Secondary Functions</u>
1. These are the main activities of the bank.	These are secondary/supportive activities of the bank.
2. These are main sources of income for the bank.	These are not the main sources of income for the bank.
3. These are obligatory on the part of bank to perform.	These are not obligatory on part of bank to perform. But generally all commercial banks perform these activities.
Eg. Accepting deposits, granting loans and advances	Eg. Agency Functions and Utility functions
www.financeNmoney.in	

Exhibit 3 : Functions of a Conventional Banks

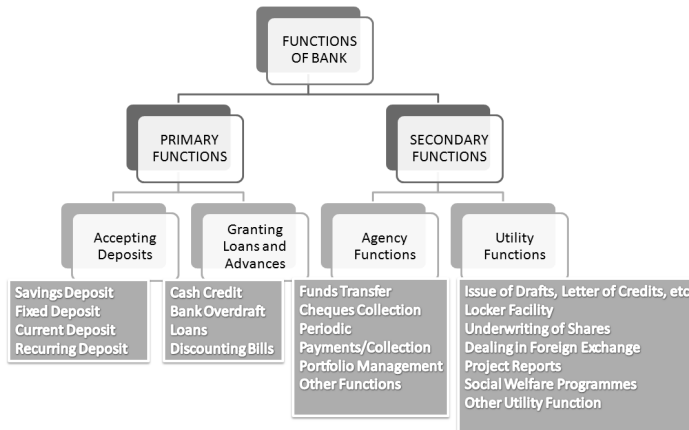


Exhibit 4 : Classification of Banks' Functions

The functions of conventional banks can be classified in mainly two classes viz Primary Functions and Secondary Functions.

The Primary Functions suggest the core activities like accepting deposits and granting loans and advances. The secondary function include the agency function, where bank works as an agency or intermediary and the utility function where the banks provide utilities to its customers and facilitates their financial transactions.

5. Islamic Financial System

The need for understanding the concept of Islamic Finance System arises before understanding the concept of Islamic Banks as Islamic Banks are part of Islamic Financial System. Islamic Financial System is based on the principal of Sharia.

5.1 Sharia

The literal translation of the Arabic term Sharia is "the way", but it is now widely understood to mean the principles of Islamic law. Sharia is not a finite standard: it is a set of rules, principles and parameters. The primary sources of Sharia are the:

Quran (the sacred book of Islam believed to record the Word of God as revealed to the Prophet Muhammad).

Sunna (the practices of the Prophet Mohammed). The Sunna is found in the series of narrations (Hadith) resulting from dialogue or interaction with the Prophet Muhammad, transmitted by his companions and later collected by scholars.

Sharia governs every aspect of a Muslim's life. A practicing Muslim is required to lead a just and pure life to achieve piety. In this endeavour, a Muslim's income and expenditure must remain free of impurities (such as the receipt or payment of interest). To do otherwise would be to commit a sin. The need for Islamic finance is therefore a spiritual necessity rather than an economic convenience. Sharia sets out what constitutes "just" and "pure" for a Muslim. While some parts of Sharia are quite specific and incapable of further interpretation, some of its requirements are of wider application and take the form of principles or guidelines. To that extent, Sharia is therefore subject to a further process of interpretation.

5.2 Principles of Islamic Finance

The following are fundamental principles of Islamic finance that Islamic finance transactions must comply with.

5.2.1 Prohibition of Interest or Usury

The first and most important concept is that both the charging and the receiving of interest is strictly forbidden. This is commonly known as Riba or Usury. Money, on its own, may not generate profits. When Riba infects an entire economy, it jeopardizes the well-being of everyone living in that society. When investors are more concerned with rates of interest and guaranteed returns than they are with the uses to which money is put, the results can only be negative.

This is an important principle for Islamic financial institutions in terms of explaining how they make money. As we know, the Prophet (peace be upon him) was asked "What form of gain is the best?" The Prophet (peace be upon him) replied, "A man's work with his hands and every legitimate sale'"(Ahmad).

Adherents of Islam believe that the Qur'an is the final book of God's word following both the Torah and the Bible. As a result, there are a number of similarities between the Islamic, Christian and Jewish faiths.

Quoting Shaikh Saleh Abdullah Kamel, Chairman and Founder of Albaraka Banking Group; Usury is forbidden in all the three religions, Judaism, Christianity and Islam, but it is the people who forget the rules of Allah. All societies, nowadays - Muslims, Christians and Jews - deal with Usury.

5.2.2 Ethical Standards

The second guiding principle concerns the ethical standards. When Muslims invest their money in something, it is their religious duty to ensure that what they invest in is good and wholesome. It is for this reason that Islamic investing includes serious consideration of the business to be invested in, its policies, the products it produces, the services it provides, and the impact that these have on society and the environment. In other words, Muslims must take a close look at the business they are about to become involved in.

In all facets of the financial system, Islam has certain rules, certain regulations as to how Muslims should go about participating in these activities. For example, in share trading or the securities market, Islam looks at the activities of the companies, to establish whether or not the companies are involved in activities which are in line with Sharia.

No investments that are not in the public interest. Transactions involving certain products are prohibited; these include- Pork, Alcohol, Armaments, Gambling and Conventional finance.

5.2.3 Moral and Social Values

The third guiding principle concerns moral and social values. The Qur'an calls on all its adherents to care for and support the poor and destitute. Islamic financial institutions are expected to provide special services to those in need. This is not confined to mere charitable donations but has also been institutionalized in the industry in the form of profit-free loans or Al Qard Al Hasan.

An Islamic bank's business includes certain social projects, as well as charitable donations. Islamic banks provide profit-free loans. For example, if an individual needs to go to hospital or wants to go to university, we give what is called Qard Al Hasana. This Qard Hasan is normally given for a short period of one year and the Islamic bank does not charge anything for that.

5.2.4 Liability and Business Risk

The final principle concerns the overarching concept of fairness, the idea that all parties concerned should both share in the risk and profit of any endeavor. To be entitled to a return, a provider of finance must either accept business risk or provide some service such as supplying an asset, otherwise the financier is, from a Sharia point of view, not only an economic parasite but also a sinner. This principle is derived from a saying of the Prophet Mohammed (May Peace be upon Him) "Profit comes with liability". What this means is that one becomes entitled to profit only when one bears the liability, or risk of loss. By linking profit with the possibility of loss, Islamic law distinguishes lawful profit from all other forms of gain.

5.3 Islamic Banks:

There is no standard way of defining what an Islamic bank is, but broadly an "Islamic bank is an institution that mobilizes financial resources and invests them in an attempt to achieve predetermined islamically -acceptable social and financial objectives. Both mobilization and investment of funds should be conducted in accordance with the principles of Islamic Shari'a". (www.albarakah.com, 2014)

The Qur'anic verse "...Allah has permitted trade and has forbidden riba (interest)" (Qur'an 2:275) is the reason why Islamic finance encourages entrepreneurship and trade, and denies riba (interest) in all business transactions. Islamic banks deal in goods and documents, but not in money. Money is used only as a medium of exchange for purchasing assets and then engaging in sale, lease or investment. On the other hand, conventional banks deal with money and documents and ignore goods. Money is treated as goods or a commodity which is purchased and disposed off.

This is well demonstrated in a hadith narrated by Urwa when the Prophet (peace be upon him) gave him one dinar in order to buy a sheep for him. Urwa bought two sheep for him with the money. Then he sold one of the sheep for one dinar, and brought one dinar and a sheep to the Prophet. On that, the Prophet invoked Allah to bless him in his dealings. (Bukhari) If Urwa had borrowed the first dinar with the condition that he would return the dinar plus a sheep that would be pure interest (ribā). By engaging in business and trade, money is converted into something useful which in turn generates legitimate profit for the financier.

5.3 Distinct Functioning of Islamic Banks :

5.3.1 Following are the simple steps to be followed in Islamic Banking system (IBS): Money is deposited in a bank and the bank guarantees to return the money. Money can be withdrawn at anytime. Bank may charge you a fee for looking after your money and may pay hibah (gift) to you if it deems fit. This concept is normally used in deposit-taking activities, custodial services and safe deposit boxes.

5.3.2 Mudharabah (Profit Sharing): Mudharabah is a profit sharing arrangement between an investor (supplier of money) and the entrepreneur (demands money). Both the parties enter into agreement of profit and loss sharing before the investor supplies the money to the entrepreneur. In return the former gets share in profit agreed upon by them.

The principle of Mudharabah can be applied to Islamic banking operations in 2 ways: between a bank (as the entrepreneur) and the capital provider, and between a bank (as capital provider) and the entrepreneur.

Losses suffered shall be borne by the capital provider.

5.3.3 Bai' Bithaman Ajil (BBA) (Deferred Payment Sale):

This arrangement refers to the sale of goods/product where the buyer pays the seller after the sale the mark up price, either in one lump sum or by installments.

5.3.4. Murabahah (Cost Plus):

This arrangement is similar to the arrangement of BBA. However, in Murabahah, unlike BBA, the seller must inform the buyer about the actual cost for the asset and the profit margin at the time of the sale agreement.

5.3.5 Musyarakah (Joint Venture):

This arrangement of partnership where profits made will be shared by the partners based on an agreed ratio which may not be in the same proportion as the funds invested by the partners. But, losses incurred will be shared based on the ratio of amount invested by each partner.

5.3.6 Ijarah Thumma Bai' (Hire Purchase):

Ijarah Thumma Bai' is normally used in financing consumer goods especially motor vehicles. There are two separate contracts involved: Ijarah contract, and Bai' contract.

5.3.7 Lease-to-Own:

This is very similar to the declining balance, except that the financial institution pays just nearly complete capital amount required for the property.

5.3.8 Islamic Forwards:

These are the rarest forms of financing used for certain specific types of businesses only. The price for the item is paid in advance and the object is delivered on a pre-determined future date.

6. Review of Literature

CSR has irreversibly become part of the corporate fabric (Pearce and Doh, 2005). Many organizations have developed a detailed corporate social responsibility (CSR) programs designed to generate goodwill among various stakeholders and to increase market value. Banks are pouring millions of rupees into different kinds of CSR programmes and strategies in the race to strengthen their reputation and improve relationships with stakeholders.

6.1 Notion of CSR

The notion of CSR being a social obligation was first advocated by Carroll (1979, in Maignan and Ferrell, 2004). Carroll's (1991, 1999) CSR pyramid, one of the best-known CSR models, presents company's social obligations as comprising economic, legal, ethical and philanthropic responsibilities. Carroll (1991) noted that businesses were created as economic entities driven by a profit motive, thus economic performance undergirds the other three CSR components. Legal responsibility involves businesses complying with federal, state and local government laws and regulations (Carroll, 1991). This was followed by ethical responsibilities, those standards, norms and expectations that reflect a concern for what consumers, employees, shareholders and the community regard as fair, just and respectful of stakeholders' moral rights (Carroll, 1991). Finally, philanthropic responsibility was the expectation that businesses be good corporate citizens, actively engaging in programs to promote human welfare and goodwill (Carroll, 1991).

6.2 CSR and Banking Sector

Banking sector has yield positive impacts of CSR initiatives. A study by Lemke (1987) reports that a Massachusetts bank succeeded in promoting new 138 accounts (worth \$11 million) by assisting endangered animal species with donations made to the World Wildlife Fund (WWF).

A study conducted by Ararat (2005) in Middle East and North Africa (MENA) on the notion of "corporate social responsibility" ("CSR"). The reports are prepared as a prologue for a workshop organised by the World Bank (MDF5) which took place in Beirut in 2005. It suggests that it will take some time before the local societies will play a significant role in driving the "CSR" in the region. This change will involve a shift in values towards universal values, a process which will continue to be driven by democratization and globalization.

A study by Muhamat (2010) reveals that one needs to distinguish between ethical banking product and Corporate Social Responsibilities (CSR) and there is much to be learnt for the local Islamic banks from the Cooperative Bank of Britain if one aspires to be a complete bank with ethical banking products.

A Study was conducted by Islam et al (2010). It identified the distinctive features of the social responsibility of banking business in different countries, and also formulated the conclusion that the American model of CSR is the most widespread in the world because of simplicity of its implementation in the short term.

A Study by Scholtens (2009) revealed that the interest of banks to develop the social report and to disclose their CSR policies is increasing.

A study by Goss (2009) examined the link between corporate social responsibility and bank debt. It found that firms with the worst social responsibility scores pay up to 20 basis points more than the most responsible firms. However, it also found that for the majority of firms, the impact of CSR is not economically important. The modest premiums associated with CSR suggest that banks do not regard corporate social responsibility as significantly value enhancing or risk reducing.

The aim of the study conducted by Dolnicar (2007) was to compare sensitivity of consumers to different CSR activities in the Australian banking industry. It reports positive attitudinal and behavioural intention responses, and differing levels of domain sensitivity, across a range of CSR initiatives.

In another study by Adelopo (2008), time and country specific institutional effects on CSR disclosures by big bank in fourteen Western European banks was examined. The study found that banks operating in high uncertainty avoidance cultures make more CSR disclosures than banks in low uncertainty avoidance culture, but individualism/collectivism cultural dimensions were not relevant to banks CSR disclosures.

Few studies were conducted by Matute Vallejo et al., (2011) and Goss and Roberts, (2011) regarding the influence of CSR policies of banks on the loyalty of customers and pricing policies. The studies concluded that there exist positive relationship between CSR and bank customer loyalty. The study further concluded that there is positive influence of banks' CSR policies on pricing policies.

Many studies were conducted to measure the effect of CSR on financial performance of banks, amount of funding and stock price. The study by Simpson and Kohers (2002) revealed positive impact of CSR on financial performance. And study by Callado-Muñoz and Utrero-Gonzalez, (2009) also endorsed the same result on amount of funding and stock price stability.

7 Data collection and methodology

The present study is directed towards the CSR practices adopted by various conventional banks and Islamic banks located in GCC region. The rationale behind selection of GCC region is that the richest Islamic countries are located in this region. Total seven banks selected for the study includes four conventional banks and three Islamic banks. These banks are included in the list of top 50 banks having higher net worth.

The study is based on secondary data. The data was collected from various journals, annual reports, CSR reports, sustainability reports, magazines, books and websites of the banks, various organizations and regulators.

An objective coding scheme is applied to the data which is commonly known as content analysis. Content analysis method makes the data systematically comparable. Miles and Huberman (1994) described the following approaches for the effective implementation of Content Analysis Method.

- # Data are collected and made into text, (e.g. field notes, transcripts etc.)
- # Codes are analytically developed or inductively identified in the data and affixed to sets of notes or transcript pages.
- # Codes are transformed into categorical labels or themes.
- # Material are sorted by these categories, identifying similar phrases, patterns, relationships, and commonalities or disparities.
- # Sorted materials are examined to isolate meaningful patterns and processes.
- # Identified patterns are considered in light of previous research and theories and a small set of generalizations are established.

The methodology suitable for the present study is Case Study Method, Content Analysis method, Dimension Score Analysis and Common Size Statement. All the methods are utilized for in-depth analysis of the data and for reaching to meaningful conclusions.

8. Case Study of CSR Practices

8.1 Case Study of Dubai Islamic Bank (DIB) – UAE (Islamic Bank)

The following are the key CSR Activities undertaken by DIB :

DIB has utilized both Zakat Fund and Non-Zakat Fund for providing financial assistance for CSR activities. It has provided equipments for the needy people. Construction of building for school was also initiated by the bank. As it is an Islamic bank, it has also provided Qard al Hasana (non-profit loan) to needy people. Its CSR activities are dominated by Zakat Fund rather than Non-Zakat Fund.

There are certain NGOs, Government Departments and Charity and other organizations which are expert in the field of social work and CSR activities. If the CSR activities are undertaken in collaboration with them would prove to be more effective. DIB has also sought their cooperation, predominantly of Government Departments.

DIB's CSR activities are directed in the field of Education, Healthcare and Community welfare. Education is given more priority. Specific focus was given to Differently abled, needy and downtrodden, prisoners and fishermen.

8.2 Case Study of Abu Dhabi Islamic Bank (AIB) – (Islamic Bank)

The following are the key CSR Activities undertaken by AIB :

AIB's CSR practices are more inclined towards providing financial assistance rather than organizing projects and programmes. Non-Zakat Funds are more utilized rather than Zakat Funds for providing financial assistance. As far as under taking CSR activities through organizing programmes, bank has individually and with cooperation of other institutions extended its helping hands to the deserving people.

AIB has undertaken the CSR activities in collaboration with many NGOs, charity organizations and Government agencies. The bank is more inclined towards other organizations like schools, colleges and hospitals for undertaking the activities.

The key area of the activities include Education, Healthcare, Community welfare, Sports. Bank's focus is missing in the area of environment. Bank has extended its helping hands to differently abled, needy and downtrodden, prisoners, retiring employees, and women.

Being an Islamic Bank, it has also undertaken a campaign for Zakat Fund and provided its fund for religious activities. It has also helped the people affected from natural calamities. Traffic Awareness programme was also a welcome initiative by the bank. It has also worked in the direction of protecting the rich heritage by forming a heritage club. It has also provided employment to the nationals by organizing programmes of training and skill development. It has also provided help to the poor by providing financial assistance during various festivals.

8.3 Case Study of Qatar Islamic Bank (QIB) – (Islamic Bank)

The following are the key CSR Activities undertaken by QIB :
QIB's CSR practices suggest its equal inclination towards organizing programmes and undertaking projects and providing Financial Assistance. The bank has provided Financial Assistance more from its Zakat Fund.

NGOs, Government agencies and Charity Organizations have extended their expertise in the field of CSR to the bank. Bank's inclination towards other organizations like schools and colleges are more.

The main focus of CSR activities are Education, Healthcare, Community welfare, Sports and Environment. The bank has more focused on needy and downtrodden groups of people. The bank has also undertaken activities for people affected in natural calamities, religious activities, employment to nationals, sports awareness, celebration of festivals and environmental education.

8.4 Case of Emirates NBD – (Conventional Bank)

The following are the key CSR Activities undertaken by Emirates NBD :

The CSR practices of the bank clearly suggests that the bank believes more in organizing programmes and undertaking project of CSR. More than 90% of its activities are undertaken by organizing programmes and undertaking projects. The bank has hardly provided direct financial assistance. As this is a conventional bank, financial assistance from Zakat Fund and Qard al Hasana are out of question.

The bank has not took the advantage of the NGOs and Charity Institutions for undertaking the CSR activities. It has also sought very less cooperation from the Government agencies and other organizations.

Its main focus areas of CSR activities are Education, Healthcare, Environment, and Sports. The bank has focused more for imparting training and developing skill for employment. It has initiated campaigns like 'Fight against Fraud', and 'Awareness of Savings'. The bank has also worked for preservation of heritage. It has also provided financial assistance for establishment of small businesses.

8.5 Case of National Commercial Bank (NCB) – KSA (Conventional Bank)

The following are the key CSR Activities undertaken by NCB :

The bank has undertaken CSR initiatives by both providing Financial Assistance and predominantly by Organizing programmes. More than 70% of its CSR activities are in the form of organizing programmes and undertaking projects. CSR activities funded by Zakat Fund and Qard al Hasana have not been undertaken.

The bank has taken cooperation more from other organization like schools, colleges and hospitals. It has also done few activities in cooperation with Government agencies and Charity organizations.

The areas of focus for CSR activities include Education and skill development, Healthcare. Environment and Sports are not given importance by the bank. The bank has directed its efforts towards preservation of heritage and financial assistance for establishment of small business units.

8.6 Case of National Bank of Kuwait (NBK) – (Conventional Bank)

The following are the key CSR Activities undertaken by NBK :

The CSR practices of the bank are mostly directed towards organizing programmes. It has not provided direct Financial Assistance.

As far as seeking cooperation from the NGOs, Charity Organizations etc, are concern, there seems very less efforts. But organizations like schools, colleges, blood banks and hospitals are preferred by the bank.

As like all other banks under study, this bank has also chosen Education, Healthcare, Community welfare as its focus area. Remarkable contribution by the bank in the area of Environment is suggested by its CSR activities. The bank has also contributed in the area of sports and preservations of heritage. Though its a conventional bank, it has undertaken religious activities to fulfill its social responsibilities. Training and skill development activities and employment to nationals are at the top of its CSR activities list.

9. Analysis and Findings

The key finding of the content analysis of the present studies are present below along with the Percentage Scores of various CSR Areas and CSR Activities. The comparative study of CSR practices between the Islamic Banks and Conventional Banks with the help of Dimension Scores Analysis leads towards clear scenario of CSR practices.

Table 1 Individual Dimension Scores of DIB, AIB and QIB (Islamic Banks)

Dimensions	DIB	AIB	QIB
Section 1 : Modes of CSR Activities			
Providing Aids/Equipments/booklets etc	15.38	2.50	0.00
Financial Assistance (Non-Zakat Funds)	19.23	62.50	15.00
Construction Work	3.85	2.50	0.00
Qard al Hasana	11.54	0.00	0.00
Financial Assistance (Zakat Funds)	50.00	2.50	35.00
Cooperation with Other Institutions	0.00	10.00	10.00
Organizing Programmes, Projects	0.00	20.00	40.00
Section 2 : CSR Collaborative Agencies			
With NGOs	14.29	11.11	10.00
With Government Agencies	57.14	22.22	20.00
With Charity Organizations	14.29	11.11	20.00
With Other Organizations	14.29	55.56	50.00
Section 3 : CSR Beneficiaries			
Educational Activities	37.50	16.28	20.69
Training and Skill Development	0.00	6.98	13.79
For Differently abled	12.50	4.65	0.00
To Needy, Downtrodden,	12.50	2.33	3.45
For Marriage	8.33	2.33	3.45
For Medical Treatment	8.33	9.30	10.34
For Diversified Activities	8.33	9.30	6.90
For Medical equipments	4.17	0.00	0.00
For Prisoners	4.17	2.33	0.00
For Fishermen	4.17	0.00	0.00
For People Affected by Natural Calamity	37.50	2.33	6.90
For Zakat Fund Campaign	0.00	2.33	0.00
For Traffic Awareness	0.00	2.33	0.00
For Religious Activities	0.00	11.63	6.90
For Retiring Employees	0.00	2.33	0.00
For Heritage Club	0.00	2.33	0.00
For Women	0.00	4.65	0.00
Employment to Nationals	0.00	4.65	6.90
For Sports	0.00	9.30	10.34
For other Events and Festivals	0.00	4.65	3.45
For Environmental Education	0.00	0.00	6.90

Table 1 represents the Individual Dimension Scores of the Islamic Banks under study.

Section 1 suggests about the Modes of CSR Activities. DIB's inclination towards Financial Assistance through Zakat Funds is more (50.00). AIB on the other hand leads in Financial Assistance with Non-Zakat Funds (62.50). QIB's leaning towards Financial Assistance through Zakat Funds (35.00) and Organizing Programmes (40.00) are almost equal.

Section 2 displays the inclination of Islamic Banks towards CSR Collaborative Agencies. AIB and QIB have inclination towards Other Organizations with Dimension Score of 55.56 and 50.00 respectively while Government Agencies (57.14) are preferred by DIB.

Section 3 exhibit about the CSR Beneficiaries. DIB focuses more on Educational Activities (37.50) and providing aids to people affected from Natural Calamities (37.50). As far as CSR Beneficiaries are concern, AIB has spread out its activities to fulfill its social responsibilities. It has tried to reach more and more groups of deserving people. QIB's prime concentration is towards Educational Activities (20.69) followed by Training and Skill Development (13.79). It has also contributed equally for Healthcare and Sports (10.34).

Table 2 Individual Dimension Scores of Emirates, NCB and NBD (Conventional Banks)

Dimensions	Emirates	NCB	NBD
Section 1 : Modes of CSR Activities			
Providing Aids/Equipments/booklets etc	0.00	0.00	0.00
Financial Assistance (Non-Zakat Funds)	7.14	19.35	0.00
Construction Work	0.00	6.45	3.85
Qard al Hasana	0.00	0.00	0.00
Financial Assistance (Zakat Funds)	0.00	0.00	0.00
Cooperation with Other Institutions	0.00	0.00	3.85
Organizing Programmes, Projects	92.86	74.19	92.31
Section 2 : CSR Collaborative Agencies			
With NGOs	0.00	0.00	0.00
With Government Agencies	33.33	18.18	12.50
With Charity Organizations	0.00	9.09	0.00
With Other Organizations	66.67	72.73	87.50
Section 3 : CSR Beneficiaries			
Educational Activities	6.25	21.88	7.41
Training and Skill Development	25.00	28.13	22.22
For Differently abled	6.25	9.38	0.00
To Needy, Downtrodden,	6.25	3.13	7.41
For Marriage	0.00	0.00	0.00
For Medical Treatment	12.50	15.63	22.22
For Diversified Activities	0.00	6.25	0.00
For Medical equipments	0.00	3.13	0.00
For Prisoners	0.00	0.00	0.00
For Fishermen	0.00	0.00	0.00
For People Affected by Natural Calamity	0.00	0.00	0.00
For Zakat Fund Campaign	0.00	0.00	0.00
For Traffic Awareness	0.00	0.00	0.00
For Religious Activities	0.00	0.00	11.11
For Retiring Employees	0.00	0.00	0.00
For Heritage Club	6.25	3.13	3.70
For Women	0.00	0.00	0.00
Employment to Nationals	0.00	0.00	3.70
For Sports	6.25	0.00	3.70
For other Events and Festivals	0.00	0.00	0.00
For Environmental Education	12.50	0.00	18.52
For Awareness of Savings	6.25	0.00	0.00
For 'Fight against Fraud'	6.25	0.00	0.00
For Establishment of Small Business	6.25	9.38	0.00

Table 2 displays the CSR practices by Conventional or Main Stream Banks.

Section 1 of the Table represents about Modes of CSR activities. All the conventional banks are more inclined towards organizing programmes or undertaking various project for CSR activities with Dimension scores of 92.86, 74.19 and 92.31 respectively. Their support is lacking as far as direct Financial Assistance is concerned (7.14, 19.35, 0.00 respectively).

As far as CSR Collaborative Agencies are concerned, all the conventional banks share the same views. They all preferred other organizations for cooperation with Dimension Scores of 66.67, 72.73, 87.50 respectively. Emirates also preferred Government agencies (33.33) for conducting CSR activities.

Section 3, dealing with CSR Beneficiaries, shows the intentions of the bank regarding reaching to the deserving groups of needy people. Emirates's emphasis is on Training and Skill Development (25.00). Healthcare (12.50) and Environmental (12.50) Concerns are given equal importance by the bank. NCB has also preferred Training and Skill Development (28.13) over other beneficiaries. Educational Activities (21.88) are given next preference followed by Healthcare (15.63). NBD also gave highest priorities to Training and Skill Development (22.22) along with Healthcare (22.22). NBD has also displayed its Environmental Concerns (18.52) by undertaking activities related to environment awareness.

Table 3: Common Size Statement - Consolidated Dimension Scores of Islamic Bank, Conventional Banks and All Banks

Dimensions	Islamic Banks	Conventional Banks
Section 1 : Modes of CSR Activities		
Providing Aids/Equipments/booklets etc	0.06	0.00
Financial Assistance (Non-Zakat Funds)	0.38	0.10
Construction Work	0.02	0.04
Qard al Hasana	0.03	0.00
Financial Assistance (Zakat Funds)	0.24	0.00
Cooperation with Other Institutions	0.07	0.01
Organizing Programmes, Projects	0.19	0.85
Section 2 : CSR Collaborative Agencies		
With NGOs	0.11	0.00
With Government Agencies	0.21	0.18
With Charity Organizations	0.14	0.05
With Other Organizations	0.54	0.77
Section 3 : CSR Beneficiaries		
Educational Activities	0.23	0.13
Training and Skill Development	0.07	0.25
For Differently abled	0.05	0.05
To Needy, Downtrodden,	0.05	0.05
For Marriage	0.04	0.00
For Medical Treatment	0.09	0.17
For Diversified Activities	0.08	0.03
For Medical equipments	0.01	0.01
For Prisoners	0.02	0.00
For Fishermen	0.01	0.00
For People Affected by Natural Calamity	0.03	0.00
For Zakat Fund Campaign	0.01	0.00
For Traffic Awareness	0.01	0.00
For Religious Activities	0.07	0.04
For Retiring Employees	0.01	0.00
For Heritage Club	0.01	0.04
For Women	0.02	0.00
Employment to Nationals	0.04	0.01
For Sports	0.07	0.03
For other Events and Festivals	0.03	0.00
For Environmental Education	0.02	0.09
For Awareness of Savings	0.00	0.01
For 'Fight against Fraud'	0.00	0.01
For Establishment of Small Business	0.00	0.05

Table 3 gives scenario and comparative study of CSR practices by Islamic banks and Conventional banks.

Section 1 furnishes the detailed information about the modes of CSR Activities. Islamic banks believe in providing Financial Assistance to the needy directly through Zakat (0.24) and Non-Zakat Funds (0.38). While, Conventional banks, with Dimension Score of 0.10 differs from Islamic banks in their CSR practices. Conventional banks are more inclined to organize programmes and undertake project (0.86 as against 0.19 of Islamic banks) to fulfill their social responsibility.

Zakat is an important tenet of Islamic Sharia and therefore, Islamic banks have Zakat Funds to be used for Financial Assistance to the needy. On the other hand, conventional banks have no Zakat Funds with them and hence they use Non-Zakat Funds to be delivered to the needy as Financial Assistance.

At the same time, Islamic banks provide Qard al Hasana (non-profit loans) (0.04) to the needy and deserving people. Thus the practice of Qard al Hasana exempts the beneficiaries from the payment of interest. This is remarkable mode of assistance complying with the tenets of Sharia. Qard al Hasana is not available in the conventional banking (0.00) system.

Section 2 reveals that Islamic banks welcome the expertise and vast experience of NGO (0.01) in carrying out CSR Activities but Conventional banks (0.00) disapprove of the role of NGOs. Both the kinds of banks avail themselves of the Government help in fulfilling CSR activities (0.21 and 0.18 respectively). Charity is a very important tenet of Islamic Sharia and hence Islamic banks (0.14) avail themselves of the charity organizations to a large extent whereas conventional banks (0.05) are less inclined to charity organizations. Islamic banks use other organizations in more than half (0.54) of the activities while conventional banks use other organisations in every three out of four (0.77) activities. Both the kinds of banks are inclined more towards other organizations as Collaborative Agencies.

Section 3 of the Table 3 displays the CSR practices by both the kinds of banks. Both the kinds of banks give importance to Educational Activities but Islamic banks are ahead in this dimension (0.23 and 0.13 respectively). Conventional banks are ahead in imparting Training and Developing Skill for employment (0.25) and Healthcare activities (0.17). Specific kinds of CSR activities for Prisoners (0.02), Fishermen (0.01), Retiring Employees (0.01), Women (0.02), People Affected by Natural Calamities (0.03), Campaign for Zakat Funds (0.01), Traffic Awareness (0.01), Marriages (0.04), Help to poor for celebrating festivals (0.03) etc are initiated only by Islamic banks. Conventional banks have shown total indifference towards these CSR Beneficiaries with Dimension Score of 0.00 in all these activities. This suggests that Islamic Bank are working more towards the deserving groups of people and these banks are also very innovative in their CSR practices.

Similarly campaigns such as 'Awareness of Savings' (0.01), 'Fight against Frauds' (0.01) are initiated only by Conventional banks. Financial Assistance for establishment of small businesses (0.05) is also provided by only conventional banks. The uniqueness of these activities suggests the effect of tenets of Islamic Sharia in the CSR practices by Banks.

10. Suggestions

The study suggests the following:

10.1 The religious tenets always emphasize on equality and welfare of the humanity. The analysis shows the effect of Islamic Sharia on the CSR practices of Islamic banks. They are also innovative in their CSR initiatives. Religious and moral values must be incorporated with the CSR activities for its effective implementation.

10.2 The banks under study have undertaken the CSR activities in their surrounding areas. These may result into regional inequality as the richest countries are located in GCC region. The banks must allocate some funds for passing on the benefits to the needy and deserving people of underdeveloped and developing countries.

10.3 The banks must also channelize their efforts and funds for more fruitful activities. An Islamic bank provided financial assistance for Umrah (Religious Tour) to the poor. Umrah is not mandatory as per Islamic Sharia for the poor. These funds can be utilized for upliftment of the same group.

10.4 It is also observed that the banks have special preferences towards specific CSR activities. These may result into duplication of the CSR practices for the same set of beneficiaries. The banks must allocate their CSR Spend proportionately for different CSR activities. The banks must also explore new areas and pay attentions to the neglected areas.

10.5 Globally, an organization must function for supervising and guidance of CSR practices of various corporates and banks. The organization, in collaboration with international organizations like UN, UNICEF, UNESCO, WHO etc, must form strict policies regarding CSR practices. It must also see to it that they are strictly followed. At the same time it must also award the corporates with innovative and best practices of CSR globally.

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