CORPORATE SOCIAL RESPONSIBILITY: AN ISLAMIC PERSPECTIVE

Rusnah Muhamad, Mohd. Edil Abd. Sukor, Mohd Rizal Muwazir@Mukhazir

Abstract

The issue of corporate social responsibility (CSR) has been of growing concern among business communities in recent years. Various corporate leaders maintain that business is considered to contribute fully to the society if it is efficient, profitable and socially responsible. Islam is considered as ad-din (a way of life), thus, providing comprehensive guidelines in every aspect of the believers' life. It is the aim of this paper to propose an Islamic model of corporate social responsibility based on human relationships with God (*hablun min'Allah*); with other fellow human beings (*hablun min'an-nas*) and with the environment. The main objective of CSR in Islam is to promote social justice as well as for the attainment of well-being.

Keywords: corporate social responsibility (CSR), Islamic model, social justice, well-being

1. Introduction

The idea of corporate social responsibility (CSR) began to take recognizable shape in the third decade of this century (Frederick, 1994). According to him, some social theorists claim that the debate on the issue had possibly started as early as 1913. By the mid-1920s, the business community had acknowledged the need for the corporate directors to act as trustees for the interests, not only the stockholders, but other social claimants as well.

The fundamental idea embedded in CSR is that business corporations have an obligation to work for social betterment (Frederick, 1994; Davis and Blomstrom, 1996). One of the most powerful arguments for CSR is that public expectations for business have changed (Anshen, 1980; Davis and Blomstrom, 1996). It is maintained that the business organization only exists because it satisfies valuable needs of the society. Masaka (2008) notes that business is wholly dependent on society as it can only thrive in a society where individuals cannot, on their own, produce all their needs and wants. According to him, a stable and well-organised society is a significant factor in making it possible for people to engage in business. Thus, on this basis, he notes that the business community ought, in return, to show concern to the society that sustains an ideal environment for them in operating their business and earning profit. The society bequeaths business its charter to exist and that charter can be rescinded at any time it fails to live up to the society's expectations. For that reason, if business wishes to stay viable in the long run, it must come to terms with society's needs and demands.

Corresponding author: Dr Rusnah Muhamad, Senior lecturer, Faculty of Business and Accountancy, University of Malaya (rusnah@um.edu.my). Co-authored; Mohd. Edil Abd. Sukor, Lecturer, Faculty of Business and Accountancy, University of Malaya (mohdedil@um.edu.my). Mohd Rizal Muwazir @ Mukhazir, SLAB Candidate at the Academy of Islamic Studies, University of Malaya.

Over the years, this obligation is said to have arisen for various reasons (Frederick, 1994). He cited the pressure of prevailing humanistic, religious and democratic values and attitudes as one of the important factors. In addition, Davis and Blomstrom (1996) argue that the idea of social responsibility exists in most religions and philosophies of the world. However there is a tendency to limit the concept in terms of person-to-person relationships. Besides, religion influences men and their everyday lives (Graafland *et al.*, 2007) and thus, may have an impact on the CSR practices. Islam is considered as *ad-deen* (al-Attas, 1985), which encompasses all aspects of a Muslims' life, including matters pertaining to CSR. Therefore, it is the aim of this paper to propose a model of CSR from an Islamic perspective.

The paper is organized as follows. The next section discusses Islam as a *shumul* (complete) religion, the Islamic ethical values and Islamic business ethics. The third section describes the meaning of CSR from an Islamic perspective leading to the development of a proposed model. The final section offers a conclusion and recommendations for future research in this area.

2. Islam: A *Shumul* Religion

Islam literally means commitment, submission, obedience and surrender (Ahmad, 1977; Kharofa, 1992). It is derived from the word '*aslama*', which means "to resign oneself" or "to give oneself up to God" (Mahmudunnasir, 1981). A Muslim is one who resigns himself to God and thereby professes the faith of Islam.

Islam is a divine religion, with it *Allah* (*swt*) sealed all other *deens* and religions, and He made it a comprehensive system that deals with all aspects of human life including belief, intellectual, moral and practical. This system is based on total submission to *Allah* (*swt*), purifying worship to Him only, and following the traditions (*sunnah*) of the Prophet Muhammad (*pbuh*).

The word *deen* and the word Islam were mentioned many times in the *Qur'an*, and they are considered the most important words in the life of all Muslims (see for example *Qur'an* 5:3, 3:85, 56:87). The word *deen* is used in the Arabic language to give different meanings, including subjugation, authority, and ruling, obedience and submission due to subjugation, the method and the habit as well as punishment, reward and judgment. These four linguistic meanings constitute the concept of the word *deen* in the *Qur'an*. Therefore, *deen* implies a comprehensive system of life that is composed of four parts (Islamonline, undated):

(i)   The rulership and the authority belong to *Allah* (*swt*) only.
(ii) The obedience and submission are to *Allah* (*swt*).
(iii) The comprehensive system (intellectual and practical) is established by this authority (*Allah* (*swt*)).
(iv) The reward given by this authority (*Allah* (*swt*)) to those who followed the system and submitted to him and the punishment inflicted upon those who rebel against it and disobey it.

Based on this definition of Islam and *deen* we can conclude that the Islamic religion refers to the submission and worship of human beings towards the creator, the ruler, the subjugator, in a comprehensive system of life, comprising their belief, as well as their intellectual, moral and practical aspects.

2.1. The *Tawhid*
The first basic principle of Islam is the belief in the existence of *Allah* (*swt*) and the Prophethood of Muhammad (*pbuh*), known as *Tawhid*. *Tawhid* implies *Allah* (*swt*), the sole

Creator of all beings, the owner of everything and the Absolute and the Ultimate (*Qur'an*, 39:44). The concept of *Tawhid* is built upon two basic elements (Faruqi, 1992), which are:

(i) *Tawhid Uluhiyyah* – This is the belief in the unity of God and all that is in the universe are His alone.

(ii) *Tawhid Rububiyyah* – This is the belief that God alone determines the sustenance and nourishment of His creation and will direct those who believe in Him towards success.

These elements signify that under the concept of *Tawhid*, man has to maintain a relationship not only with *Allah* (*swt*) (*hablun min Allah*), but also with other human beings (*hablun min al-nas*) and the environment (Othman, 1994; Alhabshi, 1994). Similarly, in the case of business entities, they need to consider these three relationships in conducting their business operations. In terms of *hablun min Allah*, business organizations must ensure that their business operations are in compliance with *shari'ah*[1] law as well as contributing to the public interest and conservation of the environment for future generations.

2.2. *Shari'ah*

Islamic law is known as *shari'ah*. It refers to the framework of ultimate reality and the ethical guidance that Muslim scholars have derived from the Revelation. *Shari'ah* is a specific form of path to God that the *Qur'an* states was revealed to all prophets of the Abrahamic succession. Since the major purpose of Islamic law is to guide man's search for truth, *shari'ah* touches on both transcendent and material experiences. All aspects of every person's spiritual understanding and undertakings, which come under the rubric of purification, should be consciously subject to the reality-check of Islamic law.

This deeply spiritual nature of *shari'ah* provides the perspective for understanding and acting in accordance with the ethical or moral standards that the creator has provided to guide every person's and every community's relations with other humans and with the rest of Creation. S*hari'ah* therefore provides the ultimate criteria for judgment on every aspect of one's individual and social life (Crane, undated).

2.3. Islamic Ethical Values

The word 'ethics' originated from the Greek word 'ethos'. Beauchamp and Norman (2003) define ethics as a systematic attempt, through the use of reason to make sense of our individual social and moral experiences, in such a way as to determine the role that ought to govern human conduct and the values worth pursuing in life. Ethics is normally used synonymously with morality (Hanafy and Sallam, 2001). Its main purpose is to provide a systematic and logical reason or justification for what is right and virtuous and what is wrong and bad. It is argued that Islamic ethical values govern all aspects of a Muslim's life (Jamal Uddin, 2003). Islam regards ethical values very highly in the life of humans, based on divine commands and guidelines (Ahmad, 2001).

Within an Islamic concept, the term ethics is closely related to the word *akhlaq* (*Qur'an,* 68:4). *Akhlaq* is defined as the individual personality reflected in an individual's behaviour towards *Allah* (*swt*) and other human beings in accordance with the rules of *Allah* (*swt*) and the guidance of the Prophet Muhammad (*pbuh*). Thus, *akhlaq* in Islam is related to *aqidah* and *shari`ah* (Husnain, 1986) The *Qur'an* also uses a whole array of terms to describe the concept of goodness: *khayr* (goodness), *birr* (righteousness), *qist* (equity), *'adl* (equilibrium and justice), *haqq* (truth and right), *ma'ruf* (known and approved), and *taqwa* (piety). Pious actions are described as *salihat* and impious actions are described as *sayyi'at* (Majid, 1991).

---

[1] *Shari`ah* literally means "a course to the watering place", "a resort of drinkers" or "the clear straight path". *Shari`ah* is defined as "the rules/legal decisions (*ahkam*)" which are ordained by *Allah* for His servants by sending His Messenger (please refer to Zaidan, 1999; al-Zuhayli, 1981).

The foundation of Islamic ethical values is derived from two principles – revelation from *Allah* (*swt*) and human nature (Izzi Deen, 1990). Muslims practice ethical values based on the teaching of the *Qur'an* and the *sunnah* (the model behaviour of the Prophet Muhammad (*pbuh*). The second principle is *fitrah* (natural instinct) (*Qur'an,* 91:7-8). Having natural instinct, the ordinary individual can, at least to some extent, distinguish not only between good and bad but also that which is neutral, neither good nor bad. However, natural conscience is limited because it can be affected by outside influences such as culture, custom, community, environment and *Satan* (evil).

The basic element grounded in the Islamic ethical value system is the belief system itself. Since the belief system is the main factor influencing every aspect of human life, the Islamic ethical value system has to be completely governed by the dictates of *shari'ah*[2]. In other words, s*hari`ah* provides the framework within which the Islamic ethical value system takes shape (Alhabshi, undated). According to him, this conceptualization has at least three distinct implications. First, the Islamic ethical values cannot change with time or space because of the unchanging nature of s*hari`ah* and thus, is applicable to all Muslims for all ages. Second, the Islamic ethical values are based on absolute truth for the benefit of the entire humankind. As such, it is acceptable to all societies and therefore has universal applicability. Third, since man is by nature religious, even if he perceives that he is secular, the Islamic ethical values somehow have to be similar to those other systems of values originating from other world religions. It is indeed implausible that the positive values from an Islamic viewpoint can be considered negative in other societies. This is because every religion advocates good deeds. The basic principle grounded in the Islamic ethical values is *ta'muruna bi al ma`ruf, wa tanhauna `an al-munkar* (practice/advice good deeds and avoid evils/others).

The Islamic ethical system differs from secular ethical systems and from the moral code advocated by other religions. Throughout civilization, these secular models (Jamal, undated) assumed moral codes that were transient and myopic since they were based on the values of their human founders, e.g., epicureanism or happiness for happiness's sake. These models generally proposed a system of ethics divorced from religion. At the same time, the moral code adopted by other religions has often stressed values that de-emphasize our existence in this world. For example, Christianity by its overemphasis on monasticism encourages its adherents to retire from the hustle and bustle of daily life. By contrast, the moral code embedded in the Islamic ethical values emphasizes the relation of man to His Creator. Because God is perfect and Omniscient, Muslims have a code that is neither time bound nor biased by human whims (Jamal, undated). The Islamic code of ethics is enforceable at all times because its Creator and Monitor is closer to man than his jugular vein, and has perfect, eternal knowledge (Beekun, 1997).

2.4. Islamic Business Ethics

Islam considered business as an important aspect of life (Graafland *et al*., 2007). In Islam, the business activities fall under the jurisdiction of Islamic *Muamalat* (man-to-man relationships). Trade[3] (*al-tijarah*) is strongly encouraged (*Qur'an*, 4:33) and businessmen are

---

[2] The sources of s*hari`ah* are derived from the *Qur'an* (revelation from *Allah* (*swt*)) and the *Hadith* (the deeds, sayings or tacit approvals of the Prophet Muhammad (pbuh)). The other is jurisprudence, which is in the form of *ijtihad*, *ijma'* and *qiyas* by the Muslim scholars. Frequently, we find different spelling used in publication such as s*hari`ah* or s*hari`a* (Zaidan, 1999; al-Zuhayli, 1981).

[3] Trade and business have been considered as very tempting activities that may cause individuals to forget their religious and moral duties (Al-Habshi, 1993). In relating to this matter the *Qur'an* has specifically outlined that the religious duties are to be given priority over business activities (*Qur'an*, 62:9). According to Ashari and Mohamed (1999) business terminology has been extensively referred to in the *Quran,* no less than 370 times. Even our lives in this world are considered as business (*Qur'an*, 61:10-12), where God as the purchaser takes

highly praised in Islam. As such trade and commerce have been very common among Muslims since the earliest days (Islahi, 1988). The Prophet (*pbuh*) himself and most of his companions were merchants. The famous saying of the Prophet regarding the honest traders, "*The truthful, honest merchant is with the prophets and the truthful ones and martyrs in the hereafter*" (Tirmidhi 12:4). The Prophet (*pbuh*) also strongly encouraged his followers to be involved in business as stated in one of his sayings, "*You ought to be engaged in commerce because ninety-nine per cent of the bounties of God are contained therein*" (Mansor, 1984). Islam requires all commercial activities to be undertaken in accordance with principles laid down in *shari'ah* in order to obtain *barakah*[4] (God's blessing) for the sake of achieving *Al-falah*[5], which is the ultimate goal of a Muslim's life. What has been prescribed as lawful (*halal*) and unlawful (*haram*), in different aspects of commercial activities, need to be closely observed (Abeng, 1997; Ismail, 2001; Selvaraj and Muhamad, 2004).

Shari'ah prescribes amongst others, allowable traded goods and services and the moral conduct of business to be followed by traders. Muslims are prohibited to trade goods and services that are deemed unlawful for Muslims to have contact with in everyday affairs (such as pork, liquor or wine, gambling to name a few). The Prophet (*pbuh*) said: "*When God prohibits a thing, He prohibits (giving and receiving) the price of it as well*" (Al-Qaradawi, 1995).

The main objective of the *shari'ah* framework is to ensure a society that is free from all traces of *zulm*, in order to achieve socio-economic justice. Muslims believe equally that there can be no real justice except as an aspect of submission to the source of all that is just and well ordered. Justice is perhaps the most important of the supreme values of Islam. In fact, it can be said that the main purpose of revelation and the tasks of Prophets (*pbuh*) has been to establish Justice (*Qur'an,* 16:90). In all dealings including economic activity, Muslims are required to stand firmly for justice even if it be against themselves and their kith and kin (*Qur'an,* 4:135, 6:152). The fear of committing injustice may even prevent the doing of an act that is otherwise permissible. In fact one of the derived principles of *shari'ah* is that all permissible things are permissible provided that no damage or harm results to others from their practice and that in the event that such damage or harm is suspected or confirmed, the permissible shall be prohibited to avert such damage or harm (Hamid, undated). As such, it is presumed that *shari'ah* explicitly prohibits transactions involving *riba* (usury), uncertainty (*gharar*), price manipulation, hoarding, free market interference, exploitation and fraud (Al-Qaradawi, 1995).

In addition, the obligation of *zakat,* from the social perspective, is considered as an important tool to abolish poverty by making the rich alive to the social responsibilities they have (Mannan, 1986). The obligatory nature of *zakat* is firmly established in the *Qur'an*, the *Sunnah*, and the consensus of the companions and the Muslim scholars (for example see *Qur'an*, 9:60, 9:34-35). The rich are obligated to give *zakat* to the poor and the needy as a basis for social justice. *Zakat* obligations together with guidance on commercial ethics laid down in *shari'ah* are intended to eliminate the struggle between classes in Muslim society. The Islamic religion realizes full social justice and completely eliminates the exploitation of human rights (Hizmet, undated). According to Rafik (1997), profit maximization is not the

---

man's will and soul and his wealth and goods in return for ever-lasting felicity (*Qur'an*, 9:111 and footnote 1361).

[4] *Barakah* is a blessing and wisdom transmitted from *Allah* (*swt*) to the Muslims. *Barakah* is refers to the favorable result of any good action with the blessing of *Allah* (*swt*).

[5] *Al-Falah* is an everlasting success and prosperity in this world (*hasanah fi al-dunya*) and the hereafter (*hasanah fi al-akhirah*) and can be attained through three basic qualifying factors; *ikhlas*, `*ilm* and `*amal* (Khalifa, 2001). *Ikhlas* means sincerity of intention; `*Ilm* means knowledge of right and wrong according to the Holy *Qur'an* and *Sunnah*; `*Amal* means deeds and actions that conform to *Qur`an* and *Sunnah*.

ultimate goal or only ethical outcome of trade in Islam. *Allah* (*swt*) has mentioned that wealth is allurements of the life of this world, but good deeds are the best in the sight of Him (*Qur'an* 18:46). However, profit maximization is somehow accepted in Islamic law if there are reasonable efforts and assumptions of liability have taken place. According to Hanafis and Hanbalis there are at least three reasons for the entitlement of profit; namely wealth, work and the liability for bearing losses.

Gambling and Karim (1991) argue that the fundamental principles of Islamic business are *khilafah* (vicegerent) and *shura* (consultation). The principle of *khilafah* outlines that all Muslims are personally responsible for what is done with the resources entrusted to them. While the second principle requires them to listen to the advice and grievances of those affected by what is done in their name. If the unity of *Allah* (*Tawhid*) constitutes the ideological foundation of Islam, the concept of man's *khilafah* provides the operational framework for understanding the Islamic view of the creation of human beings and their purpose. The story of Adam and Eve is found in most religions and major cultural traditions. The way the *Qur'an* narrates this event is crucial to the understanding of the Islamic worldview. The main outline of the *Qur'anic* narration is as follows: *Allah* declared His intention to send a *khalifah* to the earth and created Adam and Eve. They were destined to play the role of vicegerents and were endowed with the "knowledge of the things". Then they were put to a test and asked not to approach a certain tree. They fell victim to the evil persuasions of *Satan* and committed a sin. But immediately they repented their mistake, sought *Allah*'s forgiveness and were forgiven. It is important to point out that it was after they were forgiven and redeemed that they were sent down to the earth to perform their duty as vicegerents of *Allah* (*swt*). They were promised Divine Guidance and were assured that those who followed the Guidance would be successful. Therefore, Adam was the first man to receive this guidance and convey it to his progeny, becoming the first prophet of *Allah* (*swt*) (Islamonline, undated).

Hanafy and Sallam (2001) have classified six major ethical principles of Islam namely truthfulness (*siddiq*), trust (*amanah*), sincerity (*ikhlas*), brotherhood (*ukhuwwah*), science and knowledge (*ilm*) and justice *(`adl)*. According to (Naqvi, 2001), there are another four axioms of Islamic ethics namely unity, equilibrium, free will and responsibility. These ethical values are closely related to the concept of social responsibility in Islam.

3. CSR from Islamic Perspective

There is as yet no specific and widely agreed definition of CSR (Masaka, 2008) and thus making CSR vulnerable to conflicting interpretation by stakeholders (Windsor, 2001). Masaka (2008) concludes that the key idea embedded in a number of definitions that scholars have proposed on the concept of CSR is that, beyond the quest to maximise corporate profits, corporate organizations play a crucial role in solving society's problems.

Masaka (2008) highlights the definition of CSR as provided by Davis and Bowen[6]. Davis, while admitting that CSR is a vague concept, defines it as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Masaka, 2008:14). Bowen defines CSR "…*refers to the obligations of businessmen to pursue those policies, to make those decisions, to follow those lines of action which are desirable in terms of the objectives and values of society*" (Masaka, 2008:15). Therefore, it is appropriate to conclude that since business organizations are intimately integrated within the society and do not operate in a vacuum, they are also considered as having a special responsibility towards the welfare of the society and the environment.

---

[6] Bowen is regarded as "Father of CSR" (Masaka, 2008).

Business organizations have had a vital role in the economic and social life of people throughout the ages (Abeng, 1997). In Islam, business activities are considered as a religious obligation (al-Shaibani, 1997). Social responsibility refers to obligations that an organization has to protect and contribute to the society in which it functions (Beekun, 1997). The concept of brotherhood and social justice give rise to social responsibility (Naqvi, 1981) by sharing prosperity for society's progress (Hassan, 2002). Therefore, CSR is considered crucial for Islamic business organizations (IBO)[7].

The principle of social justice is the bedrock of Islam, which deters Muslims from doing harm (*Qur'an*, 16:90; Yusoff, 2002). In addition, the concept of brotherhood makes Muslims responsible to each other (Alhabshi, 1994). These two concepts require Muslim societies to take care of the basic needs of the poor (Naqvi, 1981) as advocated in the *hadith* "*A Muslim is a brother of another Muslim: he neither wrongs him, nor leaves him without help, nor humiliates him*" (Muslim).

Allah (*swt*) creates man in the best forms (*khaira ummah*) (Nanji, 1991) to worship and serve him and entrusted him a special duty as a *khilafah* on this earth (*Quran,* 95:4). *Khilafah* defines man's status and role and specifies his responsibilities. The concept of *taklif* demonstrates that every individual is responsible for his own deed (*Qur'an,* 2:143).

According to Hassan (1992) man has a dual function – as a servant of *Allah* (*swt*) and as *khilafah* on earth. As a servant of God, man has to worship God, seek God's pleasure, obey God's laws, do good deeds and refrain from doing *al-fasad* (wrongdoings). On the other hand, as a *khilafah* on earth, man needs to enforce s*hari`ah* in his life, maintain the harmony and peace, protect the environment, and to fulfil the roles of *al-sifah al-mahmudah* (good manner) such as *tabligh* (advisor), *amanah* (trust), *siddiq* (truthfulness) and *fatanah* (wise).

As a *khilafah*, the need for business leaders to practice CSR essentially arises from the principle of *Tawhid*. All possessions, wealth, expertise, abilities, positions and power belong to *Allah* (*swt*) and man is only a trustee, and, thus, is responsible to manage these *amanah* for the benefit of the *ummah* (community). In Islam, business performance is appraised based on how well the resources are managed to improve the society. The concept of *ummah* demonstrates that society has a right and stake in whatever a Muslim owns. In Islam, business organizations are considered as a human institution (Hashim, 1998), which is part of the *Ummah Islamiyyah* (Islamic Community). Thus, IBOs should adopt a broader view of CSR (Sopiee and Ali, 2001) derived from the axiom of *Tawhid,* which signifies three relationships namely relationship with *Allah* (*hablun min Allah*), relationship with man (*hablun min annas*) as well as with the environment or nature (*khalifah Allah*) as depicted in Figure 1.

The Muslim's relationship with *Allah* (*swt*) is one of love and obedience, complete trust and thoughtfulness, peace and appreciation, steadfastness and active service (Abdalati, 1998). *Allah* (*swt*) the all-knowing knows what is being concealed or exposed by human beings (*Qur'an,* 64:4). Therefore, Muslims should be aware that every single action is being closely watched and hence should serve as a reminder for them to closely abide by *shari'ah* law to seek *barakah* and ultimately achieving *al-falah* (*Qur'an,* 2:82).

---

[7] Islamic business organisations represent companies that utilise, fully Islamic products in their daily operations and conduct their business in a manner that is consistent with the teachings of Islam.
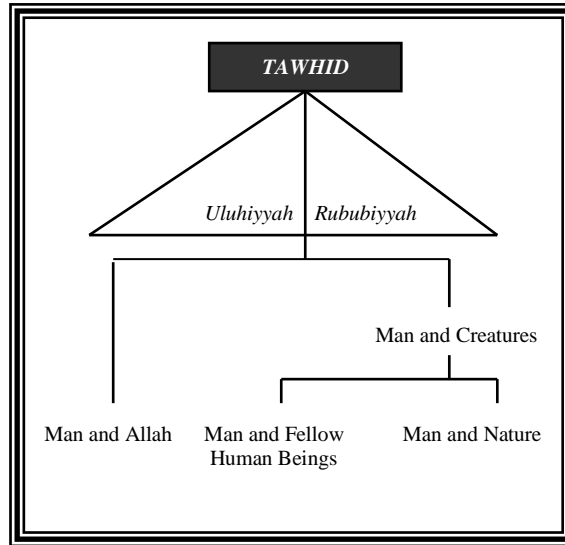
Figure 1: The *Tawhidic* Approach of Human Relationship.

Man's relationship with other fellow human beings should be inspired by Islamic ethical values such as trust, truthfulness, firmness, fairness, respect of the law, kindness and tolerance. Every Muslim should be socially conscious, provide for his dependents with generosity without extravagance and fulfil their legitimate needs (Abdalati, 1998). In terms of business organisations the management should respect the legitimate *haq* (right) of all parties involved, such as shareholders, employees, suppliers as well as the environment. Muslim action towards others must be in the form *amal salih* (good deeds), which is the key to the attainment of *al-falah*.

God has created this world and other creations for humankind's life (see for example *Qur'an*, 16:14; 16:114; 35:12) and humans are encouraged in seeking God's bounty even during the pilgrimage (2:198). However, humankind is warned not to do mischief in this world (7:56; 7:85). From the Islamic perspective the deployment and utilization of natural resources for business purposes should ensure that no damage is done to the environment (Ahmad, 2001). As a *khilafah*, Muslim businessmen are expected to preserve and protect the environment (Izzi Deen, 1990; Beekun, 1997). Haniffa (2002) noted that there are about 500 verses in the *Qur'an* giving guidance on matters related to the environment and how to deal with it, which indicates that Islam has high regard for matters pertaining to environmental preservation and protection.

3.1. CSR Model: An Islamic Perspective

It can be concluded that from the preceding discussion the main objective of CSR in Islam is to promote social justice as well as for the attainment of *al-falah* (human well-being). *Al-falah* is the goal of an Islamic social system, which stresses brotherhood and social-economic justice, as well as a balance between the material and spiritual requirements of all human beings. It is also necessary to preserve and enrich faith, life intellect, posterity and wealth (Mohammed, 2007). Based on the nature of human relationships derived from the concept of *Tawhid* as pointed out earlier, IBOs are socially responsible to the society, the environment and ultimately to *Allah* (*swt).* The members of society include stockholders, employees, customers, suppliers, government, the community and debtors. The model of CSR for IBOs is summarized in Figure 2.
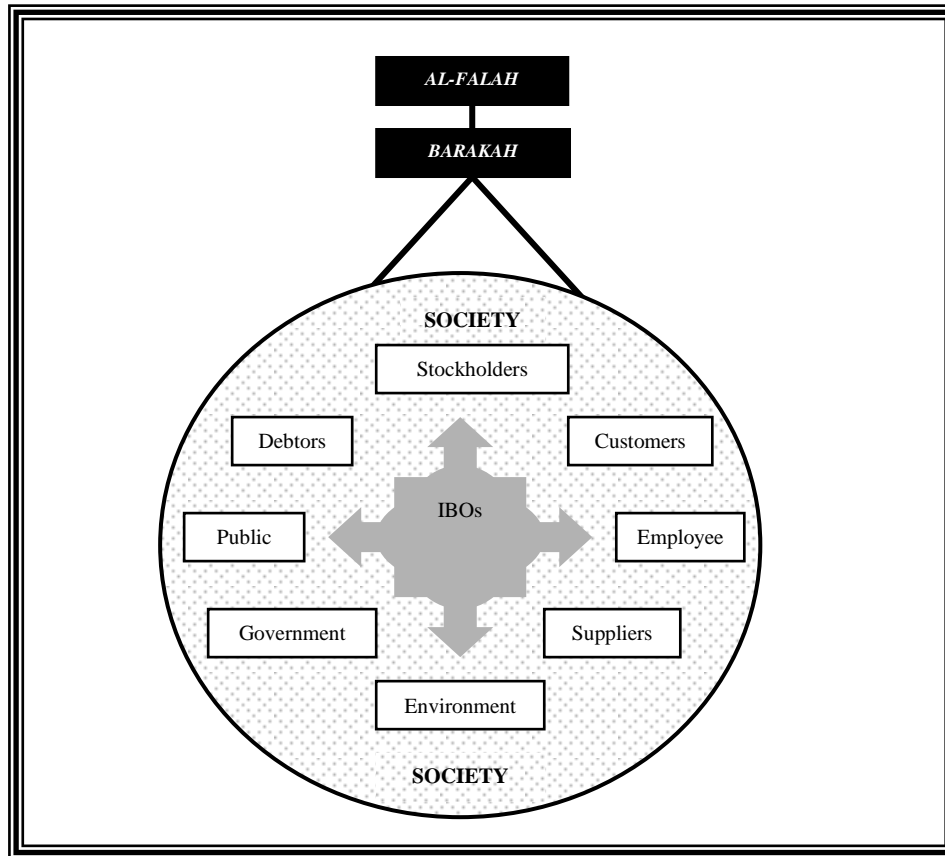
Figure 2: CSR Model – An Islamic Perspective.

Stockholders are providers of funds, and, thus, the legal owners of business organizations (Davis and Blomstrom, 1996). Business organizations are entrusted to manage their funds and therefore, they have the right to know how it is being administered. From the Islamic perspective, business organizations are trustees, and thus, are responsible towards the owners of funds under the concept of *amanah* (trustworthiness). The concept of *amanah* is stated in the *Qur'an*, whereby *Allah* (*swt*) has mentioned that believers should not betray the trust of *Allah* and the Messengers (*Qur'an* 8: 27).

It is the highly regarded virtues in Islam that every individual within an organization is required to subscribe to while carrying out their commercial activities. Stewardship sense will lead all to utilize the possessions entrusted to them to the best of their abilities as a form of submission to Him. Leaders should be judged by how well wealth is managed in accordance with the Islamic principles and not by the amount of profit earned.

According to Yusoff (2002) IBOs, among others are responsible to ensure that the stockholders get a fair amount of return and that their investments are optimally utilized; management of business organizations should be based on discussion and consensus between managers and stockholders, i.e. following the concept of *syura* (*Qur'an,* 42:38); matters related to *akhlaq* (ethics) in managing the business should be closely observed; should be transparent and accountable with regards to profit and losses arising from the business operations as warned by the Prophet (pbuh) "*Those who cheat is not of us*" (Muslim); and any agreement between business organizations and stockholders should be in writing to avoid any future dispute between parties involved (*Qur'an,* 2:282-3).

Islam has provided a broad guideline on the responsibilities of business organizations arising from employer-employee relationships (see for example, Sadeq, 2001; Yusoff, 2002). Business organizations should treat employees fairly and not manipulate them for personal

gain as clearly stated in the Prophet's saying: "*Those who work for you are your brothers. Allah has made them your assistance*" (al-Bukhari and Muslim). Business organizations should promote cooperation among the members of the organization in *birr* (good deeds). Recruitment and promotion of employees is done based on merit as advised by the Prophet "*If you give a job to someone who is not knowledgeable, just wait for the destruction*" (Abu Hurairah). Tasks and scope of works assigned to employees should be commensurate with their capabilities and qualifications as put forward in the *hadith* "*Do not tax the labourer with work which is beyond his power*" (Bukhari). *Syura*, as pointed out earlier is one of the fundamental principles of Islamic business, thus, employees should feel free to voice opinions and suggestions for the betterment of the organization. Business organizations should observe the principle of *ihsan* (benevolence) in providing benefits to employees such as health, retirement benefit and opportunity to fulfil their spiritual obligations.

Islam dictates a wider scope of responsibility by business organizations towards customers (Yusoff 2002; Haniffa and Hudaib, 2004). Islam enjoins provision of good quality products as warned in the *hadith* "*Restrain from (false) declarations in business because doing so will (initially) lead to better sales, but will later result in losses*" (Muslim). Products or services provided must be *halal*, free from *riba* and should obtain approval from the *Shari`ah* committee[8]. Customers have the right to be assured of efficient and reliable after sales service, full knowledge of details/description of products or services to be transacted, to get accurate measures and weights as commanded in the *Qur'an* (26:181-183). More importantly, customers should willingly undertake the transaction.

Islam has provided clear guidelines to be followed in terms of responsibilities arising from business organizations-suppliers relationships (Yusoff, 2002). Islam requires business organizations to have a proper written account/contract when dealing with suppliers and wherever possible, should make available reliable witnesses so as to avoid future misunderstandings (*Qur'an*, 2:282). Islam strongly commands that all loans and credits extended to business organizations must be settled as agreed. The Prophet (pbuh) warned of a grave punishment for the failure to do so as decreed in his sayings "*One who has debts will be chained in his grave and will not be free until his debts have been settled*" (al-Dailami).

Government plays an important role in setting and establishing policies and incentives for economic development and progress. Therefore, business organizations are socially responsible towards the government (Davis *et al*., 1980; Buang, 2000; Yusoff, 2002; Maali *et al*., 2003). Business organizations are obliged to pay *zakah* and in some countries the collection of *zakah* is administered by government religious agencies such as in Malaysia and Brunei. In addition, business organizations are obliged to comply and pay whatever taxes are levied on them. Moreover, business operations and activities are to be carried out in accordance with the stated rules and regulations. Business organization should be actively involved in social activities and be supportive of the government's policies in promoting a socially responsible community for the betterment of society as enjoined in the *Qur'an* (4:59).

Islam enjoins the removal of hardship so as to improve the standards of living of the community. Thus, business organizations are expected to contribute towards achieving this objective (Yusoff, 2002; Haniffa and Hudaib, 2004). Potential contributions of business organizations towards the community include creating job opportunities; cooperating in enhancing economic development; organizing and giving full support to activities that are beneficial to the society; and involvement in charity such as *sadaqah* and *waqaf*.

---

[8] The *Shari`ah* committee is "in-house religious advisors". The committee is responsible in ensuring that products and services produced by an organization are in line with s*hari`ah*.

The concept of brotherhood substantiates that Muslims be considerate (*ihsan*) to other fellow brothers in facing financial difficulty. Thus, Islam enjoins business organizations to be lenient with debtors facing difficulty in paying their debts (Haniffa, 2002) and encourages them to write off the debts as charity (*Qur'an*, 2:280).

Business organizations have to take necessary actions to ensure the environment is preserved and that they do not contribute to the environmental illness (Ibrahim, undated). Islam prohibits utilization of resources that would cause damage or inconvenience to the environment and society (Ahmad, 2001). The Prophet (pbuh) has said: "*There is no scope for causing damage in Islam neither in the case of an independent action nor as a reaction*" (Yahya, undated). Therefore, business organizations should avoid waste (*israf*) of resources, facilitate in reducing pollution and assist in preserving the flora and fauna (Choudhury, 1990; Hamid, 1997; Sopiee and Ali, 2001).

According to Islam, businessmen are required to behave Islamically in their business dealings because *Allah* Himself is the witness to their transactions (*Qur'an* 10:61). In addition to issues relating to CSR as discussed in the preceding section, other key business principles that IBOs should observe to attain *Baraka* and *al-Falah* are honesty and truth (Bukhari, 8.116); keeping promises (Ahmad and Bayhaqi Mishkat al Masabih, 4870); love of *Allah* more than the trade or business itself (*Qur'an,* 9:24); be humble and exhibit good-will in any transaction (*Qur'an,* 4:29); use mutual consultation in business affairs (*Qur'an,* 42:38); do not deal in fraud; do not bribe (abu daud, 3537) and deal justly (*Qur'an*, 2:279). Businessmen should avoid duplicity and should treat others in the same righteous and fair manner that they themselves would like to be treated (*Qur'an*, 83:1-4).

4. Conclusion

Islam is the universal religion for mankind as revealed in the Holy *Qur'an* (3:19) and is a complete way of life (*ad-deen*) and not a form of private consolation (al-Omar, 1980). Thus, Islam does not recognize the separation of worldly and spiritual matters. Islam means submission to *Allah*, master of all worlds. The earth and all its inhabitants were created and are subjugated by *Allah*. Therefore, Muslims have a special relationship with these creations, hence, giving rise to CSR as described in the preceding section.

It should be emphasized that in Islam, business operation is considered to be a social useful function (Rice, 1999). For this reason, social responsibility is regarded as an important element in Islamic business ethics. The most important objective of CSR in Islam is to achieve happiness and successfulness in this world and the hereafter. Therefore, business activities should be operated within the *shari'ah* prescriptions of *muamalat* and thereby be considered as '*ibadah* (worship) (Ahmad, 2001).

In future, empirical study could be conducted to examine the perception of Muslim managers on the CSR issues raised in the preceding discussion.

References

Abdalati, H. (1998). *Islam in Focus and Commentary, 3ʳᵈ Edition*. American Trust: United State of America.

Abeng, T. (1997). Business Ethics in Islamic Context: Perspectives of a Muslim Business Leader. *Business Ethics Quarterly*, 7 (3), pp. 47-54.

Ahmad, K. (1977). *Islam: Its Meaning and Message*. Ambika Publications: New Delhi.

Ahmad, S. F. (2001). The Ethical Responsibility in Business: Islamic Principles and Implications, in Ahmad, K. and Sadeq, A.M. (Eds.), *Ethics in Business and Management: Islamic and Mainstream Approaches*. Asean Academic Press: London

Alhabshi, S. O. (1994). Islamic Values: Its Universal Nature and Applicability, in Alhabshi, S. O. and Ghazali, A. H. (Eds.), *Islamic Values and Management*. Institute of Islamic Understanding Malaysia (IKIM): Kuala Lumpur.

Alhabshi, S. O. (undated). Business Ethics. Available at: www.unitarklj1.edu.my/staff. publications/datuk/ETHICS.pdf. Assessed on: 3rd May 2005.

al-Attas, S. M. N. (1985). *Islam, Secularism and the Philosophy of the Future*. Mansell Publishing Limited: London.

al-Bukhari, Muhammad ibn Isma`il (810-870). *Sahih abi `abd allah al-Bukhari*. Dar Ihya' al-Turath al-`Arabi: Beirut.

al-Habshi, A. I. Z. (1993). *Essentials of Islam*. Translated from the Arabic by: Abd al-Azziz Ahmad. Wise Muslim: Wembley.

al-Omar, A. R. (1980). *Islam, the Religion of Truth*. Al Farazdak Press: Riyadh.

al-Qaradawi, Y. (1995). *The Lawful and the Prohibited in Islam.* Translated by: El-Helbawy, K., Siddiqui M.M. and Shukry, S. and Reviewed by: Hammad A. Z. Islamic Book Trust: Kuala Lumpur.

al-Shaibani, I. M. I. H. (1997). *Kitab al-kasb Min Kutub al-Iqtisadi aAl-Islami*. Maktab al-Matbu`ah: Syria.

al-Tirmidhi, Muhammad ibn `Isa, (d. 892). *Sunan al-Tirmidhi Wa-Huwa al-Jami` al-Sahih*. Dar al-Fikr: Beirut.

al-Zuhayli, W. (1981). *al-Fiqh al-Islami wa adillatuh*. Dar al-Fikr: Beirut.

Ali, A. Y. (2005). *The Meaning of the Holy Qur'an*. Sekretariat Himpunan Ulama' Rantau Asia: Kuala Lumpur.

Anshen, M. (1980). *Corporate Strategies for Social Performance*. Macmillan Publishing Co: New York.

Ashari M. K. and Mohamed, A. A. (1989). Islamic Ethics in Accounting Operation: Is it Possible, *The Malaysian Accountant*, July-September, pp. 13-16.

Beauchamp, L. T. and Norman, E. B. (2003). *Ethical Theory and Business, 7th Edition*. Prentice-Hall: New Jersey.

Beekun, R. I. (1997). *Islamic Business Ethics*. International Institute of Islamic Thought: Virginia.

Buang, A. H. (2000). Pengurusan *Zakat*: Satu Analisis dari Perspektif *al-Quran* dan *al-Sunnah*. *Shariah Journal*, 8 (2), pp. 89-102.

Choudhury, M. A. (1990). Islamic Economics as a Social Science. *International Journal of Social Economics*, 17 (6), pp. 35-59.

Crane, R. D. (undated). *Shariah* – The essence of Islamic law. Available http://www.islamicity.com/articles/Articles.asp?ref=IC0802-3512. 13th Feruary 2008.

Davis, K. and Blomstrom, R. L. (1996). *Business and Society*: *Environment and Responsibility*. McGraw-Hill: New York.

Davis, K., Frederick, W. C. and Blomstrom, R. L. (1980). *Business and Society: Concepts and Policy Issues*. McGraw-Hill: New York.

Faruqi, I. R. (1992). *al-Tawhid: Its Implications for Thought and Life*. International Institute of Islamic Thought: Virginia.

Frederick, W. C. (1994). From CSR1 to CSR2: The Maturing of Business-and-Society Thought. *Business and Society*, 33 (2), pp. 150-164.

Gambling, T. E. and Karim, R. A. (1991). *Business and Accounting Ethics in Islam*. Mansell: London.

Hamid, A. (1997). Exploring the Islamic Environmental Ethics, in A. R. Agwan (Ed.), *Islam and the Environment*. Genuine Publications: Kuala Lumpur.

Hamid, A. W. (undated). Justice in Islam. Available http://www.geocities.com/mutmainaa/tafakkur/justice_islam.html. 17th March 2008.

Hanafy, A. A. and Sallam, H. (2001). Business Ethics: An Islamic Perspective, in Ahmad, K. and Sadeq, A.M. (Eds.). *Ethics in Business and Management: Islamic and Mainstream Approaches*. Asean Academic Press: London.

Haniffa, R. M. (2002). Social Responsibility Disclosure: An Islamic Perspective. *Indonesian Accounting and Management Journal*, 1 (2), pp. 100-125.

Haniffa, R. M. and Hudaib, M. (2004). Disclosure Practices of Islamic Financial Institutions*:* An Exploratory Study. *Accounting, Commerce and Finance: The Islamic Perspective* International Conference V, Brisbane, Australian, 15-17 June.

Hashim, M. A. (1998). Building a Learning Organisation – An Islamic Approach, in. Alhabshi, S. O. and Hassan, N. H. N. (Ed.), *Islam, Knowledge and Ethics: A Pertinent Culture for Managing Organisations*. Institute of Islamic Understanding Malaysia (IKIM): Kuala Lumpur.

Hassan, M. A. (1992). *The Tawhidic Approach in Management and Public Administration – Concepts, Principles and an Alternative Model*. National Institute of Public Administration Malaysia (INTAN): Kuala Lumpur.

Hassan, N. M. N. (2002). Business Social Responsibility from The Islamic Perspective, in Hassan, N. H. N. and Shaikh Mohd Saifuddeen Shaikh Mohd Salleh, (Eds.), *Corporate Governance from the Islamic Perspective*. Institute of Islamic Understanding Malaysia (IKIM): Kuala Lumpur.

Hizmet, B. (undated). Endless Bliss Second Fascicle, Chapters 38: Social justice, Socialism, Capitalism, Communism". Available at: http://www.hizmetbooks.org/Endless_Bliss_Second_Fascicle/bliss2-38.htm. Assessed on:17th March 2008.

Husnain, A. N. (1986). *Haqiqatu Jamaluddin al-Afghani*. Dar al-Wafa: Egypt.

Islahi, A. A. (1988). *Economic concepts of Ibn Taimiyah, Islamic Economic Series-12*. Islamic Foundation: London.

Islamonline. (undated). Definition of the Words Deen and Islam. Available at : http://www.islamonline.com/news/newsfull.php?newid=903. Assessed: 3rd March 2008.

_____ . (undated). Prophethood. Available at: http://www.islamonline.net/english/ introducingislam/belief/Messengers/article01.shtml. Assessed on: 29th May 2008.

Ismail, M. N. (2001). *Paradox of Faith: Is Islam a Hindrance to Business Success*. University of Malaya Press: Kuala Lumpur.

Izzi Deen, M. (1990). Environmental Islamic Law, Ethics, and Society, in J. R. Engel and J. G. Engel (Eds.), *Ethics of Environment and Development: Global Challenge and International Response*. Bellhaven Press: London.

Jamal, B. (undated). *Islamic Teachings*. Package II, series F, cassettes 1 and 2. Halifax: Canada.

Jamal Uddin, S. (2003). Understanding The Framework of Business in Islam in an Era Globalization: A Review. *Business Ethics: A European Review*, 12 (1), pp. 23-30.

Kamal, Y. (1990). *Al-Islam wa al-mazahib al-iqtisadiyah al-mu`asirah*. Dar al-Wafa': Egypt.

Khalifa, A. S. (2001). *Towards and Islamic Foundation of Strategic in Business*. International Islamic University Malaysia Press: Gombak.

Kharofa, A. (1992). *Islam the Practical Religion*. A. S. Noordeen: Kuala Lumpur.

Maali, B., Casson, P. and Napier, C. (2003). Social Reporting by Islamic Banks. *Discussion Paper in Accounting and Finance*, September.

Mahmudunnasir, S. (1981). *Islam its Concepts and History*. Kitab Bhavan: New Delhi.

Majid, F. (1991). *Ethical Theories in Islam*. E. J. Brill: Leiden.

Mansor, M. (1984). *Undang-Undang Perdagangan dalam Islam*. Penerbitan Alharamain (M) And. Bhd: Kuala Lumpur.

Mannan, M. A. (1986). *Islamic Economics: Theory and Practice*. Holder and Stoughton: United Kingdom.

Masaka, D. (2008). Why Enforcing Corporate Social Responsibility (CSR) is Morally Questionable. *Electronic Journal of Business Ethics and Organization Studies,* 13 (1), pp. 13-21.

Mohammed, J. A. (2007). Corporate Social Responsibility in Islam. PhD thesis. Available at http://repositoryaut.lconz.ac.nz/bitstream/10292/354/1/MohammedJ.pdf. Assessed on: 29th May 2008.

Muslim ibn al-Hajjaj al-Qushayri (ca. 821-875). *Sahih Muslim : Bi-Sharh Nawawi*. Dar al-Fikr: Beirut.

Nanji, A. (1991). Islamic Ethics, in Peter Singer (Ed.). *A Companion to Ethics*. Blackwells: Oxford.

Naqvi, S. N. H. (1981). *Ethics and Economics: An Islamic Synthesis*. Islamic Foundation: Leicester.

_____. (1994*). Islam, Economics and Society*. Kegan Paul International: London.

Nyazee, I. A. K. (1997). *Islamic law of Business Organization: Partnerships*. International Institute of Islamic Thought and Islamic Research Institute: Islamabad.

Othman, H. F. H. (1994). Attributes of Virtuous Executives and Administrators in Islam, in Alhabshi, S.O. and Ghazali, A. H. (Eds.), *Islamic Values and Management*. Institute of Islamic Understanding Malaysia (IKIM): Kuala Lumpur.

Rice, G. (1999). Islamic Ethics and the Implications for Business. *Journal of Business Ethics*, 18 (4), pp. 345-358.

Sadeq, A. M. (2001). Islamic Ethics in Human Resource Management, in Khaliq Ahmad and AbulHasan M. Sadeq (Eds.), *Ethics in Business and Management: Islamic and Mainstream Approaches*. Asean Academic Press: London.

Selvaraj, S. D. and Muhamad, R. (2004). Islamic Accounting Framework, in Selvaraj, S. D., Hooper, K. and Davey, H. (Eds.), *Accounting Theory and Practice: A Malaysian Perspective*. Prentice Hall: Kuala Lumpur.

Sopiee, N. and Ali, R. M. (2001). Business, Ethics and Politics, in Khaliq Ahmad and AbulHasan M. Sadeq (Eds.), *Ethics in Business and Management: Islamic and Mainstream Approaches*. Asean Academic Press: London.

Windsor, D. (2001). The Future of Corporate Social Responsibility. *The International Journal of Organisation Studies*, 9(3), pp. 225-256.

Yahya ibn Adam (d. 818). *Kitab al-Kharaj*. Dar al-Shuruq: Cairo.

Yusoff, N. M. A. N. (2002). *Islam and Business*. Pelanduk Publications: Kelana Jaya.

Zaidan, A. K. (1999). *Al-Madkhal li Dirasah al-Shari`ah al-Islamiyyah*. Al-Resalah Publishers: Beirut.