Maqasid Shariah in Corporate Social Responsibility of Shari’ah Compliant Companies

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Abstract

The paper attempts to assess whether the four dimensions of Corporate Social Responsibility (CSR), namely workplace, environment, community and market place of Shari’ah Compliant Companies are in line with the objectives of Shari’ah (Maqasid Shari’ah). CSR is a part of the voluntary disclosure information included in the annual report. This paper discusses the four dimensions of CSR from Maqasid Shari’ah perspective by utilizing library research and survey data. Towards the end, this paper focuses on the significance of disclosing this dimension from maqasid perspective in order to highlight general and specific guideline as a source of reference for Shari’ah Compliant Companies.

Keyword: Voluntary Disclosure, Maqasid Shari’ah, Islam, Corporate Social Responsibility, Shari’ah Compliant Companies.

1. Introduction

Corporate Social Responsibility (CSR) is an obligation for every organization beyond the requirement by law and economics to portray its unique role as a business organization in contributing their interest to the need and to meet the expectation of a wide variety of their stakeholders. Stakeholders could be categorized as external and internal stakeholders. External stakeholders include unions, consumers, suppliers, society, governments and shareholders, whereas internal stakeholders consist of employees, managers and directors. All these groups or individuals have different interest and expectations from an organization. For example, shareholders or owners expect an organization to maximize profits, employee expects high rate of pay and job security; customers expect organization to offer quality customer care and ethical products. In order to address these various stakeholders expectations, every organization must adopt CSR at national and international levels (Mohammed Shamim & Md. Nesarul 2011).

In Malaysia, CSR framework was established by Bursa Malaysia on September 5, 2006 in order to help the Malaysian companies in the practice of CSR. The requirement of financial reporting nowadays focuses not only on the financial information but also on non-financial information which consists of social and environmental information. Such extension shows that companies do have wider responsibilities than just making money to their shareholders (Gray, Owen & Maunders, 1987). This extension was supported by Malaysian Prime

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Minister, Dato’ Sri Najib Tun Abdul Razak, who claimed that good CSR was the key towards ensuring the sustainability of business and Malaysian companies in the years ahead (Nor Mohamed Yakcop, 2004).

Therefore, Dato’ Sri Najib Tun Abdul Razak delineated CSR in the Malaysian context as a concept integrating social and environmental concerns in the Malaysian business operations with stakeholders on a voluntary basis (Tay, 2005). The former Malaysian Prime Minister, Tun Abdullah Ahmad Badawi who emphasized the importance of CSR has encouraged all Malaysian companies to engage in social responsibility and disclose CSR activities in the Annual Report (Badawi, 2006).

Even though CSR Disclosure (CSRD) is a voluntary disclosure, as it not required by any accounting regulation in Malaysia, participating and disclosing CSR activities represents an expression of the corporations’ accountability to the society (Manasseh, 2004).

However, most of the companies in Malaysia found CSR as an extra burden to be borne by the companies because it involves high cost and these will affect profitability of the companies in the long run. For Sha’riah Compliant Companies (ShCC), the companies needs to develop the use of maqasid which allows flexibility, dynamism, and creativity in social policy in order to promote the maslahah (social welfare) and prevent social evil or corruption. Maslahah is a juristic device used in Islamic legal theory focusing on welfare, interest or benefit to the public and repelling harm (jalb al-masalih wa dar’u al-mafasid). It should be noted that in Islam, wealth is a grant that has been given as a trust from Allah to human beings to be utilized in the most effective and efficient way, and it should be managed based on equity and justice.

Therefore, there are no reasons for companies to avoid contributing their wealth to society, treating their employees, consumer, supplier and others in best manners, especially when the companies had been classified as ShCC. This is the right approach for all companies to demonstrate their accountability to Allah. Since majority of Malaysians are Muslims, it is very important for ShCC to convince the Muslim stakeholders that their companies’ activities are in line with Islamic principle and value.

Since the concept of CSR is based on western philosophical perspectives, it is of great significance to introduce Islamic perspectives in order to analyze the four dimensions of CSR. In fact, Islamic perspectives constitute a holistic approach of Islamic CSR based on the Qur’an and Sunnah. Such an approach provides a new philosophical framework guided by Shari’ah. Shari’ah is a system of ethics and values which covers all aspects of human lives including personal, social, politics, economics and intellectual dimensions of human being (Ziauddin, 2003). This complete integrated code of life will be implemented now and hereafter.

A number of verses in the Qur’an contains certain provisions which aim at attaining certain objectives (maqasid) intended by Allah as the law giver. It is proven that Allah does not act in vain as mentions in the Qur’an:

“For [thus it is:] we have not created the heavens and the earth and all that is between them in mere idle play. None of this have We created without [an inner] truth: but most of them do not understand it”.

(Qur’an: Ad-Dukhan: 44, verse: 38-39)

Therefore, all of Allah creations have purpose and value. Which respect to the creation of man and Islam as the last revelation given to them, Allah has explicitly stated that “This day I have perfected for you your religion and I have completed my bounties and I am pleased with the religion of Peace (Islam)”

(Qur’an: Al-Maidah: 5, verse: 3)

Hence, the prime objectives of Shari’ah have been developed by a number of Muslim scholars including Al-Ghazali. According to Al-Ghazali, the objectives of shari’ah is to promote well being of all mankind which lies in safeguarding their faith (deen), their lives (nafs), their minds (aql), their posterity (nasl) and their properties (mal). Any deeds which safeguard any of these five objectives of Shari’ah serve public interest and therefore, is considered desirable. (Al-Maisawy, M. T., 1998)

Generally, the focus of maqasid shari’ah is to protect the benefit of individual and community as well as to facilitate the improvement and perfection of human lives in this world and hereafter. In order to develop an Islamic CSR (i-CSR), it is a duty for every Muslim, particularly those who are involved with the company operation to adhere to the Islamic CSR.
2. Conventional CSR vs. Islamic CSR

CSR in contemporary thought has a variety of meanings and definitions. Caroll (1979) defines CSR as the social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations by society at a given point in time. To be competitive and sustainable, every organization must actively involve in CSR because it can be serve as a proactive business philosophy and effective marketing tool. Through CSR, an organization voluntarily integrates social and environmental activities into their business operation and consequently will have an interaction with stakeholder (Enquist, Johnson & Skalen, 2006). By having a good interaction and connection with stakeholders, organizations can increase their business performance and reputation.

In Islamic perspective, CSR encompasses a broader meaning embracing the value of righteousness (taqwa) in all situations, by which everyone in the organization must play his/her roles and responsibilities as servant and vicegerent (Dusuki, 2008). A person with righteousness value understands their role in this worldly life is to manage and develop the world in accordance with the shari'ah principle and value. The core principles of i-CSR are derived from Qur'an and Sunnah, while the major foundations of i-CSR principles are unity, vicegerency and trusteeship, justice and equilibrium, and rights and responsibilities (Mohammed Shamim & Md. Nesarul, 2011).

a) Unity

Unity of Allah is the first principle in Islam, because Allah is the One and absolutely One who creates the earth and universe. The Qur’an (57:5) states that Allah is the ultimate owner of everything on earth and universe and man is ultimately accountable to Allah (Qur’an, 2:28). It means that, by accepting Unity of Allah, all commercial activities must be in accordance to shari’ah principle and value (Haniffa, Hudaib & Malik, 2002).

b) Vicegerency and Trusteeship

Man is a vicegerent (khalifah) or representative of Allah on earth and trustee of Allah resources. As a khalifah or leader in organization, they have greater responsibility to utilize things that belongs to Allah to utilize all these given facilities by Allah to best of their abilities to create maximum added value to the organization itself and to the whole community as well (Bardai, 2002).

c) Justice and Equilibrium

According to Parvez (2000), human beings are equal and human interactions should be based on trust, equity and justice. In Islam, human beings are khalifah (leaders). In order to fulfill their role as vicegerencies, they should collaborate and support each other, be honest, sincere, keep the promises and truthful in their business dealings. Equilibrium must be practiced by treating people fairly and justly in wage distribution without discrimination. Through justice and equilibrium principle, organization can create harmonious lives in all societies.

d) Rights and Responsibilities

Every individual is accountable and responsible for his/her own actions. They are free or have a right to steer their own lives because humans have been endowed with intellectual capabilities to choose either to be ethical or unethical. But these rights must always conform to shar’iah rules and ethics as well as preserve and protect the interest of collective well-being (Iqbal & Mirakhor, 2003).

Islamic CSR and conventional CSR have different values and aspiration because they are operating in different philosophical grounds such as halal (lawful) and haram (unlawful) in its economic system. For the earning livelihood and wealth that have been declared unlawful such as riba (interest), bribery, gambling, short weighing, short measuring and sales of al-gharar (uncertainty, risk, speculation) need to be considered seriously by ShCC.
But the dimension and area of CSR as proposed by traditional theoreticians and international bodies may well be applied to Islamic business firms since most of them are consistent with the spirit and teaching of Islam or predominately based on the Qu’ran and Sunnah. Table 1 shows the dimensions of CSR which was introduced by Bursa Malaysia and the contemporary CSR issues that are applicable to Islamic business.

Table 1: Contemporary Views and Islamic Perspectives on CSR

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<td>a. Allah has placed those (employees) under you. They are your brothers. So anyone of you has someone under him, he should feed him out of what he himself eats, clothes him like he himself puts on. You should not overburden him with what he cannot bear, and if you do so, help him in his job. (Sahih Muslim Vol.3, Hadith No.4093.)</td>
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<td>Environmental</td>
<td>a. Good pollution control, waste and recycle policy</td>
<td>The preservation / protection of faith (al-din)</td>
<td>“And do not mischief on the earth, after it has been set in order, but call on Him with fear and aspiration. Indeed the mercy of Allah (SWT) is near to the doers of good.” (Qur’an 7:56)</td>
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<td>The preservation / protection of Dignity (al-’ird)</td>
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</tbody>
</table>
The preservation / protection of property (al-mal)  

Community  

a. Help solve social problems  
b. Supporting charities and community projects  
c. Participate in management of public affairs  
d. Play a role on society goes beyond profit maximization  

The preservation / protection of faith (al-din)  

 “And fear Allah (SWT) as much as you can, listen and obey; and spend in charity for the benefit of your own souls. And those saved from the covetousness of their own souls; they are the ones who achieve prosperity.”  

(Qur’an, 64:16)  

The protection of intellect (al-‘aql)  

The preservation / protection of Life (al-‘nafs)  

Marketplace  

a. Declaration of quality, safety and hygienic production process.  
b. Fair prices  
c. Provision of Halal products and services  
d. Fair trading relationship  
e. Environmentally friendly products and services  
f. Protection of health and safety of the consumers  

The preservation / protection of property (al-mal)  

“Verily Allah and His Messenger have forbidden the sale of wine, carcass, swine and idols.”  

(Sahih Muslim)  

“The honest, trustworthy merchant will be with the Prophets, siddiqs (true believers) and martyrs (in Paradise).”  

Sources: Bursa Malaysia (2012), Mohammed Shamim & Md. Nesarul (2011) and the Qur’an & Hadith.  

Table 1 shows that the activities of ShCC must be align with the Islamic shari’ah that are derived from the Qur’an and Hadith. According to Mohammed Shamim and Md. Nesarul (2011), the dimensions of contemporary CSR and Islamic shari’ah have a common objective, which is to achieve benefits and prevent harms in society. Therefore, any prohibited activities that have been involved by the ShCC must be transparently disclosed.  

3. Analysis on the Islamic CSR Disclosure and Maqasid Shari’ah  

3.1 Dimension on Workplace
In Islamic context, employees are created by Allah consisting of body and soul. Human beings require a balanced satisfaction of material and spiritual in their lives. Good management of human resources is very essential to all companies since human resources are the most valuable assets that can help the companies to maximize profit (Teoh & Thong, 1985; Mohamed Zain, Mohammad, & Ibrahim, 2006; Mohamed Zain & Mohammad, 2007).

*Shari’ah* (Maqasid Shari’ah) is related to the protection of faith (*al-din*), protection of intellect (*al-‘aql*), protection of life (*al-‘nafs*) and protection of property (*al-mal/wealth*). It is very important to ensure justice and *maslahah* (welfare) to the workers in company. Those protections seek to make every individual and community life is more secure, knowledgeable, skillful and peaceful life. This is conformity with al-Raysuni’s writing on “Imam Al-Shatibi’s Theory of the Higher Objectives and Intents of Islamic Law”. He mentions that the overall objective of Islamic law is to populate and civilize the earth and preserve the order of peaceful coexistence therein: to ensure the earth’s ongoing well-being and usefulness through the piety of those who have been placed there as God’s vicegerents to ensure that people conduct themselves justly, with moral probity and with integrity in thought and action, and that they reform that which needs reform on earth, that they tap its resources and plan for the good of all.1

In organizations, justice and benevolence also should be emphasized in order to ensure that no one is treated unjustly. The employers and the employees have their rights and responsibilities. In order to ensure that justice prevails, fair procedure and policies are enacted and applied. Besides that, brotherhood and equality are also important elements in creating stable society and organization. In Islam, everyone is the servant of Allah and no one is nobler than the other except one who fears Allah. Therefore, spirit of brotherhood in the workplace is very important in Islam. The following hadith:

“Your subordinates are your brothers. Those working under you are made subservient to you by Allah.”

Thus in making decisions, the principle of *syura* or consultation is used to ensure that decisions take into consideration the view of other people in the organization and subsequently can strengthen the spirit of teamwork.

One of the essential dimensions of human rights is protection of dignity (*al-‘ird*). Protection of dignity includes the protection of individual rights, such as, respecting and dealing with workers’ problems quickly and fairly without any violation of workers’ rights. The most explicit affirmation of human dignity (*karamah*) is found in the Qur’an, in a general and unqualified declaration: “We have bestowed dignity on the children of Adam (laqadkarramnabaniAdama) …and conferred upon them special favors’ above the greater part of Our creation” (Qur’an: Al-Isra’: 17, verse 70).

Many leading figures, including Abu Hamid al-Ghazali from the Shafi’i school of thought, Ibn Rushd al-Qurtubi, Ibrahim al-Shatibi and Ibn Ashur from the Maliki school of thought, Ibn Taymiyyah and Ibn Qayyim al-Jawziyyah from the Hanbali school of thought and Javad Mughniyyeh from the Ja’fari Shi’ite school of thought have supported the universalist position on human dignity. Therefore, the wisdom behind the promotion of protection of human rights in CSR is to serve the interests of all workers in company (*jalb al-masalih*) and save them from harm (*daf’al-mafasid*). Therefore, it can contribute by increasing the productivity of a company which secures more profitability.

### 3.2 Dimension on Environment

Corporate Environmental Reporting (CER) is still new in Malaysia. The main objective of disclosing this report is to inform the public that the company runs the business without harming the environment. If the company does harm the environment, they should disclose the percentage or degree of environment effected by the activities and define the action taken to overcome the problems. Based on the survey done by Bursa Malaysia on all the companies listed in main board from 1999-2001, the number of companies disclosed the CER in their Annual Report increased from 25 companies (5.3%) to 40 companies (7.7%). However, 95% of CER were reported in less than a page in the annual report (Mohamed Zain, 2009). It is because the degree of involvement by companies in physical environment is very limited and the amount of disclosure on environment issues among the companies in Malaysia is low (Mohamed Zain, 1999).

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As mentioned in the Qu’ran, there are about 500 verses in the Qur’an giving guidance on how to deal with the environment; Qur’an and Hadith condemn exploitation of the environment (Masri, 1992). According to legal maxims (qawa’id al-fiqhiyyah) from Maqasid perspective, it is a general maxim, which says, La Darara wa la Dirar, which means, “Harm shall not be inflicted nor reciprocated”. This maxim indicates the importance to remove all kinds of harm especially to environment. Apart from this clear indication on this maxim, there are many verses of the Qu’ran and other hadith that indicated the obligation to avoid any kind of harmful actions. One of the Qur’anic verses says: “And make not your own hands contribute to (your) destruction”1. Therefore, the wisdom behind this verse, Allah encourages Muslims to protect the earth (al-’alam) from any harm and destruction through programs which can help protect environment. By disclosure such as good pollution control, waste and recycle policy in CSR activities, it can help control pollution.

3.3 Dimension on Community

Community information is the next favorite theme after human resource data to be disclosed among companies in Malaysia (Thompson & Zakaria, 2004; Mohamed Zain & Janggu, 2006 and Haron, Yahya, Sofri, Sharon & Ishak, 2006). The introduction of the “Caring Society Policy” and “Vision 2020” by the government in the early 90’s has improved the disclosure of community information among companies in Malaysia. Mohamed Zain and Janggu (2006) found that about 37% of companies in Malaysia disclosed community information in their annual report. Trading and property sectors give the highest level of attention on community disclosure. However, consumer, financial sectors, manufacturing and construction sectors disclosed less information pertaining companies’ community activities.

In Islam, facilitating the circulation of wealth constitutes an important objective of the shari’ah. Circulation means the transfer of wealth in the community among as many hands as possible without causing harm to those who have acquired it lawfully. It has clearly indicated in the Qur’anic verses, which Allah says: “Whatever [spoils taken] from the people of those villages God has turned over to His Apostle-[all of it] belongs to God and the Apostle, the near of kin [of deceased believers], the orphans, the needy, and the wayfarer, so that it may not be [a benefit] going round and round among such of you as may [already] be rich”.2

To achieve the objectives of the Shari’ah (Maqasid Shari’ah), Islam has framed the dimension of protection of faith (al-din), protection of life (al-’nafs), protection of intellect (al-’aql), protection of dignity (al-’ird) and protection of property/wealth (al-mal) through charity, generosity, and philanthropy. Peoples' hearts have been prepared to indulge in righteous and virtuous deeds, and they have been taught to co-operate with each other, help each other and act rightly. The important aspect of the charity, generosity, and philanthropy is that Allah will double the wealth to the generous companies, as Allah says: "If you loan to Allah a beautiful loan, He will double it to your (credit), and He will grant forgiveness”4 Hence, the overall objective (maqasid ‘amm) of Islamic legislation is to preserve the social order of the community and insure its healthy progress by promoting the well-being and virtue (salah) of the human-being.3

3.4 Dimension on Marketplace

The companies are expected to produce a quality, useful and safe products and services to their consumers. In annual report, products and services were classified under three sub categories: General Statement, Product Quality and Safety and Research & Design. This study finds that most of the companies disclose product quality and safety in that form of general statement mentioning the good news about the products as though the products are 100% perfect in the market. In Islam, transparency such as declaration of quality, safe and hygienic production process, fair prices and dealings, halal and haram are considered as objectives of the Shari’ah (Maqasid Shari’ah). The Qur’an demands fair, open and ethical behavior in all business transactions.

The Qur’an, 2: 195
The Qur’an, 59: 7
The Qur’an, 64: 17


In Islam, all the activities undertaken are not only to satisfy material needs and wants but also more importantly it should be undertaken to fulfill religious obligations and to achieve non-material objectives such as to secure environment and social needs. For ShCC, every activity executed must achieve shari’ah objectives (Maqasid Shari’ah) that can give benefit and good protection to companies’ property, wealth, environment and human beings.

4. Conclusion

CSR is an obligation for every organization in order to show their accountability to society as a whole. Although CSR is part of voluntary disclosure, in Islam, the implementation of CSR is an obligation for every Muslims who are the khalifah of the ummah. This is the best way to show the accountability to society and Allah as well. For ShCC, they need seriously to highlight or disclose their CSR activities by considering the objective of Shari’ah (Maqasid Shari’ah). By providing the activities which achieve maqasid shari’ah that give benefits and meaningful to the ummah, the image as a ShCC will be improved.

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