The role of Islamic banks in the establishment of social responsibility within Islamic Countries

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Abstract
Islamic banks play a significant role in social responsibility as well as taking care of others the way we do for ourselves. Islamic banks portray this significance by investing in organizations that work according to the Islamic law and/or by taking new steps in field of social responsibility; thus, protecting the society from being damaged. Among the basic principles of the Islam is social behavior that ensures upgradation of human morality and achievement of prosperity not only for an individual but also for his society as every person has right to be honored socially. For example, if a Muslim investor makes investments which indulge in activities prohibited in Islamic law should withdraw his investment immediately. As a result, Islamic banks are socially responsible to Allah and society, so they should invest in companies that do business according to Islamic law. These banks that have invested in companies that use natural resources of a region and inhabitants of that region are being affected by that so the compensation must be paid to those inhabitants.

Key words: Islamic banks, social responsibility, organizations, Islamic Finance, Social Justice.
1. Introduction

Islamic banks are a new phenomenon expanding in the world full of difficulties and challenges with variables of economic, social, financial, and banking imposed by globalization: Islamic banks have a social responsibility towards society by contributing to the provision of basic needs of the society, fighting against poverty, and unemployment by funding projects that create real productive jobs and bring added value regardless of the size of the company.

2. Literature Review

Muhammed.y and Zakaria. B (2011), this study shows the position of the implementation of Islamic CSR can be categorized into three dimensions of relationship responsibilities. First, it is the relationship and responsibility to Allah, and second, the relationship and responsibility to people. The last is the relationship and responsibility towards the environment.

Asyral Wajdi. D and Humayon. D (2014), the main purpose of the study is to poll the opinion of different stakeholder groups of Islamic banks in Malaysia regarding CSR of Islamic banks. In particular, the study sets out to provide answers whether CSR criteria constitute part of the patronage factors influencing selection decision by the stakeholders of Islamic banks.

Quazi Sagota.S, (2012), the main purpose of this paper is to observe the compliance of Islamic banks in Bangladesh to Islamic Corporate Social Responsibilities. Through knowledge about the concept of CSR according to Islamic Law, practice of Islamic Banking in Bangladesh, and the areas of Corporate Social Responsibilities exercised by Islamic Banks in Bangladesh.

3. Methodology

3.1 Research Questions

This research attempts to show the role of Islamic banks in social responsibility based on the above problem can be asked the following question:

What is the role that Islamic banks play through social responsibility in Islamic countries?

3.2 Modeling Volatility

Accounting and Auditing Organization for Islamic Financial Institutions in conjunction with the Investment Dar and Dinar Standard have done a survey study. This study aims to research the application of Islamic banking standards set by the Accounting and Auditing Organization for Islamic Financial Institutions, which covers the 13 elements of social responsibility.
3.3 Data

This study is based on statistics provided by the Accounting and Auditing Organization for Islamic Financial Institutions in order to shed light on the true role played by the Islamic Bank in the community.

4. Results and Discussion

4.1. The definition of social responsibility:

According to the World Business Council for Sustainable Development Social Responsibility, there is a presence of continuing commitment by businesses to act ethically and contribute to economic development, work to improve the quality of the living conditions of the workforce and their families, and the local community and society as a whole.

4.2. The importance of the social responsibility of Islamic banks:

By Accounting and Auditing Organization for Islamic Financial Institutions, the most important social responsibility standards for Islamic banks are as follows:

4.2.1 Philanthropy

<table>
<thead>
<tr>
<th>Interesting institutions philanthropy</th>
<th>The proportion of institutions(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions have policies for charitable activities</td>
<td>% 76</td>
</tr>
<tr>
<td>Institutions do not have policies for charitable activities</td>
<td>% 17</td>
</tr>
<tr>
<td>Institutions that allocate funds for charitable activities</td>
<td>% 34</td>
</tr>
</tbody>
</table>

Source: B.Madi and K.Ladraa

76% of the institutions participating in the study confirmed that they have policies for charitable activities compared to 17% do not have such policies. These activities are still one of the priorities of the Islamic banks but the majority isn’t interested using their potential to increase allocations for charity and emergency circumstances, where this is not available, but is available in only 34% of banks.

4.2.2 Responsible investments

55% of the participating institutions confirmed that they are interested in developing policies to allow the allocation of quotas of investment to areas of development and the environment compared to 38% who do not.

4.2.3 Waqf and Zakat Management

According to the study, 38% of Islamic banks manage zakat funds on behalf of clients. There are a number of special programs with social responsibility shared by the institutions included in the study. They manage microenterprises programs conforming to the provisions of the Islamic law, Takaful and savings scheme, and charitable investment programs with a social dimension.
4.3 Challenges of Islamic banks in the field of social responsibility:

Islamic banks play the social role assigned to it, but there are several gaps that are not addressed by these banks which include the following:

4.3.1 Lack of charitable activities

52% target segments of certain institutions need of aide. This is considered as a proof that these institutions do not take advantage of the infrastructure available to it to work on the development of the resources allocated to social responsibility.

4.3.2 Lack of environmental activities

Islamic banks give great importance to the environment where as we find that 38% are actually targeting the effects on the environment through special programs. There is an absence of initiatives launched by Islamic banks to support the environment; therefore, these banks must work to provide programs exposed to environmental issues can benefit from the experience of HSBC Amanah Bank.

4.3.3 Lack of follow-up with customers

The survey found that Islamic banks prioritize customer follow-up 97%, service 79%, and reliable transactions with customers 76%. This is a good indicator, but not enough to recognize that the Islamic banking industry is fulfilling its social responsibility to the fullest.

4.3.4 Lack of an attentive workforce

Employees in Islamic banks have great interest due to the existence of policies that preserve their rights and ensure their well-being. It was found that 83% of the institutions participating in the study adopt policies to ensure equal opportunities, 93% of them provide salaries and incentives distinctive, and 86% adopt policies against discrimination.
In spite of this, there is lack of clarity of the protection afforded by those policies. It also notes the inefficiency of the complaints mechanism and compensation.

**4.3.5 Lack of Management of Zakat funds**

According to a study, only 10% of the participating institutions develop policies for the management of Waqf property on behalf of customers versus 33% for the management of zakat; The percentage of those are very modest given the huge sums of money in these sectors.

As for the loan Hassan, 59% of institutions confirmed that they have policies with a social dimension.

**4.4 Examples on the role that Islamic banks play in the promotion of social responsibility in Islamic countries:**

Islamic banks have taken several initiatives in the field of social responsibility. Among these initiatives are to take care of disabled individuals while many focused on environmental issues. There is an initiative to curb racial discrimination in South Africa, launched by Al Baraka Islamic Bank.

**4.4.1 Program "charity" T’azur Takaful in Bahrain**

It is one of the programs developed by the Islamic financial institutions. Companies involved, such as this one, often win the award for best Islamic insurance company in recognition of its role in corporate social responsibility and operating according to Islamic law. The company won the award for best Islamic insurance company in recognition of its role in corporate social responsibility and operating according to Islamic law.

The product charity “T’azur” is the first charitable insurance product of its kind issued by the T’azur in the month of Ramadan in 2009. It helps charity donors to save regular donations T'azur invested in private funds and in accordance with the provisions of Islamic law for several years. After the expiration of this period is the transfer of accumulated capital to charities chosen by the donor. In the event of circumstances preventing the donor to make
such a donation continues to "T’azur" directed by regular donations on behalf of the donor and then ensure that charities received donations in all cases.

4.4.2 Charitable programs for the bank HSBC Amanah

It is one of the important programs due to its bank and the Islamic branch of stature in the world economy. Amanah contributes to a multinational bank in many of the charities that provide micro-development projects conform to the provisions of Islamic law in Muslim countries, the poorest, such as Pakistan and Sri Lanka. The Bank has established a partnership with the charity project Jaipur Artificial Limbs in the cities of Karachi and Islamabad. Approximately 950 people so far have benefited from this charity.

Amanah bank puts policies aimed at reducing electricity and water consumption, reduce the quantity of waste and carbon dioxide emissions. In 2008 the bank achieved a reduction of as much as 4.6% in energy consumption, 9.9% in the water, 15.5% in the waste, and 4.7% in carbon dioxide emissions.

The bank puts a unique investment strategy in the field of attention to environmental issues such as the use of garbage and renewable energy projects, With regard to the financing of water projects Bank forecasts suggest that the world will need $1.8 to $ 3 trillion between 2006 and 2025 for the establishment, operation, and maintenance of the water stations.

4.4.3 Islamic Bank of Jordan

Established in 1979, the bank participates in community service on several levels and through a number of products and means such as donations, program funding artisans, institutions of social services, training students, and protecting the environment.

This study has enabled us to reach a number of results are in:
- Islamic banks have the characteristics and principles of the Islamic approach where these characteristics show the real role of the Islamic Bank and refer to the depth of the Islamic perspective of economic and social development.
- Islamic Bank is a comprehensive social system aims to instill Islamic values in the society in various transactions humanitarian and economic and social development.
- Through social responsibility contributes to Islamic banks in the financing of projects, health and social care, and raising awareness of savings among members of the community. This is done through easy access to savings products, contribution to the rehabilitation of scientific and eradication of illiteracy, and raising awareness for the children of the banking community.

5. Conclusions and Recommendations

Social responsibility provided by Islamic banks serve as a gain for the institution and not the cost as is the case in traditional financial institutions; this is due to the work ethic based on Islamic law. It has also given a way of thinking about an important strategy in philanthropy.
5.1 Recommendations
- Islamic banks need to adopt a system from a variety of social programs in the framework of the strategy establish and deepen the culture of social responsibility keeping abreast of issues and needs of the community and its members.
- There must be a social responsibility of the Islamic banks towards their employees that activate the system to participate in the profits, the possibility of owning shares of some banks, and provide a suitable working environment in terms of training and development.
- The economic and social developments impose new challenges, the banks must face these challenges with innovative and comprehensive consciously without abandoning its origins of morality.
- The duty of taking responsibilities of social responsibility towards the society without losing sight of it when doing the approval of their products and the various dealings.

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Islamic banking and finance, Growth and challenges ahead, USA, 2008, p03.

