

**GUIDELINES OF ISLAMIC CORPORATE
SOCIAL RESPONSIBILITY OF ISLAMIC BANK
IN THAILAND**

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by

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All praises and gratitude are for Allah (Glorified and Exalted is He). We praise Him, seek His help and beseech His forgiveness. Indeed, all knowledge has come from Allah The Knower of all. If He does not allow the knowledge for us, we definitely cannot get that knowledge. First of all, I have to thank Allah The Giver of all to grant me the knowledge today. I always appreciate our Prophet Muhammad (PBUH) who had struggled with the hardship in his life by giving Islam to us, making du'a and being a good model for us. Also, Allah (SWT) helps me through my supervisor Associate Professor Dr Zakaria Bahari for giving good advice. Moreover, Allah The Sustainer always gives my mother good wealthy, and she has used this wealthy for my education since I was born Al-hamdulillah. I always appreciate Allah The Inspirer of Faith who provides a good wife for me. She always encourages and inspires me to keep on my work until my work has completed. Furthermore, Allah The Creator creates a good son for me. He always makes me feel a relief when I have to face a hard time. Moreover, I have to thank ISDEV and Universiti Sains Malaysia which gave me a chance to pursue my PhD here. Lastly, I have to thank Allah the Most Merciful who always gives His knowledge to other people and their works whether direct or indirect could be a benefit for me.

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The Doer of Good (*Al-Barr*)

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PRONUNCIATION AND TRANSLITERATION CHART

Arabic Script	Pronunciation	Transliterated form
أ	Short 'a', as in <i>cat</i>	a
آ-إى	Longer 'a', as in <i>cab</i> (not as in <i>cake</i>)	â
ب	/b/ as in <i>bell, rubber</i> and <i>tab</i>	b
ت	/t/ as in <i>tap, mustard</i> and <i>sit</i>	t
ة	Takes the sound of the preceding diacritical mark sometimes ending in h (when in pausal form): ah, ih or ooh; or atu(n), ati(n) or ata(n) when uninterrupted	h or t (when followed by another Arabic word)
ث	/th/ as in <i>thing, maths</i> and <i>wealth</i>	th
ج	/j/ as in <i>jam, ajar</i> and <i>age</i>	j
ح	a 'harsher' sound than the English initial /h/, and may occur medially and in word-final position as well	ḥ
خ	As in <i>Bach</i> (in German); may occur initially and medially as well	kh
د	/d/ as in <i>do, muddy</i> and <i>red</i>	d
ذ	as in <i>this, father</i> and <i>smooth</i>	dh
ر	/r/ as in <i>raw, arid</i> and <i>war</i> ; may also be a rolled 'r', as pronounced in Spanish	r
ز	/z/ as in <i>zoo, easy</i> and <i>gaze</i>	z
س	/s/ as in <i>so, messy</i> and <i>grass</i>	s
ش	as in <i>ship, ashes</i> and <i>rush</i>	sh
ص	no close equivalent in English, but may be approximated by pronouncing it as /sw/ or /s/	ṣ

	farther back in the mouth	
ض	no close equivalent in English, but may be approximated by pronouncing it as /d/ farther back in the mouth	d
Arabic Script	Pronunciation	Transliterated form
ط	no close equivalent in English, but may be approximated by pronouncing it as /t/ farther back in the mouth	t
ظ	no close equivalent in English, but may be approximated by pronouncing it 'the' farther back in the mouth	<u>dh</u>
ع	no close equivalent in English: a guttural sound in the back of the throat	ʿ
غ	no close equivalent in English, but may be closely approximated by pronouncing it like the French /r/ in 'rougr'	gh
ف	/f/ as in <i>fill, effort</i> and <i>muff</i>	f
ق	no close equivalent in English, but may be closely approximated by pronouncing it as /k/ farther back in the mouth	q
ك	/k/ as in <i>king, buckle</i> and <i>tack</i>	k
ل	/l/ as in <i>lap, halo</i> ; in the word Allah, it becomes velarized as in ball	l
م	/m/ as in <i>men, simple</i> and <i>ram</i>	m
ن	/n/ as in <i>net, ant</i> and <i>can</i>	n
ه هـ	/h/ as in <i>hat</i> ; unlike /h/ in English, in Arabic /h/ is pronounced in medial and word-final positions as well	h
و	as in <i>wet and away</i>	w
و	Long 'u', as in <i>boot</i> and <i>too</i>	oo
ي	as in <i>yard</i> and <i>mayo</i>	y

ي	Long 'e', as in <i>eat, beef, and see</i>	ee
ء	Glottal stop: may be closely approximated by pronouncing it like 't' in the Cockney English pronunciation of <i>butter: bu'er</i> or the stop sound in <i>uh-oh</i>	(omitted in initial position)
(Yahya Muhammad Atei Ondigo, 2013)		

Diphthongs

Arabic Script	Pronunciation	Transliterated form
أو, وَاو	Long 'o', as in <i>owe, boat and go</i>	au, aw
أَي, يَاي	Long 'a', as in <i>aid, rain and say</i>	ay, ai ,ei
(Yahya Muhammad Atei Ondigo, 2013)		

Diacritical marks (*tashkeel*)

Name of mark	Pronunciation	Transliterated form
َ fathah	Very short 'a' or schwa (unstressed vowel)	a
ِ	Short version of ee or schwa (unstressed vowel)	i
ُ	Shorter version oo	u
ّ	A doubled consonant is stressed in the word, and the length of the sound is also doubled	Double letter
◌◌◌	No vowel sound between consonants or at the end of a word	absence of vowel
(Yahya Muhammad Atei Ondigo, 2013)		

GARIS PANDUAN TANGGUNGJAWAB SOSIAL KORPORAT BANK

ISLAM DI THAILAND

ABSTRAK

Konsep Tanggungjawab Sosial Korporat (TSK) bercirikan Islam kurang dibincangkan oleh beberapa pengkaji terdahulu. Rata-rata kajian mereka mengenai TSK bercirikan Islam lebih tertumpu kepada bahagian teori iaitu penumpuan diberikan kepada prinsip TSK dan rangka kerja TSK Islam sahaja. Walau bagaimanapun, rangka kerja dan prinsip TSK bercirikan Islam tidak dapat diaplikasikan di institusi kewangan Islam tanpa garis panduan yang sepatutnya diamalkan. Oleh itu, kajian mengenai garis panduan TSK yang bercirikan Islam amat perlu diteliti. Objektif umum kajian ini adalah untuk mencadangkan garis panduan TSK bercirikan Islam untuk diaplikasikan di bank Islam di Thailand. Objektif kedua adalah untuk mengukur pelaksanaan TSK bank Islam di Thailand di samping menganalisis kemungkinan pelaksanaan garis panduan TSK Islam ke atas bank Islam di Thailand. Dalam kajian ini, teknik pensampelan bertujuan digunakan untuk menjalankan temu bual mendalam dengan memilih enam informen yang terlibat dengan TSK bank Islam di Thailand termasuklah pengarah bank Islam dan lembaga penasihat syariah bank Islam untuk sesi temu bual TSK bank Islam. Tambahan pula, set soal selidik yang telah diedarkan telah dijawab oleh empat orang informen termasuklah penasihat shari'ah dan wakil TSK yang pakar dalam bidang kewangan Islam untuk mendapatkan pendapat mereka mengenai perkara yang boleh dijadikan sebagai asas untuk dijadikan garis panduan TSK Islam seperti yang dicadangkan. Kajian ini dijalankan secara kualitatif. Analisis kandungan digunakan untuk

menganalisis data dalam kajian ini. Walau bagaimanapun, terdapat beberapa data dalam soal selidik yang berbentuk soalan tertutup perlu dianalisis dengan menggunakan statistik deskriptif dengan melihat nilai peratusan. Dapatan kajian menunjukkan bahawa semua informen bersetuju bahawa bank Islam harus mempunyai TSK yang bercirikan Islam dan garis panduan TSK Islam. Kesemua informan menerima kesemua tujuh item untuk digunakan sebagai garis panduan TSK Islam di bank Islam. Pelaksanaan secara menyeluruh terhadap garis panduan TSK Islam di bank Islam di Thailand boleh dilakukan dengan dua faktor sokongan Pertama, peranan lembaga shari'ah di bank Islam di Thailand wajar diberi mandat. Kedua, pengarah bank mesti memahami dan mendalami garis panduan TSK Islam supaya garis panduan yang dicadangkan dapat dilaksanakan dengan dapat dilaksanakan dan dikuatkuasakan dengan sebaiknya.

GUIDELINES OF ISLAMIC CORPORATE SOCIAL RESPONSIBILITY OF ISLAMIC BANK IN THAILAND

ABSTRACT

Researchers have infrequently researched the concept of Islamic corporate social responsibility. Their researches on corporate social responsibility (CSR) in Islam are mostly on the theoretical part which is concerned about Islamic CSR principles and Islamic CSR framework. However, Islamic CSR framework and Islamic CSR principles could not apply in Islamic financial institutions without guidelines for practice. Thus, Islamic CSR guidelines of Islamic financial institutions were needed to identify. The general objective of this study was to propose Islamic CSR guidelines of an Islamic bank in Thailand. The second objective was to measure the practice of an Islamic bank in Thailand on CSR and to analyse the possibility of applying the proposed Islamic CSR guidelines into an Islamic bank in Thailand. In this research, a purposive sampling technique was used to select the six informants who are involved with CSR of an Islamic bank in Thailand such as a CSR representative of an Islamic bank, a director of an Islamic bank, a *shari'ah* advisory board of an Islamic bank for an interview on CSR in the Islamic bank. Also, the questionnaire was distributed and answered by four respondents, who are a *shari'ah* advisory, an expert person in Islamic finance and CSR representative of an Islamic bank, to find their opinions on the proposed Islamic CSR guidelines. This research was conducted qualitatively. The content analysis was chosen to analyse these data. However, there were some data which came from the close-ended

questionnaire and needed to be explained by a simple statistic method such as Mean and Standard deviation. The result had shown that all the interviewees agreed that an Islamic bank in Thailand should have Islamic CSR and Islamic CSR guidelines. Most of the respondents accepted all the Islamic CSR guidelines of an Islamic bank. Fully applying the proposed Islamic CSR guidelines in an Islamic bank in Thailand could be possible with two supportive factors. First, the role of *shari'a* board in an Islamic bank in Thailand must be empowered. Second, the bank director must clearly understand the Islamic CSR guidelines to apply and enforce them.

Chapter One

INTRODUCTION

1.1 Introduction

Corporate Social Responsibility (CSR) has been debated for many years until now in the West. It is an increasingly common practice for banks in Western nations. They have proposed guidelines on social responsibility issues such as environmental, charitable giving and support for the community, and so on (Asyraf Wajdi Dusuki & Humayon Dar, 2005). This concept of CSR has been influenced in ASEAN countries because many big companies in ASEAN countries have followed internationally recognised CSR guidelines and principles which are from Western countries.

However, the concept of CSR based on the norms, culture, and beliefs of the Western countries is continuously evolving and incorporates different approaches depending on the circumstances and needs which are controversial, complicated, and unclear (Asyraf Wajdi Dusuki, 2008).

Meanwhile, Islamic banking and finance in every country were established by Muslims to fulfil the needs of Muslim society to carry on their business by the Islamic law. It needs to be managed by Islamic ethics and morality and regulated by Islamic law. From the Islamic perspective, the moral objectives of the society must integrate into the goals and business strategies of the Islamic financial institutions. Thus, Islamic CSR should be a significant condition of their business activities.

The study of Islamic CSR has revealed by some researchers, namely, Jawed Akhtar Mohammed (2007), Asyraf Wajdi Dusuki and Nurdianawati Irwani Abdullah (2007), Sayd Farook (2007), and Asyraf Wajdi Dusuki (2008). Their researches on Islamic CSR are mostly on the theoretical part which is concerned about the Islamic

CSR principles and Islamic CSR framework. Moreover, Muhammad Yasir Yusuf (2012) attempted to use those theoretical Islamic CSR principles and transferred them into the Islamic principles and criteria of Islamic CSR for Islamic financial institutions. However, the Islamic CSR framework and Islamic CSR principles cannot apply in Islamic financial institutions without guidelines for practice. Thus, there is a need for Islamic CSR guidelines for Islamic financial institutions to be identified. Moreover, this research needs to find out the possibility for applying these proposed Islamic CSR guidelines in Islamic financial institutions in Thailand.

The following discussions consisted of eight parts, namely, the background of the study, problem statement, objectives of the study, research questions of the study, significance of the study, the contribution of the study, operational definition, scope and limitation, and organisation of the thesis. This chapter discussed why this research had to be done according to the problem statement and explain the aims of the study through the objectives of the study. Also, the researcher attempted to achieve those objectives by answering the research questions. The researcher had to explain the significance, contribution, operational definition, and scope and limitation to tell the benefit from the study and scope the study not to be very wide and easy to follow up the whole thesis. Lastly, the reader could see the overall structure of the thesis briefly on the organisation of the thesis.

1.2 Background of the Study

First, the concept of social responsibility had existed before the concept of corporate social responsibility was built. It is because the idea of the corporation had not yet occurred before 1950 (Madrakhimova, 2013). When the public expectations for business had changed, the concept of social responsibility raised. The production

of goods was no longer the one main focus of the social system; rather, it had to share the spotlight with the elusive goal of life. Since public expectations had become more in the direction of quality of life, new relationships between business and society needed to reform, which brought business activities closer to social desires for a better quality of life (Davis & Blomstrom, 1975b). Social responsibility is an ethical theory which is a duty every individual and organisation has to strive to make a balance between the economy and the ecosystem. During the twentieth century, there were two principles which shaped business thinking about social responsibility and were the underpinning for the modern idea of corporate social responsibility, namely, the charity principle and the stewardship principle (Post, Lawrence, & Weber, 2002).

CSR is defined as the responsibility of an institution or a corporation to help a community and a society in any way, which the corporation has voiced concern or related to all of the stakeholders of the corporation or the institution (Committee for Economic Development, 1971; Frederick, Post, & Davis, 1992; Hopkins, 2004; Koestoer, 2007; Reinhardt, Stavins, & Vietor, 2008; Benabou & Tirole, 2009; Smith, 2011). From the idea of CSR, many people in business have agreed with the idea to be responsible to society. It can see that many companies have applied the practice of CSR in the companies. As a result, CSR has been increasingly practised and is well known amongst people in the business.

In regards to CSR in the Western world, Asyraf Wajdi Dusuki and Humayon Dar (2005) mentioned that there are several driving forces behind the growing trend towards CSR initiatives. First, there is a growing market pressure whereby customers, employees, or capital markets exert some form of preference, pressure, or signal. Social and ethical issues have received increasing public attention or have

become market signals apart from the traditional and brand preferences. For example, in the USA, Chamhuri Siwar & Md Tareq Hossain (2009) stated that customers had boycotted over 800 products because the companies' products were irresponsible to the society. Second, there has been an increasing regulatory pressure ranging from reporting requirements to government regulations that introduce compulsory business standards upon which companies of all sizes have to abide, such as in the United Kingdom (Shakir Ullah & Dima Jamali, 2010). Third, the increased power of communications (e.g., internet, social media, and so on) has driven consumers to scrutinise the activities of companies more effectively and develop strategies that may influence companies to act in a socially responsible way. Fourth, there is a competitive advantage that companies believe they can reap by being socially responsible.

In the United States, Post et al. (2002) told that private employers had provided more social services than the government, which was different from that in European countries. In European countries, the governments are the representatives over the social responsibility issues to adopt a social policy in their union countries, called the Social Charter. Embodied in the Social Charter is the Social Action Programme (SAP) which was created in 1995. The SAP provided workplace guidelines, a vision for economic development, and a social policy that can link economic growth as well. Moreover, Post et al., (2002) mentioned the SAP objectives for 2000 were improved by including creating jobs and preventing unemployment, modernising work and seizing the opportunity of the Information Society, and achieving equality while encouraging a healthy society. Therefore, the businesses in Europe having to respond to social responsibility was indeed often a matter of compliance with

various governmental policy guidelines and programme initiatives (Post et al., 2002).

The state of CSR in ASEAN can be summarised, understandably, as being dependent on the prevailing social and environmental concerns in every country as well as the role played by key stakeholders. The vital social concerns include poverty, labour and employment, environmental protection, livelihood, education, health, and safety. The majority of the countries studied have relatively stable states. The government, therefore, plays an essential role in CSR in the region. Policy advocacy and the integration of CSR into the core strategy of the country have increased the awareness and importance of CSR. Corporate Social Responsibility is often seen as a competitive strategy that can use for improving economic performance. On the other hand, local business associations have primarily led the campaign to promote CSR at the industry level and to develop standards and codes of conduct. Development partners are active in most of the countries in the region. They play a critical role in the development of CSR. Capacity building for increasing awareness and knowledge are the primary contributions of development partners to CSR. Through partnerships and collaborations, development partners have also been able to provide metrics for evaluation. Civil society's role in the region differs from country to country. In the Philippines, the strong presence of civil society has enabled it to be a significant player in the development of CSR. It serves as the "conscience" of society. It acts as a "watchdog" that protects the interest of society in general. In other countries, local civil society is less organised into common interest groups. To the extent that these countries are dependent on export, international civil society can influence the behaviour of both local companies and international companies (Herrera & Francisco L. Roman, 2011).

The CSR system in ASEAN countries is also supported and financed by external agents, but there are also identified private organisations promoting and coordinating CSR efforts, such as CSR-ASIA¹, that annually publish studies on the situation of CSR reporting, application, and programs in the ASEAN region (Calderon, 2011).

These are overviews of CSR in ASEAN countries which are of various cultures, languages, races, and religions. Regarding religion, Islam is the most widely practised religion in Southeast Asia. Muslims make up almost half of the 629 million people in this region. Within ten countries of ASEAN, three countries Brunei Darussalam, Indonesia, and Malaysia have Muslim majorities, and the remaining seven countries host Muslim minorities. Moreover, Indonesia, Malaysia, Singapore, Brunei, the Philippines, and Thailand all have sizable Muslim populations (Federspiel, 1985). Meanwhile, there are many Islamic companies and Islamic financial institutions which have widely practised CSR in this region, such as Islamic banks in each country. They have practised CSR because it is the command of God.

For an example of the CSR of Islamic banks in Malaysia, according to Global Capital news, the best Islamic bank in Asia 2013 was in Malaysia. Thus, the CSR of Islamic banks in Malaysia was the first country which was mentioned concisely. The CSR activities of Islamic banks in Malaysia were mostly related to *zakat*, charity, and environmental awareness campaigns. They have also practised CSR on human capital development, such as giving educational sponsorship to student and staff. Islamic banks usually provide special funds for carrying out CSR activities.

¹ CSR-ASIA is a Social non-government organisation that works to promote and support Corporate Social Responsibility, this organisation advocates for economical, social and environmental development across the Asia Pacific Region, conducting studies, promoting summits, and running related programmes in the region (CSR-ASIA, 2004).

Moreover, CSR activities are always reported in their annual reports (Shifa Mohd Nor & Hashim, 2014).

As for the CSR of Islamic banks in Indonesia, this country is the largest Muslim country and has the largest Muslim population in the world. Indonesia had an Act which encouraged Islamic banks in Indonesia to hold social functions according to Act No. 21 of 2008. Islamic banks in Indonesia did hold functions in the form of Islamic treasury activities (Resa Saridona & Cahyandito, 2015)

The concept of CSR was not found in the era of the Holy Prophet because there was no concept of corporations found in that period. It was mostly in the form of caravans (journey made by merchants) (Al-Hafiz Abdul-Ghani, 2004). Meanwhile, the concept of CSR is mainly concerned about human rights, rights of a worker, responsibility to a customer, responsibility to society, and responsibility to nature. All of the aspects of CSR are consistent with Islam and come from the *Qur'an* and *Hadith*, in which Allah (SWT) commands all Muslims to practice, individually, social responsibility. A Muslim has to be responsible not only to Allah (SWT) but also to all creatures of God as Allah (SWT) says in *Al-Qur'an*:

So fear Allah (SWT) as much as ye can; listen and obey and spend in charity for the benefit of your own soul and those saved from the covetousness of their own soul- they are the ones that achieve prosperity. (*Al-Taghabun* 64:16)

In the book of Ibn Kathir (2003), this verse means *Taqwa* of Allah (SWT)- as much as you are able and can bear or endure. You have to obey Allah (SWT), and His Messenger commands you to do it and not stray from it to the right or left. Do not utter a statement or decide Allah (SWT) and His Messenger issue a statement or decision. Do not ignore what you were ordered to do, nor commit what you were forbidden from doing. You give from what Allah (SWT) has granted you to be kind to Allah's (SWT) creatures, just as Allah (SWT) was and still is kind to you. It will

be better for you in this life and the Hereafter. Otherwise, if you do not do it, it will be worse for you in this life and the Hereafter.

Allah (SWT) also mentions in another chapter and verse that:

And to [the people of] Madyan [We sent] their brother Shu'ayb. He said, "O my people, worship Allah; you have no deity other than Him. There has come to you clear evidence from your Lord. So fulfil the measure and weight and do not deprive people of their due and cause not corruption upon the earth after its reformation. That is better for you, if you should be believers. (*Al-A'raf* 7:85)

Ibn Kathir (2003) explained that this verse states about the people of Madyan at first and Allah (SWT) has proof and evidences of the truth of what He brought them. Also, He commanded them to refrain from cheating people in buying and selling. They used to avoid giving full weight and measure treacherously. And Allah (SWT) said in another verse: Woe to *Al-Mutaffifin* (those who give less in measure and weight) (*Al-Mutaffifin* 83:1-6), and do not make mischief on the earth.

Islam gives attention to business through the moral aspects to achieve the maximum profit. The aspect of the business is also affirmed by the Prophet Muhammad (PBUH). The Prophet (PBUH) has said in the *Hadith* narrated by Malik ibn Anas:

A worker/employee is entitled to at least get good food and clothing with a decent size and is not burdened with the ability to work outside the limits. (Malik 795: 2:205)

From the above *Hadith*, it is clear that the *Shari'ah's* concept of employer-employee relationship is firmly rooted in the bond of a brotherhood spirit (Raja Raziff Raja Shaharuddin, Abd Hamid Abd Murad, Lukman Abdul Mutalib, & Hasnizam Hashim, 2013). Employees' performance measurements should base on justice and fairness, and accountability and responsibility (Nik Mutasim Nik Ab.

Rahman, Mohamad Adnan Alias, Sharmin Shahid, Mohamad Abdul Hamid, & Syed Shah Alam, 2013) as, in *the Holy Qur'an* it says:

Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded. (*An-Nahl*: 90)

Although the verses of *Al-Qur'an* and the *Hadith* explain the obligations of individuals towards the needs of others, corporations which come together by individuals should do the same thing as well. In Islam, business organisations are considered as human institutions which are a part of the *ummah Islamiyyah* (Islamic Community). The concept of *ummah* is that society has rights coming from all Muslims. Moreover, CSR is required to be practised, essentially, from the principle of *Tawheed* (unity of God) (Mohd Rizal Muwazir al Mukhazir, Rusnah Muhamad, & Kamaruzaman Noordin, 2006). *Tawheed* implies that Allah (SWT) is the sole Creator of all beings, the owner of everything, and the Absolute and the Ultimate as stated in *the Holy Qur'an*:

Say: To God belongs, exclusively, (the right to grant) intercession: To Him belongs the domination of the heavens and the earth; and in the end, unto Him you will all be brought back. (*Al-Zumar*: 44)

This verse is mentioned to insist that Allah (SWT) is the One Who is in control of all things. On the Day of Resurrection, He will judge between you with His justice (Ibn Kathir, 2003).

It must be remembered that all possessions, wealth, expertise, abilities, positions, and power belong to Allah (SWT). Humanity is only the trustees to them. As trustees, it is imperative that we manage these possessions to the best of our abilities to create a maximum added value in corporate social responsibility with the intention of creating benefits to the *ummah* (community). Under the concept of

Tawheed, man has to maintain a good relationship not only with Allah (SWT) (*habl min Allah*) but also with human beings (*habl min al-nas*) and the environment (Mohd Rizal Muwazir al Mukhazir et al., 2006). As a result, CSR has to be practised in Islamic business organisations to obtain blessings (*barakah*) and provisions (*rizqee*) from Allah (SWT).

As mentioned above, the concept of CSR developed in the Western world is different from the concept of CSR in Islam. CSR in Islam was built by *tasawwur* (worldview) and the epistemology of Islam, which is different from the CSR developed in the West. The principles of Islamic CSR are based on corporate philosophy according to the *Al-Qur'an* and Sunnah, while CSR in the West is based on the view of the Western culture and is profoundly different with Islamic CSR (Muhammad Yasir Yusuf & Zakaria Bahari, 2011). Moreover, the target of practising CSR in Islam is to seek the rewards of Allah (SWT) which is a different target of practising the conventional CSR. Allah (SWT) says that

For those who have done good is the best and even more. (Yunus 10:26)

For the verse above, Allah (SWT) promises the believers that the person, who has done good things, will be rewarded with the paradise of Allah (SWT) and having the honour of glancing at the countenance of Allah (SWT). It is the reason for practising CSR in Islam, which is sincerity, clarity, and trustworthiness. Furthermore, Islam has a strong concept of brotherhood which is a fundamental mechanism to encourage the social responsibility amongst the members of the Muslim community.

Meanwhile, the conventional CSR in Islamic banks has been discussed in various issues in previous studies. For example, the first was concerned about the criticism on social responsibility in Islamic financial institutions, namely, Sayd

Farook and Roman Lanis (2005), Salma Sairally (2005), and Mehmet Asutay (2007). The second was concerned about the perception of the stakeholders on corporate social responsibility as researched by Asyraf Wajdi Dusuki and Humayon Dar (2005). The third was worried about the CSR of Islamic banks in disclosure, namely, Umaru Mustapha Zubairu (2008); Azhar Abdul Rahman, Mohd Farid Asraf Md Hashim, and Fathiyyah Abu Bakar (2010); Percy, Stewart, and Wan Amalina Wan Abdullah (2011); Umaru Mustapha Zubairu, Olalekan Busra Sakariyau, and Chetubo Kuta Dauda (2011); Muhammad Taimoor Hassan et al. (2012); and Roshayani Arshad, Suaini Othman, and Rohana Othman (2012). The fourth was concerned about the practice of CSR in Islamic banks in various countries, such as Mohamad Yazis Ali Basah (2012) in Malaysia and Quazi Sagota Samina (2012) in Bangladesh. These are some examples of the researchers who have reviewed CSR in Islamic banks.

However, most of the CSR researches are in countries of which the Muslim population is the majority, for example, Malaysia, Indonesia, Brunei, and Middle East countries. For other countries which are non-Muslim countries and where Islamic *shari'ah* law is not much of an influence to the society, such as Thailand, there is a lack of research which reviews the CSR of Islamic banking.

In Thailand, for example, Prayukvong & Olsen, (2009) mentioned that CSR could be seen in efforts by multinational companies to align their business strategies with local CSR activities that are similar to the global operations of those companies. Thai companies look at the benefits of CSR approaches regarding building goodwill and community trust that impact positively on the company's image. While there has been more effort to make CSR awareness in Thailand through discussion forums, meetings, and training, limited knowledge of the value and practice of CSR remains.

One of the most commonly explained factors affecting CSR practices in Thailand is the prevailing Buddhist beliefs and practices in the country. Prayukvong & Olsen (2009) stated that a central tenet of Buddhism is the belief in life-cycles, “where all statuses, conditions or situations whether material or non-material are but a temporary stage in an endless cycle of birth and rebirth before ultimate enlightenment can be attained”. However, ethical Buddhists behaviour in business, economics, and society is, more generally, the responsibility of individuals rather than of organisations taken in the abstract.

During the 1980s and 1990s, Thailand experienced astounding economic growth and the private sector prospered. However, income distribution worsened, and the government was unable to keep living standards and social services for large parts of the population at pace with the economic growth. The resulted in a relatively successful response to fill these gaps by increasing the number of externally funded development NGOs and internally funded elite-based non-profits and royal charities in Thailand at that time. There is no solid record of how CSR was introduced in the last ten years. However, it seems that Social Venture Network Asia, Thailand, led by Mr Prida Tiasuwan and his business network members, introduced to Thailand the concept of global CSR in the vision and mission of the network. The businesses must take full responsibility not only for their enterprises but also for social and environmental aspects concerning fair trade and concerns for social and environmental protection.

In addition, The UN Global Compact (2015) was also introduced and the Employers’ Confederation of Thailand (ECOT) was selected to facilitate the promotion of the ten principles of the UN Global Compact to Thailand via its members in order to increase awareness amongst Thai companies to be responsible

and accountable to all aspects of the economic, social, and environmental development. Ever since then, there have been about 30 Thai companies (SMEs, local business associations, companies, and a foundation) listed in the UN Global Compact (Prayukvong & Olsen, 2009). Still, the companies are at the learning curve stage discovering the true value of those ten disciplines so that they can employ them well enough to help develop economic, social, environmental, and sustainable development. Since 1999, the introduction of CSR has commenced in several international organisations, but not so obvious, and in the form of Western influence, having created a better working environment with stronger enforcement of legal compliance and fair labour standards, more resilient stakeholder relationships, smoother management and lastly, stronger corporate social engagements or corporate philanthropy. Nevertheless, when this global CSR entered Thailand, it came with a set of knowledge for adaptation into the Thai Context (Prayukvong & Olsen, 2009). Nowadays, only large companies, which are mostly registered with the Stock Exchange of Thailand (SET), practice CSR approaches. It is because they want to be ranked at an equal rate of other world-class companies globally and accepted by the International Organisation for Standardisation (ISO), which recently issued the ISO 26000 Social Responsibility.

In Thailand, CSR has not only been practised in general business organisations, but also in financial institutions, such as Krungthai Bank and Siam Commercial Bank. Firstly, Krungthai Bank (2012) has the intention to conduct the business with ethics and morality. Moreover, the Bank has paid attention to equitable responsibility and treatment for all stakeholders and the environment. In the policy of the bank on its vision, mission, code of conduct, business ethics and core values, the executives and employees will acknowledge and put them in regular practice.

Also, the Bank has also set up a Social Responsibility Department to be undoubtedly responsible for it.

The second sample bank is the Siam Commercial Bank. The Siam Commercial Bank (2010) has served Thai society by following the principles of good governance and ethics. In addition to acting responsibly towards its customers, shareholders, employees, and community, the bank has initiated and supported corporate social responsibility (CSR) activities for the sustainable betterment of society at large. The bank's CSR is focused mainly on quality-of-life issues and social development in the following areas.

Firstly, the bank develops human resources, especially amongst young people, focusing on both ethics and capabilities. Secondly, the bank attempts to establish volunteer networks to empower individuals to use their efforts to benefit others and do good for society. Thirdly, the bank strives to nurture quality of life and the environment, which are both crucial factors for sustainable development.

These are the three main themes of the bank's corporate social responsibility efforts, under the tag-line "Together We Can". This slogan highlights the bank's commitment to join with the community to give back to society, achieving concrete and sustainable results to the best of its ability. With this goal in mind, the bank's Board Director appointed a Corporate Social Responsibility Committee to define a CSR framework and supervise CSR projects and activities.

For the Islamic banking system in Thailand, it first started when the Government Savings Bank (GSB) introduced the 'Islamic window' concept in 1998. The bank also implemented a similar method for Agriculture and Agricultural Cooperatives (BAAC) in 1999, which was followed by the introduction of the 'Islamic Branch' by

Krungthai Bank in 2001. Finally, the Islamic Bank of Thailand (IBank) was established by the Thai government in 2003 (Haron & Yamirudeng, 2003).

IBank is the one bank that conducts full banking activities in conformity with the *shari'ah* principle in Thailand. IBank was set up under the Islamic Bank of Thailand Act 2002 and is regulated by the Ministry of Finance. From 2009 to 2011, IBank was awarded, continuously, “The Best Islamic Finance Bank in Thailand” by Alpha Southeast Asia. In 2010, IBank rewarded “The Best State Owned Enterprise of the Year in Thailand”. Moreover, in 2009 and 2010, IBank was rewarded “The Best Islamic by Country” by Islamic Finance News (IFN).

IBank tries to promote an ethical culture, social responsibility, Islamic principles, and good governance through its operational framework, resulting in IBank as being differentiated from the others and a new alternative for everyone regardless of religion. Likewise, IBank is also engaged in various social activities as a part of its responsibilities. Hence, IBank has promoted the campaign on CSR as “The Bank of Virtue”. The practice of CSR of the IBank has emphasised in education and sport, social and environment, religion and culture, and economy (Islamic Bank of Thailand, 2010). Since IBank was established, it has faced many challenges. One of them, which is in comparison with the conventional banks in Thailand, is the CSR of IBank. Nowadays, IBank still follows the conventional CSR guidelines which do not cover all Islamic perspectives. For example, the conventional CSR does not forbid doing business with a company which harms Islam and other religions. According to this point, Islam forbids Muslims to support an enemy of Islam and hurt other people as well. Moreover, Islam forbids doing business with a person or a company with which their majority profit comes from gambling and alcohol. This point is also not mentioned in the conventional CSR. On

the other hand, there are Islamic CSR frameworks which have been presented yet need guidelines to be applied in real practice in Islamic banks. This research attempts to propose Islamic CSR guidelines for practice in the Islamic bank in Thailand.

1.3 Problem Statement

Recently, the international standards in CSR of which most of the banks and companies follow the CSR guidelines, principles and instruments are, namely, the United Nations Global Compact, United Nations Guiding Principles on Business and Human Rights, ISO 26000 Guidance Standard of Social Responsibility (ISO26000), Global Reporting Initiative (GRI), and OECD Guidelines for Multinational Enterprises (OECD Guidelines). It lacked data on Islamic organisation or institution that made Islamic CSR guidelines for Islamic banking institutions although the Muslim population is considered as the second largest population in the world.

Although the concept of general CSR guidelines, which were built according to the western view, is consistent with the spirit and the teaching of Islam (Asyraf Wajdi Dusuki & Humayon Dar, 2005), it needs more adjustment according to the Islamic CSR framework. In general, the concept of the conventional CSR is mostly concerned about human rights, environment, labour, and welfare (International Organisation for Standardization (ISO), 2015; The UN Global Compact, 2015). Islam also commands all Muslims not to harm other people or animals, preserve the environment, and give proper wages to employees according to *the Holy Qur'an* and the *Hadith*. Nevertheless, there are some definitions of CSR which are slightly different between Islam and the conventional form.

For example, the definition of human right in Islamic CSR follows *the Holy Qur'an* and *Hadith*. Meanwhile, the western one freely follows the social values which can always change. For example, everyone has the right to give an opinion, speaking, and criticise someone else. In contrast, in Islam, Muslims cannot discredit someone else by telling their secrecy to another one without permission. Moreover, Bielefeldt (2000), who wrote about “Western versus Islamic human rights conceptions”, mentioned that human rights in Islam contradict the western human rights. For example, Muslims are not allowed to convert to other religions, but it is free with western human rights to change one’s religion according to the Universal Declaration of Human Rights (The UN Global Compact, 2015). This is one example which is a different concept in Islam.

Furthermore, the main objective of the conventional CSR guidelines is to achieve long-term profits according to Friedman (1970), Cronin (2001), Garriga and Mele (2004), and Asyraf Wajdi Dusuki (2008). CSR becomes a tool of strategy in marketing to make a good image for an institution, and it is also the way to avoid tax from a government. If the Islamic banking institutions practice CSR from the western view because of this idea, it is wrong according to *the Holy Qur'an*; Allah (SWT) states that:

So woe unto those performers of Salat (hypocrites). Those who delay their Salat (from their stated fixed times). Those who do good deeds only to be seen (of men). And prevent Al-Ma’un (small kindnesses). (*Al-Maauun*: 4 – 7)

From this verse, Muslims cannot do a good deed to show off to the other person. It is considered to be a major sin because this sin was mentioned in *the Holy Qur'an*. Moreover, some Islamic scholars have said that it is considered minor *shirk*. Muslims should, therefore, be aware of such *shirk* and do every good deed for Allah

(SWT) alone, and not to enhance our image or status amongst people (Shaykh al-‘Allaamah ‘Abd al-‘Azeez ibn ‘Abd-Allah ibn Baaz, n.d.)

To be saved from the state above, the CSR guidelines has to be applied Islamic perspective in it. It is to emphasise on the pleasure of Allah (SWT) instead of making a profit through practising social responsibility. In fact, the main objective of practising Islamic CSR is to follow the command of Allah (SWT) to be a good person. It is especially so in Islamic institutions, such as Islamic banks, which run the business according to Islamic *shari’ah*. Practising Islamic CSR needs to get rewards from God, not from mankind. Practising Islamic CSR is not for profit; but rather, it is really to help society.

According to Islamic CSR studies, Muhammad Yasir Yusuf (2012) proposed his concept of Islamic CSR principles, criteria, and items for Islamic Banking Institutions (IBIs). There are five principles, namely, the principle of the unity of Allah (SWT), Caliphate, justice, brotherhood, and creation of *maslahah*. In addition, from these Islamic principles, six criteria of CSR in IBIs were produced, namely, (1) *shari’ah* compliance, (2) equality, (3) responsibility in work, (4) guarantee of welfare, (5) guarantee of environment sustainability, and (6) charity for preservation of virtue. Moreover, each of the criteria has items for measuring CSR in IBIs. Nevertheless, there is no Islamic CSR guideline, which has been researched before, for practising Islamic CSR in IBIs. Thus, there needs to be research on Islamic CSR guidelines for practice in Islamic banks.

In the real practice of CSR in Islamic banks, there are some Islamic banks which had been neglected in practice CSR (Salma Sairally 2005). It is the good chance to propose Islamic CSR guidelines to those Islamic banks and encourage them to practice CSR according to Islamic perspective.

Islamic banks which have been practising CSR, they have practised it under the conventional CSR guidelines nowadays. However, Roshayani Arshad et al. (2012) pointed out that Islamic banks need to increase their social responsibilities. The better way to improve their CSR is to apply from Islamic perspectives into it. Moreover, Shifa Mohd Nor and Hashim (2014) pointed out that when social responsibility activities from Islamic banks in Malaysia were compared with the conventional banks, they needed to be improved and needed to be made more satisfactory. Instead of using the conventional CSR guidelines, they have to apply Islamic CSR guidelines into Islamic banks. Nevertheless, it lacks information on guidelines of Islamic CSR in Islamic banks to practice. This is the gap in the CSR of Islamic banks which needs to be highlighted and improves.

The guidelines of Islamic CSR are very necessary for those Islamic banks which need to pursue their real provision from Allah (SWT). It can remind and guide them to achieve their actual goal of practising Islamic CSR. It can make them realise the correct way to practice Islamic CSR according to *Al-Qur'an* and *Hadith*. Eventually, in the future, the way to practice Islamic CSR in the guidelines can be improved according to *shari'ah*, but its conceptual framework has to be maintained. Moreover, the aim of Islamic CSR is not to get profits from humans but rather rewards from only Allah (SWT). It could be another step to encourage the people to practice Islam in their businesses, *insha Allah*. Islamic banks under the Islamic CSR guidelines, have to work harder than under the conventional CSR.

Since IBank was established by the Thai government in 2003 (Haron & Yamirudeng, 2003), it has faced many challenges, for example, in regional economics, public acceptance, rules and regulations, meeting public demand, and infrastructure. Overcoming these challenges has involved the hard work and diligent

effort from various parties. IBank is the only bank which runs a business according to Islamic *shari'ah*. The bank tries to promote ethical culture and Islamic principles amongst the members of the Thai society. Nowadays, IBank tries to promote corporate social responsibility, which is very significant for practice in business. However, IBank is governed under the Islamic Bank of Thailand Act 2002, which comes under the jurisdiction of the Ministry of Finance, and the Bank of Thailand supervises the operations and activities of IBank. The Bank of Thailand (BOT) is responsible for formulating monetary policies and supervising financial institutions to ensure that the banks in Thailand are secured and supportive of economic development (Haron & Yamirudeng, 2003), which may be by the Thai government's policy. It means that the IBank's CSR policy should be in line with the Thai government as well. In addition, as for the workers in IBank, more than 50 per cent are non-Muslim, and most of the senior managers are non-Muslim, too.

It has been very challenging for the researcher to propose Islamic CSR guidelines which are appropriate to the Thai government's policy and in line with the Islamic CSR framework as well. If Islamic CSR guidelines could be applied in non-Muslim countries, such as Thailand, it would not be very difficult to apply them in Muslim countries as well. However, it lacked information about CSR guidelines of IBank. The researcher had to carefully study the Thai law or regulation about CSR in Thailand, and it found that there was nothing which opposed with an Islamic perspective. Thus, this is a good chance to introduce Islamic CSR guidelines to the bank.

The Islamic banking path has to come from Islamic roots in every step of the bank's activities. Moreover, there is a question about the role of the Islamic *shari'ah* advisory board on CSR of IBank as to whether they have been involved or not in the

CSR activities. The role of the Islamic *shari'ah* advisory board is very important for applying Islamic CSR guidelines in IBank. Therefore, this research has mainly examined the possibility of implementing Islamic CSR guidelines from the Islamic Bank of Thailand as well. It means that there have been two goals in this research; namely, this research has tried to propose Islamic CSR guidelines and find the possibility for applying them in the Islamic bank in Thailand.

1.4 Objectives of the Study

The general objective of this study has been to propose Islamic CSR guidelines for Islamic banking institutions and measure the practice of the Islamic Bank of Thailand with CSR. In addition, there were three specific objectives of the study as follows:

- 1.4.1) To construct Islamic CSR guidelines for the Islamic bank in Thailand
- 1.4.2) To analyse the CSR guidelines of the Islamic bank in Thailand
- 1.4.3) To conclude the possibility of applying the proposed Islamic CSR guidelines
in the Islamic bank in Thailand

1.5 Research Questions of the Study

As mentioned in the last section, there are specific objectives of the study and each objective needed to be achieved by the research questions as shown in Table 1.1.

The first objective of the study, which was to construct Islamic CSR guidelines for the Islamic bank in Thailand, was achieved by answering two research questions.

(1) What should the Islamic CSR guidelines for the Islamic bank in Thailand be?

(2) What is the opinion of those who are involved with the Islamic bank in Thailand of the proposed Islamic CSR guideline?

The second objective of the study, which was to analyse the CSR guidelines of the Islamic bank in Thailand, was accomplished by answering the following two research questions.

(3) What are the CSR guidelines for the Islamic bank in Thailand, now?

(4) What is the difference between the real practices of CSR by the Islamic bank in Thailand and the proposed Islamic CSR guidelines?

The third objective of the study, which was to conclude the possibility of applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand, was reached by answering the following two research questions.

(5) What is the possibility of applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand?

(6) What is the step for applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand?

Thus, the above listed all seven of the research questions answered to achieve the three research objectives. The main target of the study was to propose the guidelines of Islamic CSR for the Islamic bank in Thailand and see the possibility of applying those guidelines in the bank.

Table 1.1 Objectives and Research Questions

Objective	Research Question
1. To construct Islamic CSR guidelines for the Islamic bank in Thailand	1. What should the Islamic CSR guidelines for the Islamic bank in Thailand be? 2. What is the opinion of those who are involved with the Islamic bank in Thailand of the proposed Islamic CSR guidelines?
2. To analyse the CSR guidelines for the Islamic bank in Thailand	3. What is the current CSR for the Islamic bank in Thailand? 4. What is the difference between the real practices of CSR by the Islamic bank in Thailand and the proposed Islamic CSR guidelines?
3. To conclude the possibility of applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand	5. What is the possibility of applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand? 6. What is the step for applying the proposed Islamic CSR guidelines in the Islamic bank in Thailand?

1.6 Operational Definitions

The operational definition of the study consists of four keywords namely, stakeholder, Islamic CSR, guidelines, and an Islamic bank.

1.6.1 Stakeholder

There are some different opinions about the stakeholder of CSR. Most of those CSR definitions always mentioned as being responsible for any of its actions which were related to all of the stakeholders of the firm. It includes being responsible to the employees, shareholders, local communities, and environment (Benabou & Tirole,

2009; Committee for Economic Development, 1971; Frederick et al., 1992; Hopkins, 2004; Koestoer, 2007; Reinhardt et al., 2008). Smith (2011) mentioned that a stakeholder consists of investor, debtor, consumer, government, NGO, employee, and supplier. Moreover, some researchers have included the global.

Thus, this thesis followed the definition of Garriga and Mele (2004). The stakeholders include the employees, shareholders, local communities, environment, and global society. Stakeholders can be categorised into two groups, namely, internal stakeholders and external stakeholders. Internal stakeholders are employees, customers, and shareholders. Meanwhile, external stakeholders are local communities, global society, and nature.

1.6.2 Islamic Corporate Social Responsibility

There are various definitions of CSR which depend on the circumstances of that particular place and time. Most of those CSR definitions always mentioned as being responsible for any of its actions which were related to all of the stakeholders of the firm. (Benabou & Tirole, 2009; Committee for Economic Development, 1971; Frederick et al., 1992; Hopkins, 2004; Koestoer, 2007; Reinhardt et al., 2008; Smith, 2011).

Marsden and Andriof (1998) pointed out that

CSR comes from the interests of all stakeholders including investors, suppliers, consumers, employees, and the community, which requires companies to consider going about its business and maximising the company's positive impact on its social and physical environment, whilst providing a competitive return to its financial stakeholders.

Baker (2004) said

CSR is about how companies manage the business processes to produce an overall positive impact on society. Companies have to manage the quality of their management - both in terms of people and processes and quantity of their impact on society in the various areas. It is because stakeholders are

taking an increasing interest in the activity of the company. Most look to what the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce.

Crowther and Aras (2008) mentioned that

CSR is concerned with some sort of social contract between corporations and society. This social contract implies some form of altruistic behaviour. Moreover, he stated that, according to the EU Commission, CSR is the concept that a company integrates social and environmental concerns in their business operations and their interactions with their stakeholders on a voluntary basis.

For this research, CSR is about how companies proceed according to the interests of all stakeholders. It is because they look at the companies to what the companies have actually done, good or bad in products, service, the effect on the environment and nearby communities, and lastly, how it treats and develops its workforce according to Baker (2004) definition and also similar to most of the CSR definitions mentioned above.

However, when the word “CSR” was applied with the Islamic perspective, it became the Islamic CSR which Asyraf Wajdi Dusuki (2008) defined as the ethical way to maximise the benefits for the *Ummah* according to the command of Allah (SWT). It is also the way to pursue happiness in this life and the hereafter, and acknowledge social and moral responsibility for the well-being of the fellowmen, such as consumers, employees, shareholders, and local communities. The main target of practising Islamic CSR is to get rewards from Allah (SWT), not from the humans, which is the extremely best profit.

The Islamic CSR concept is based on the relationship of responsibility to Allah (SWT), human beings, and the environment (Asyraf Wajdi Dusuki, 2008; Muhammad Yasir Yusuf, 2012). It is because Allah (SWT) created humans to be vicegerents on the earth (Sayd Farook, 2007). In being vicegerents, there are many