The Influence of the *Shariah* Supervision Board on Corporate Social Responsibility Disclosure by Islamic Banks of Gulf Co-Operation Council Countries

Azhar Abdul Rahman[1] and Abdullah Awadh Bukair

ABSTRACT

This paper examines empirically the influence of the *Shariah* supervisory board (SSB) and its characteristics on the level of corporate social responsibility (CSR) disclosure in a sample of 53 Islamic banks operating in Gulf Co-operation Council (GCC) countries for the year 2008 based on a disclosure index from the Islamic perspective. Using content analysis, the descriptive statistics show that there is an increase in CSR information disclosed in the annual reports of Islamic banks. In addition, using multiple regression analysis and after accounting for bank size, financial performance and economic performance, the findings indicate that the combination of SSB attributes has a significant positive influence on CSR disclosure. This means that the characteristics of SSB are important factors in determining the level of CSR disclosure.

Keywords: Islamic Banks, *Shariah* Supervision Board, Corporate Social Responsibility, Disclosure
JEL Classification: G21, M14, M41, Z12

[1] Corresponding author. Azhar Abdul Raman is an Associate Professor in the Accounting Department, College of Business, Universiti Utara Malaysia, 00601 Sintok, Kedah, Malaysia, e-mail: azhar258@uum.edu.my.
Abdullah Awadh Bukair is a Lecturer in the Accounting Department, Faculty of Administrative Sciences, Hadhramout University, Hadhramout, Yemen, e-mail: bukairaaa@yahoo.com.
The authors are thankful to the two anonymous reviewers for their useful suggestions and guidance

1. Introduction

The last few decades have witnessed an increase in public awareness about companies' corporate social responsibility (CSR) activities (Reverte, 2009). Today CSR has become one of the main success factors for a business organization that desires to continue its existence with a good reputation while achieving maximum profit (Gustafson, 2002). CSR also serves as a strategic tool used by a company in addressing international competition (Will, 2007). In recent years, Islamic banking has emerged as one of the fastest-growing industries in terms of its size, with an annual growth rate of 12 to 15 per cent or higher (Rogers, 2004; Zaher and Hassan, 2001). Consequently, at the end of 2008 there were more than 300 Islamic banks operating in over 70 countries throughout the world, with a capital size in excess of US$ 500 billion (Khan and Bhatti, 2008). In GCC countries, for example, the Islamic banking industry has been expanding at double-digit annual growth rates over the past decade and manages a market value of over US$ 262.6 billion (Rogers, 2004; Wilson, 2009). Muslims in the Gulf countries prefer to invest in banks that conduct their operations in strict compliance with the principles of Islamic *Shariah*.

Islamic business organisations such as Islamic banks have to operate in conformity with the rules and principles of Islamic *Shariah*. The prohibition of *riba* (usury) is one of the major contributing principles that justify the need for Islamic banks and at the same time trying to maintain the social role of Islamic banks. Based on the social role, Islamic banks provide CSR information to show their responsibility and accountability beyond the society, to *Allah* (Muwazir, Muhamad, & Noordin, 2006); and giving relevant information in conformance to religious needs of Muslim decision makers. Based on the Islamic social accountability, Islamic banks continue to implement new financing strategies and look for further means of investment that may promote the development and creation of small-scale traders. This will encourage sustainable economic growth derived from the principles of social justice and welfare of the community (Dusuki and Dar, 2005; Khan and Bhatti, 2008; Usmani, 2002) with the objective of eliminating poverty (Sairally, 2007).

Islamic banks encompass any financial intermediary that claims to operate according to the laws and principles of Islam (IAIB, 2001). Since Islamic banks conduct their operations based on *Shariah* principles, one would expect that there is no difference in their disclosure practices. This idea is consistent with the argument that culture and religion may influence the manner of accounting practice (Baydoun and Willett, 2000; Gambling and Karim, 1991; Hamid, Craig, & Clarke, 1993). Further, Sulaiman and Willett (2003) also suggested that firms such as Islamic banks operating in the Muslim community should develop a more transparent disclosure policy, thereby providing a greater amount of disclosure, particularly in social and environmental activities.

This study is motivated by two key considerations. Firstly, previous studies have either adopted a normative approach for an Islamic entity (Baydoun and Willet 2000; Lewis 2001), or have been descriptive in nature (Abdeldayem, 2009; Haniffa and Hudaib, 2007; Maali, Casson, & Napier, 2006). Furthermore, they leave the question "what is the difference between the required information that should be published in the corporate annual reports based on the Islamic perspective and what is presently being practised by Islamic banks of GCC countries?" unanswered. Secondly, research that provides empirical evidence on corporate social responsibility disclosure by Islamic banking sector in general, and in Gulf region, in particular is sparse. For instance, Farook, Hassan, & Lanis (2011) investigated the association between social responsibility disclosure and corporate governance mechanisms based on socio-political influences. The data was collected from 47 annual reports of Islamic banks. These banks operate in different social, political and economic environments.

An interesting feature of this research is its novel approach in measuring the effect of firm internal attributes (*Shariah* supervision board characteristics) on corporate social responsibility disclosure practices in the annual reports of Islamic banks in GCC countries. These characteristics are based on the study by Adams (2002) which indicated that there are three elements affecting social disclosure, namely, company attributes, general contextual factors and the internal context. Additionally, there is limited research that examines the association between Islamic governance factors and corporate social responsibility disclosure based on *Shariah* principles with the exception of the study of Farook *et al*. (2011).

Therefore, this study aims to examine: 1) the extent of CSR disclosure in the corporate annual reports of Islamic banks in the GCC countries based on the principles of *Shariah*, full disclosure and social accountability; 2) whether the existence of *Shariah* supervisory board and its attributes affect the disclosure level of CSR by Islamic banks. The main reason for selecting Islamic banks of GCC countries is that the socio-economic structure of these countries in many fields is quite similar, which enables the researchers to control the effect of their macro and cultural factors on the interpretations of the results.

This paper contributes to the international literature in area of corporate social responsibility disclosure from an Islamic perspective in two ways. First, to the best of our knowledge, this is the first study that empirically examines the CSR disclosure practices of Islamic banks in GCC countries from the viewpoint of Islam, based on a disclosure index. The Islamic banking industry in GCC countries controlled 61.6 per cent of the total assets of Islamic banks around the world (US$ 263 billion) in 2008 (Srairi, Kouki, & Harrathi, 2010). As such the results of this study should be of significance to policy makers, regulators and stakeholders, particularly Islamic investors. Second, the research presents empirical evidence of the influence of the *Shariah* supervisory board's characteristics, specifically corporate governance factors on corporate social disclosure in the banking sector of developing countries.

The remainder of the discussion is organised as follows: the next section briefly reviews the relevant literature related to CSR disclosure by Islamic banks, the third section outlines the research method employed, and the fourth section discusses the findings of this study while the last section concludes the paper, highlights its limitations and provides suggestions for further research.

2. Literature Review

2.1 The Worldview of Islam

According to Anuar, Sulaiman, & Ahmad (2009), and Chapra (1992), the main principles of the Islamic worldview are *Tawhid* (Unity of *Allah*), *Khalefah* (Caliph) and *Adalah* (Justice).

2.1.1 Tawhid (Unity of Allah)

Tawhid (Unity or Oneness of *Allah*) is the first fundamental and the highest principle of Islam (Choudhury and Hussain, 2005), which states that because there is only One *Allah* who is the Creator and the Owner of the universe, Islam necessitates absolute submission to Him in all aspects of human life (Hameed, 2007; Maali *et al*., 2006; Muwazir *et al*., 2006). In other words, the concept of the unity of *Allah* in the context of Islamic *Shariah* emphasises the accountability that includes the relationships of Muslims not only with *Allah*, but also with each other and society at large.

The concept of unity of *Allah* can be extended to the situation of socio-economic, financial and political relationships between management of business organisations, shareholders and other stakeholders. For that reason, all transactions of business organisations must comply with the *Shariah* rules and principles, since all business activities will affect the welfare of the society, paticularly the Islamic community (*Ummah*). Therefore, accountability in this context reflects accountability to *Allah* in its general meaning.

2.1.2 Caliph (Khalefah)

The concept of *Khalefah* (caliph) refers to an individual's situation and function; identifying the person's duties to himself and his duty to the *Ummah* (Islamic society) as a whole. Based on this concept, *Allah* is the ultimate owner of everything such as wealth, resources and knowledge, and humankind is not free, but they are accountable and responsible before *Allah* (Maali *et al.*, 2006; Muwazir et *al.*, 2006). Although Islam permits private ownership, this ownership is not absolute. The humans, as vicegerents of *Allah* on earth, are granted the trusteeship of everything besides the right to use and protect anything for their well-being. This right to use comes with certain obligations and accountabilities. Since Islam gives human beings the right to use, not the right to own, *Allah* puts restrictions and obligations on the right to use that has been defined by Him. The *Ummah*, however, is granted the accountability of monitoring the individuals to ensure that they discharge their duties and fulfil their obligations in using the resources.

Extending the concept of caliph (*Khalefah*) to the Islamic business organizations means that managers are required to use their resources based on the principle of the unity of *Allah* (Muwazir *et al.*, 2006). Accountability from an Islamic perspective requires that Islamic business organisations employ those resources to generate a maximum added value for their benefit and for the benefit of the Islamic community (*Ummah*) at large.

2.1.3 Justice and Social Responsibility

In Islam, justice and social responsibility refer to the concept of brotherhood (*Akhowa*) (Maali *et al.*, 2006; Muwazir *et al.*, 2006). *Allah* said in the Qur'an: "All Muslims are considered to be brothers" (49:10). Muslims are supposed to be responsible to each other in a community, and the *Sunnah* explained this meaning: "The Muslims in their mercy towards each other are like a body, if a single part of it complains the other parts would be affected" (Ali, 1961) and doing harm is not allowed. There are many examples of social justice practices that are emphasised by Islam such as the avoidance of usury (*riba*), the religious tax (*Zakah)* and interest-free loans (*quard hassan*).

Based on the concept of social justice, Islamic business organisations are forbidden from performing any action that involves any type of exploitation, or leads to unfairness or damage to a society and the environment. Islamic business organizations are also required to deal justly with their stakeholders, including employees, clients, and all groups of stakeholders within the community in which they operate. The significance of the Islamic worldview is that all the three principles influence the role of Islamic financial institutions in discharging their duties to the community through publishing information in their annual reports. These principles are the main ethical principles in Islam, which further reinforce the concept of social accountability firstly to *Allah* and secondly, to community. (Asutay, 2007; Kamla, Gallhofer, & Salam, 2006; Maali *et al*., 2006; Rice, 1999; Sairally, 2007).

2.2 The Concept of Accountability from Islamic Perspective

In the context of accountability, one of the major goals of accounting is to provide a fair information flow between the accountor and the accountee (Anuar *et al*., 2009). Based on this concept, accounting plays an important role in providing information to stakeholder groups and the community at large, and to fill any religious duty as stated by Adnan and Gaffikin (1997): "the orientation of accounting towards fulfilling the accountability of human being to God implies that the accounting information enables individuals to account for their zakat" (p. 33). As a result, corporations are responsible for publishing their reports (Gray, Owen, & Maunders, 1991) for the benefit of users.

Social accountability from the Islamic point of view is the responsibility of all Muslims to account for their actions or inactions on the Day of Judgment (Al-Safi, 1992). Therefore, accountability in Islam requires each Muslim to make sure that their behavior is in compliance with *Shariah* teachings.

Accountability in Islam is of two types; accountability to *Allah* and accountability to the community. Since *Allah* is the Owner for everything, mankind is accountable for using the resources in the right way (Maali *et al*., 2006). Based on this concept, mankind must follow the *Shariah* in all aspects of their life (Baydoun and Willet, 2000). This position of right to use of resources is the base of accountability for both individuals and organizations. As a result, it is expected that disclosure policies of Islamic banks are not done on self-fulfillment basis, but in line with the needs of the broader community (Sadeghzadeh, 1995). More importantly, mankind has to concentrate more on issues related to social accounting (Anuar *et al*., 2009; Haniffa, 2002). It can be argued that since the operations of Islamic banks are in compliance with *Shariah* rules, they would be expected to provide more information regarding their social activities.

2.3 Islamic Social Reporting

In the context of Islam, the first and the major objective of Islamic financial institutions' reporting is to show that their operations are in compliance with *Shariah* principles (Baydoun and Willet, 2000; Haniffa, 2002). Assessing the decision makers in their making of economic decisions is a secondary goal from the Islamic viewpoint, whereas in the Western model, it is considered the primary objective (Maali *et a*l., 2006; Muwazir *et al*., 2006). The main objective is included in the objectives of financial statement for Islamic banks and financial institutions set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Accordingly, corporate financial reporting emphasises the principle of full disclosure through accountability in meeting the needs of the community. The meaning of full disclosure is that Islamic banks should provide all necessary information to the society about their transactions (Maali *et al*., 2006). Based on this concept, the community (*ummah*) has the right to know the effect of the business operations on the community's welfare and to ensure that they are in conformity with *Shariah* requirements.

According to Maali *et al* (2006), truth is a very important issue in the context of Islam, that must be disclosed as a duty for both businesses and individuals, and Islam prohibits the withholding of it (Askary and Clarke, 1997). The Qur'an emphasises this duty in the following verse: "and cover not the truth with falsehood, nor conceal the truth when you know" (2:42). There are at least six verses in the Qur'an which refer to one meaning related to disclosure of all facts (Askary and Clarke, 1997). As accountability to *Allah* includes accountability to community, the duty to disclose is owed primarily to *Allah* as well as to society (Al-Mograbi, 1996; Maali *et al*., 2006). The implication of this position for Islamic banks is that the disclosure of truth is intended to help the public to knowthe effect of their operations on the society's welfare. One of the main objectives of Islamic banks is to eliminate poverty through creating jobs and supporting charitable activities by helping the poor and the needy. In the Qur'an Allah says: "of their goods take alms that so thou mightest purify and sanctify them" (9: 103). Furthermore, they are required to pay *Zakah* as a religious obligation. As a result, Muslim investors need information regarding spiritual, ethical and other religious necessities such as prohibition of *Riba* (interest), payment of *Zakah,* and the certification that banks do not engage in *Haram* (unlawful) operations (Muwazir *et al*., 2006). According to Maali *et al*. (2006), the main objectives of Islamic social reporting are to:

1. show compliance with *Shariah* principles by contracting fairly with various parties inside and outside an organisation such as employees, shareholders and government;
2. clarify the effect of the activities of Islamic businesses on community welfare and
3. help Muslims to perform their religious obligations.

In the Islamic reporting context, it is expected that social issues would be a significant component of disclosure in annual reports. Therefore, in Islam, business enterprises are required to be more transparent in their disclosure practices, not merely showing their legitimacy to community, as suggested by previous studies on corporate social disclosure (Cho and Patten, 2007; Hamid, 2004; Haniffa and Cooke, 2005; Patten, 1992). This would lead to achieving the concept of Islamic social reporting, which includes social accountability and full disclosure (Anuar *et al*., 2009; Baydoun and Willet, 2000; Othman, Md-Thani, & Ghani, 2009). Although many researchers suggest that Islamic corporate reporting should provide information related to social matters (Baydoun and Willet, 2000; Farook *et al*., 2011; Haniffa, 2002; Maali *et al*., 2006), no empirical study has attempted to investigate the actual practices of social disclosure by Islamic banks of GCC countries.

2.4 Studies on Social Reporting

Several studies have investigated the extent of CSR disclosure by financial institutions using the technique of content analysis (Abdul Rahman, Md. Hashim, & Abu Bakar, 2010; Farook *et al*., 2011; Haniffa and Hudaib, 2007; Maali *et al*., 2006). Maali *et al.* (2006), in their analysis of the 2000 annual reports of 29 Islamic banks in different countries, found that the actual corporate social disclosure practice is far below the expectations of the pragmatic benchmark of disclosure levels based on the *Shariah* principles. They note that most banks tended to engage only in CSR information related to Islamic reality values. They conclude that the majority of banks disclose CSR information to construct a positive Islamic image.

Haniffa and Hudaib (2007) explored the ethical identity based on the ideal Islamic moral business framework in seven Islamic banks of the GCC countries by using their annual reports. They found that Islamic banks disclose additional information related to four dimensions out of eight, which are also being employed in this research. These dimensions are vision and mission, BODs and top management, product and services, *Zakah*, charity and benevolent loans, employees, debtors, community and society and *Shariah* Supervisory Board (SSB).

Abdul Rahman *et al*. (2010) investigated the themes, locations, extent, and trends of CSR disclosure by Bank Islam Malaysia Berhad (BIMB) during the period from 1992 to 2005. They developed a CSR disclosure index consisting of nine themes; unusual supervisory restrictions, unlawful transactions, Zakat obligation, *Qard* fund, community involvement, employees, environment, product/service contribution and the *Shariah* Supervisory Council. The findings showed that Bank Islam Malaysia Berhad does not provide any form of information related to the themes of unusual supervisory restrictions, unlawful transactions, and environment. The findings also indicated that the highest source of disclosure is the *Shariah* Supervisory Council, followed by employees. Moreover, the most common locations in disclosing information regarding CSR are the chairman's statement and the financial statements. Overall, the banks had improved in terms of the amount and way of providing CSR information in the annual reports from year to year.

Farook *et al*. (2011) investigated the extent and determinants of corporate social responsibility disclosure in the annual reports of 47 Islamic banks from 14 countries. From a descriptive analysis, they found significant differences in CSR disclosure among the banks. Based on a regression analysis, they found that the relevant public and the *Shariah* Supervisory Boards are the two most significant factors explaining the disclosure variations. This study also found that the level of social and political freedom and the percentage of investment account deposits to total assets are important factors in determining the CSR disclosure by Islamic banks.

None of the above studies particularly focused on the influence of *Shariah* supervisory boards on CSR disclosure by the Islamic banks in the Gulf region. Accordingly, this paper tries to fill this gap in the accounting literature.

3. Hypotheses Development

3.1 Corporate Governance Mechanisms

According to Bhatti and Bhatti (2010), the Islamic corporate governance structure is quite similar to the conventional structure. In the context of Islam, the model of corporate governance for business organisations is derived from the *Shariah* rulings regarding property rights and contracts. For example, they have to design the system according to *Shariah* principles and provide stakeholders' rights protection (Bhatti and Bhatti, 2009; Hassan, 2008). According to Grais and Pellegrini (2006), the unique attributes of Islamic banks must be clarified in order to improve corporate governance mechanisms. Therefore, the *Shariah* supervisory board is the most important distinction between Islamic and conventional banks (Farook *et al*., 2011; Grais and Pellegrini, 2006). Islamic banks as ethical enterprises are supposed to give more consideration to moral values. However, in recent years, Islamic financial institutions have experienced failure similar to that of conventional banks. According to Grais and Pellegrini (2006), there are many reasons for this failure, such as the board of directors' collusion with the management, audit failure and excessive risk taking by management. The most famous case for Islamic financial institutions is the collapse of Ihlas Finance House of Turkey in 2001 (Dusuki, 2006; Grais and Pellegrini, 2006). This happened because of weak corporate governance being practised in this institution.

Previous studies have found that the existence of the SSB and its characteristics have increased the monitoring quality and have improved the disclosure level of CSR among Islamic banks (Farook *et al*., 2011). It can be argued that Islamic banks that have strong SSB tend to disclose more CSR information in their annual reports.

3.1.1 The Shariah Supervisory Board (SSB)

Islamic banks act under a different structure of corporate governance than that employed by conventional banking. An Islamic bank has a *Shariah* supervisory board (SSB), which considers a special type of supervision to reduce the difference of interest between the investors and the management of the bank. According to AAOIFI standards, the SSB is entrusted with the duty of directing revisers and monitoring the transactions of Islamic banks one by one to ensure that those transactions conform with rules and principles of *Shariah*. This board is not only independent of the Board of Directors, but is also permitted to be present at the Board of Directors' meetings to argue the religious aspects of their decisions (AAOIFI, 2005).

The main objectives of the SSB are to guide the Islamic banks to set policies and regulations based on *Shariah* principles and rules; approving the financial dealings from the legal perspective and drafting agreements of the bank for future dealings that are in compliance with Islamic principles (Daoud, 1996). The SSB also has to assess further information and reports such as circulars, operating and financial reports and policies. This authority of SSB is similar to that of external auditors (Karim, 2001). In addition, the SSB has the right to employ a *Shariah* internal auditor to supervise the daily dealings and to report directly to them about any transactions that do not comply with the *Shariah* rules and principles (Al-Mahmoud, 2007). The SSB members should ensure that all stakeholders of the Islamic banks (shareholders, management, employees, suppliers, depositors and community) have full confidence in reading their report about CSR activities (Farook *et al*., 2011; Haniffa and Hudaib, 2007; Maali *et al*., 2006).

Farook *et al*. (2011) asserted that the existence of SSB in an Islamic bank may improve the monitoring, and thereby lead to the provision of more information about CSR. The extent to which the SSB influences CSR disclosure may also be based on the corporate governance mechanism attributes. Hence, a number of determinants that are associated with the SSB's characteristics may affect the effectiveness of the SSB's role and consequently, the extent of CSR disclosure among Islamic banks such as size, independence, education and experience, directorship and the information disclosed (Grais and Pellegrini 2006; Haniffa and Cooke, 2005; Nathan and Pierce, 2009). This study examines five attributes of the SSB, namely, the number of board members, cross membership, secular educational qualifications, reputation of scholars and expertise of the SSB.

3.1.1.1 Number of Board Members

Empirical evidence in corporate governance suggests that board size can affect controlling, monitoring and the level of disclosure (Akhatruddin, Hossain, Hossain, and Yao, 2009; Chaganti, Mahajan, & Sharma, 1985). Whilst there is no restriction on the number of SSB members, the perfect number should comprise between three and seven members. The common number of SSB members in an Islamic bank is three members, which is in line with the AAOIFI standards. A greater number of members in an SSB would provide more effective monitoring and more consistency with the rules and principles of *Shariah*. According to Chen and Jaggi (2000), a larger size of the board may decrease the possibility of information asymmetry. Moreover, a higher number of members of the board may also reduce the uncertainty and the lack of information (Birnbaum, 1984).

The board's size is likely to affect its ability to control and review all transactions of the Islamic banks to ensure their operations are in compliance with *Shariah* rules and principles. In addition, the ability of members of the SSB to monitor the bank's activities that would affect the well-being of the society is much higher with more members on the board. With more members, the collective knowledge and experience of the SSB will increase, and consequently, lead to greater disclosure of CSR information.

3.1.1.2 Cross Memberships

Cross membership is another important aspect of SSB members, which will influence the CSR disclosure of Islamic banks (Farook *et al*., 2011). There is evidence that cross-directorship makes information more transparent through comparing the knowledge that is gained from other companies (Dahya, Lonie, & Power, 1996); and because decisions taken in one board may become part of information for decisions in other boards (Haat, Abdul Rahman, & Mahenthiran, 2008; Haniffa and Cooke, 2002). The cross-membership acts as a channel of information about business practices (Useem, 1984). In addition, the cross-membership of SSB is preferable because of their ensuing knowledge and credibility (Lorsch and MacIver, 1989). Furthermore, the members of SSB with cross membership will be able to adopt their tacit and explicit knowledge into their application of *Shariah* rulings in Islamic banking. Increasing the number of SSB members will lead to improvement in their knowledge about the enforcement of the *Shariah* principles to corporate reporting, particularly of CSR disclosure.

3.1.1.3 SecularEducationalQualifications

Educational background is a significant factor in the disclosure practice (Farook *et al*., 2011; Haniffa and Cooke, 2002). The director with better education is expected to be better able to accept new actions and embrace uncertainty (Hambrick and Mason, 1984). Education can act as an important institutional asset that could affect the accounting values and practices (Gray, 1988). Furthermore, education can be used as a sole measure for determining the professional level (Grace, Ireland, & Dunstan, 1995). Wallace and Cooke stated that "an increase in the level of education in a country may increase political awareness and demand for corporate accountability" (1990, p. 84).

Previous studies indicate that the increase in education level of SSB members has a corresponding increase in the level of CSR disclosure by Islamic banks (Farook *et al*., 2011). With regards to the unique role that SSB members are expected to fulfil, SSB members should have the knowledge especially of Islamic law, economics, and financial and accounting practice, which will enable them to know not only the *Shariah* problems but also problems relating to law and economics, since such problems in many situations are brought about by the manner is which they are interpreted. Members of the SSB with a doctorate are evidently better-versed in the present implications of Islam for the banks, especially regarding to the disclosure of CSR.

3.1.1.4 Reputable SSB Members

The SSB is composed of *Shariah* scholars who have a wide knowledge of Islamic commercial law, and who have less experience of secular educational institutions. Previous research by Hussain and Mallin (2003) shows that the determinants affecting the directors' appointments in Bahraini firms are pertinent skills, business practice and reputation. As mentioned earlier, the roles of both the board of directors and SSB are quite similar. As such, it is expected that the factors that could influence the directors' board will affect the SSB too. However, *Shariah* scholars have an excellent reputation in their community because of their universal knowledge of Islam and their credibility and significant role in that community. For this reason, the reputation can be used as a measure for business knowledge and therefore, scholars who have a good reputation will be able to comprehend better the modern applications of the banking industry pertaining to disclosure. The results of Farook *et al.*'s study in 2011 indicate that reputation is instrumental in measuring the disclosure level of CSR among Islamic banks. Hence, reputable scholars are more likely to encourage Islamic banks to disclose more CSR information.

3.1.1.5 Expertise of Shariah Supervisory Board

In contrast to the board of directors, the *Shariah* supervisory board's members are scholars in Islamic commercial jurisprudence and have the necessary expertise in the field of Islamic financial institutions (IFIs) (AAOIFI, 2005; Al-Mahmoud, 2007; Al-Qattan and Abdul Sattar, 2007), to enable them to fulfill their accountabilities for supervising the internal control and financial reporting of Islamic banks. According to AAOIFI (2006), the members of SSB should be independent and honest in order to gain the confidence of both investors and the public in IFIs operations, and to give a clear religious picture of the corporation. Furthermore, the SSB shall consist of at least three members, one of whom should have sufficient knowledge in understanding the issues in Islamic economics (AAOIFI, 2005).

The SSB plays the same role as the audit committee and external auditor. The main duty of SSB is to review and monitor the religious aspects of an Islamic bank's dealings, services, and products. The SSB has to review all contracts, agreements, financial products and activities and ensure that they comform with the Islamic rules and principles.

In the case of Islamic banks, the SSB members with financial knowledge and experience can perform their responsibilities more effectively than members without such knowledge. Moreover, Islamic banks with financially proficient members in their SSB would be more transparent and ethical in disclosing their activities to the different stakeholder groups and the community at large, and would try to reduce the negative effect of their social, environmental and economic activities on the welfare of the society.

McDaniel, Martin, & Maines (2002) noted that an audit committee that includes financial experts is likely to improve financial reporting quality, and therefore, reduce financial problems in the companies (McMullen and Raghunanthan, 1996). Empirical evidence from previous studies suggests that the financial expertise of the audit committee could influence financial reporting quality. As mentioned earlier, the function of SSB and an audit committee is quite similar. Therefore, it is expected that the SSB members with economic or accounting knowledge could encourage the Islamic banks to provide more information about CSR in their annual reports.

3.1.1.6 SSB Score

This study follows Farook *et al*. (2011) who developed the Islamic governance score for Islamic banks to capture the total effect of the existence of SSB and its characteristics. The score sums the value of the dichotomous characteristics of the board, namely the number of board members, the existence of members with cross-memberships, with doctoral qualifications and of of reputable scholars presiding on the board and the expertise of the SSB. Therefore, an Islamic bank's overall SSB score leads to the development of the following alternative hypothesis:

H: There is a positive relationship between the overall score of SSB and the disclosure level of CSR in the annual reports of Islamic banks.

4. Research Method

4.1 Sample and Data Collection

The population of this study comprises financial firms operating in compliance with the *Shariah* principles in the GCC countries, which are Bahrain, Kuwait, Qatar, Saudi Arabia, the United Arab Emirates and Oman. The sample was drawn from the list of Islamic financial institutions on the website of AIBIM (http://aibim.com) and AAOIFI (http://aaoifi.com). There are more than 60 Islamic financial institutions in the Arabic Gulf region, and the final sample includes 53 banks in five of those countries whose English or Arabic version annual reports for the year 2008 were available on the Internet (see Table 1). This represents about 80 per cent of the whole population, and is therefore, in line with the minimum size requirement for multiple regression, i.e. to have at least five times more observations than independent variables (Coakes, 2005; Green, 1991). The fiscal year of 2008 was chosen for this research as most of the banks had already uploaded their annual reports in their websites and, it is sufficiently recent to ensure reasonable access to the company's corporate reports, and gives a rational picture of CSR disclosure practice.

Table 1 Sample Distribution by Country

Country	Number of Banks
Bahrain	22
Kuwait	17
United Arab Emirates	6
Qatar	4
Saudi Arabia	4
Total	53

This research concentrates on the annual report, although firms may use other media of communication such as advertising, survey, public relations and internet sites to demonstrate CSR disclosure. There are several reasons for using the annual report as the primary source of information. Firstly, it has been used by shareholders as the sole source of information for decision making (Ahmad, Hassan, & Mohammad, 2003; Harahap, 2003; Zeghal, Mouelhi, & Louati, 2007). Secondly, it the most widely recognised internal document by researchers because it includes information that has a high degree of credibility (Hamid, 2004; Haniffa and Cooke, 2005). Thirdly, it is the only document that provides information on a regular basis, which is required by regulators (Gray, Kouhy, & Lavers, 1995a). Finally, it is more easily accessible for achieving one's research objectives (Haniffa and Cooke, 2005).

4.2 Variables' Measurement

4.2.1 Dependent variable: corporate social responsibility disclosure

To measure CSR disclosure, this study used content analysis as a method of coding, which has been widely employed in previous studies of social disclosure (Abdul Rahman *et al*., 2010; Gray *et al*., 1995a; Guthrie and Parker, 1989; Maali *et al*., 2006; Zeghal and Ahmed, 1990).

A comprehensive review of previous researches was undertaken to develop a relevant list of CSR information that should be disclosed by Islamic banks. Each item contained in this list was employed in previous published studies. However, only a few empirical studies had developed disclosure index with CSR information specifically for Islamic financial institutions (Haniffa and Hudaib, 2007; Maali *et al*., 2006; Muwazir *et al*., 2006). Hence, this study takes three steps to develop the disclosure index. Firstly, it uses Islamic social reporting index containing items based on 11 themes as proposed by Maali *et al*. (2006) and Muwazir *et al*. (2006). In addition to these themes, this research also includes poverty and customer themes because the literature supports the idea that these themes are critical as they can ensure that Islamic banks comply with *Shariah* rules. Secondly, this study adds some other disclosure items from the Islamic perspective, based on the review of literature from Aribi and Gao (2010), Haniffa and Hudaib (2007), and Sairally (2007). The last step is the index reviewed by the co-author and other academics.

An index containing 71 items was developed, which was categorised into 13 themes. Each theme includes a number of disclosure items. These themes are displayed in Appendix A.

Previous studies on the content analysis of the social disclosure research have adopted the number of words, sentences, and/or pages as the preferred units of analysis in written communications to determine the disclosure volume (Gray, Kouhy, and Lavers, 1995b). Theoretical literature does not give any detailed explanation for preferring any one of these three analysis units over the others (Williams, 1999). The number of sentences is used as the unit of measurement of CSR disclosure for several reasons: First, to increase the content analysis validity (Milne and Adler, 1999); second, Ingram, & Frazier (1980, p. 617) chose sentences as the unit of analysis, stating that "a sentence is easily identified, is less subject to inter judge variations than phrases, classes and themes, and has been evaluated as an appropriate unit in previous research"; third, sentences are more accepted units of written English to calculate than individual words (Hughes and Anderson, 1995) and the use of single words also has been discarded as "words" do not convey any meaning on their own, without being within the context of sentences (Milne and Adler, 1999); fourth, compared to words and pages, a sentence is considered to be a conformist unit of speech and writing, but not for page measurement, whilst also removing the need to compute for, or standardise the number of words (Hackston and Milne, 1996; Walden and Schwartz, 1997). Finally, a sentence provides better reliable data for analysis than other methods (Oxibar and Déjean, 2003).

According to Milne and Alder (1999), content analysis requires one to focus on the reliability of the instruments used and the data collected. The reliability can be achieved in two ways. First, by employing multiple coders. Second, by using a single coder, who should be given ample time for training in order to reach an acceptable skills level (Milne and Alder, 1999).

Content analysis contains two kinds of reliability: stability and accuracy (Krippendorff, 2004, pp. 130-132). Stability is related to the ability of a coder to code data in the same manner over time, which can reduce the need for multiple coders, while the accuracy measures the performance of reviewing coding with a predefined standard.

Based on the study of Guthrie, Cuganesan, & Ward (2008), this study employs three ways to increase reliability in recording and analysing the data. First, the themes of disclosure were chosen from the relevant literature. Second, reliable coding instruments with well-specified decision rules have been developed to reduce discrepancies and to meet objectivity. Third, the coder received sufficient training time to achieve reliability by reviewing a small sample of annual reports, which were then analysed during the pilot study. These procedures were employed to ensure the stability of theme measurements at different periods.

To examine the internal consistency of CSR disclosure, Cronbach coefficient is employed. Cronbach coefficient alpha is used to repeat the measurement for evaluating the degree to which correlation within the measurements is narrowed to the random error (Botosan, 1997). For all the 13 themes, the Cronbach coefficient alpha is 0.6295, which is an acceptable level. This result is better than the alpha values of 0.51 and 0.62 in the studies of Gul and Leung (2004) and Aribi and Gao (2010).

4.2.2 Independent Variable

The independent variable of this study is the corporate governance mechanism, namely, the *Shariah* supervisory board characteristics (SSBSCORE).

4.2.3 Control Variables

Previous studies determine a number of other elements that are expected to have an influence on CSR disclosure by Islamic banks. The control variables included in this model are the bank size, bank performance, and GDP. In the conventional social disclosure research, size was found to be an important factor influencing the level of CSR disclosure (Belkaoui and Karpik, 1989; Patten, 1991; Roberts, 1992; Williams, 1999). However, based on *Shariah* principles of full disclosure and accountability, larger Islamic banks may tend to contribute more in the activities of community and therefore, may provide additional information in the annual reports to discharge their accountability to all groups of stakeholders, particularly the Muslim investors. Hence, there is an expected association between bank size and social disclosure.

Empirical studies have indicated that company performance is an important factor that can influence corporate social disclosure, but the results were mixed. Many studies document a significant association between firm performance and social disclosure (Gray *et al*., 2001; Hackston and Milne, 1996; Hossain, Islam, & Andrew, 2006; Othman *et al*., 2009; Roberts, 1992; Smith, Yahya, & Amiruddin, 2007). However, other studies have found no relationship between company performance and the social disclosure (Branco and Rodrigues, 2008; Cowen, Ferreri, & Parker, 1987; Hackston and Milne, 1996; Hamid, 2004; Patten, 1991). From an Islamic perspective, a firm should provide full disclosure in any situation whether it is making a profit or otherwise (Haniffa, 2002). Given that the teachings of the *Shariah* strongly emphasise the social responsibility and the well-being of the society, the profitability of the bank will be a significant influence on the disclosure level of CSR, which leads to more contributions to social activities that improve the

Table 2 Summary of the Operationalisation of Independent Vari

Independent Variables	Operationalisation
Corporate governance	
Shariah Supervisory Board (SSB)	
Existence of SSB	Dichotomous; 1/0
Number of SSB members	Dichotomous; 1 for banks with 5 or more members and 0 less than 5
Cross memberships	Dichotomous; SSB member with cross-membership:1, otherwise: 0
Doctoral qualification of SSB member	Dichotomous: SSB member with doctorate qualification: 1, otherwise: 0.
Reputable scholars on SSB	Dichotomous: reputable SSB member: 1, otherwise: 0. Reputable scholar is one that has a position in the SSB of the AAOIFI and at least one Shariah board memberships
Control Variables	
Bank Size	Natural log of book value of number of employees
Financial Performance	Return on deposits (ROD)
Economic Performance	Gross domestic product (GDP)

life of the people. Therefore, there is an expected positive relationship between financial performance and CSR disclosure.

Gross domestic product (GDP) is used to control the development level of a country's economy (Samuelson and Nordhaus, 1989), and is widely employed as a measure for the quality of the overall institutional environment. In addition, GDP is used as a primary determinant of the national economic performance of a country. Empirical studies found no association between the level of a country's economy measured by economic performance and CSR disclosure among Asian companies from seven different countries (Chambers *et al*, 2003). Hence, it is expected that there is no relationship between GDP and CSR disclosure by Islamic banks of the Gulf region. Table 2 gives a summary of the operationalisation of the independent and control variables.

4.3 Multiple Regression

This study uses multiple regression analysis to investigate the association between the CSR disclosure level and the SSB-SCORE. The equation of this regression is as follows:

$$CSRD = \beta_0 + \beta_1 SSB\text{-}SCORE + \beta_2 BSIZE + \beta_3 PERFOR + \beta_4 GDP + \varepsilon$$

Where:

CSRD CSR	disclosure index score of bank
SSBSCORE	the score of SSB (NSSB + CROSS + PHD + REP + ESSB)
NSSB	the number on the *Shariah* supervisory board
CROSS	the *Shariah* supervisory board having at least one (1) of them with directorships
PHD	the *Shariah* supervisory board having at least one (1) of them with Ph.D
REP	the *Shariah* supervisory board having at least one (1) of them sit on the board of AAOIFI
ESSB	the *Shariah* supervisory board consisting of at least one with experience and knowldge in the field of Islamic banking institutions
BSIZE	log total of employees
PERFOR	return on deposits (ROD)
ESSB	the effectiveness of SSB (SSB + NSSB + CROSS + PHD + REP)

4.4 Multicollinearity Analysis

Multicollinearity poses a problem when a number of explanatory variables are employed. As a consequence, the effect of each of the independent variables on the dependent variable becomes difficult to identify (Naser, 1998; Naser and Al-Khatib, 2000). Multicollinearity is viewed as a serious problem when the correlation is more than 0.80 (Gujarati, 1995), or the variance inflation factor (VIF) exceeds ten (10) (Haniffa and Cooke, 2005; Naser, Al-Hussaini, Al-Kwari, and Nuseibeh, 2006). To determine a multicollinearity problem, the VIF was computed. Table 6 shows the collinearity statistics for all variables. The results show that none of the VIF was greater than two (2).

5. Empirical Results

5.1 Descriptive Analysis of CSR Disclosure

The results of the descriptive analysis of CSR disclosure by category are presented in Table 3. It shows that all banks in the sample disclose some form of corporate social responsibility information. Columns 4 and 5 show the means and standard deviations of disclosure based on the number of sentences provided within each category.

Table 3 also reveals that *products and services* was the highest theme of disclosure followed by employees and late repayments and insolvent clients' themes respectively. These results are partially consistent with the findings of Haniffa and Hudaib's study (2007), which shows the popularity of commitment towards debtors and product and services disclosure. This finding is also in conformity with Menassa (2010) who found that human resource has the highest disclosure followed by quality of products in a sample of Lebanese commercial banks. Furthermore, this result is in line with the study of Abdul Rahman *et al.* (2010), which found that the theme of *Shariah* Supervisory Council has the highest disclosure, followed by employees, and then product and service contribution. The themes of *unlawful transactions* and Q*uard Hassan as well as charitable and social activities* displayed the lowest themes of disclosure. Other themes show a moderate disclosure. These results are in line with previous research that found no or weakest disclosure regarding the environment (Abdul Rahman *et al*., 2010; Maali *et al*., 2006; Menassa, 2010), in addition to a wide variation in the disclosure level of CSR among the samples of Islamic banks.

Table 3 Descriptive Statistics of All Themes of CSR Disclosure (N = 53)

CSR Themes	Minimum	Maximum	Mean	Std. Dev.
VMS	1.0000	21.0000	5.5283	4.20441
SSB	0.0000	34.0000	8.3774	8.74912
UT	0.0000	7.0000	1.0556	1.58618
ZAK	0.0000	11.0000	1.0943	2.35555
QH	0.0000	8.0000	0.1887	1.11038
CSA	0.0000	8.0000	1.0943	1.85290
EM	0.0000	44.0000	12.2075	8.72961
LRIC	0.0000	38.0000	9.5472	8.22418
EN	0.0000	14.0000	1.1887	3.19288
PS	2.0000	66.0000	25.1132	15.33430
CON	0.0000	31.0000	7.8679	8.33906
POV	0.0000	19.0000	2.4906	3.84619
OSCI	0.0000	33.0000	6.5472	2.6288962

Where: VMS-vision and mission statement; SSB-*Shariah* supervisory board; UT-unlawful transactions; ZAK- *Zakah*; QH-*Quard Hassan*; CSA-charitable and social activities; EM-employees; LRIC- late repayment and insolvent clients; EN-environment; PS-products and services; CON-consumer; POV-poverty; OSCI- other social and community involvement.

5.2 Multivariate Analysis

5.2.1 Descriptive Statistics

It can be seen from Table 4 that the lowest disclosure level was 20 sentences, while the maximum number of sentences used to disclose was one hundred and sixty six (166).

On average, the banks used about 83 sentences. The results indicate that twenty-five (25), which is equivalent to 47 per cent of the banks in the sample disclosed more than 50 per cent of CSR information. The possible reason behind these results is that firms in the Islamic banking sector, which are more close to the Muslim community, need to show greater compliance with *Shariah* rules and principles. Table 4 indicates that the sample of banks varies in size and financial and economic performance. This adds credibility to the findings of the research since it covers a significant proportion of the Muslim population.

Table 4 Descriptive Statistics of All Variables Used in the Study (N = 53)

Variables	Minimum	Maximum	Mean	Median	Std. Dev.
CSRD	20	166	83.301887	77.00	39.2205720
SSBSORE	0.00	1.00	0.5358	0.60	0.21040
BSIZE	1.26	3.92	2.3319	2.3979	0.69959
PERFOR	-5.0567	14.4319	0.289983	0.0521	2.1521971
GDP	24.61	572.20	118.7166	138.60	141.6551

Where: CSRD-corporate social responsibility disclosure; SSBSCORE-(NSSB + CROSS + PHD + REP + ESSB), SSBSCORE consists of NSSB-1 for Islamic banks with 5 or more SSB members and 0 otherwise; CROSS-1 FOR Islamic banks with one or more cross-members and 0 otherwise; PHD-1 for Islamic banks with one or more with doctorate qualifications and 0 otherwise; REP-1 for Islamic banks with one or more reputable scholars as members of the SSB and 0 otherwise; BSIZE-log of the bank's total employees; PERFOR-return on equity; GDP-the conuntry's gross domestic product.

5.2.2 Pearson Correlation

Table 5 shows the sign of the association between the dependent variable and independent and control variables by using the Pearson correlation coefficient matrix. The table indicates that the disclosure of CSR is significantly related to the SSBSCORE and BSIZE at the five per cent level and PERFOR at the 10 per cent level.

The table of correlations matrix shows that multicollinearity is not a serious problem because the correlation is less than 0.80 (Gujarati, 1995).

Table 5 Correlation Matrix between Dependent and SSBSCORE

Variables	CSRD	SSBSCORE	BSIZE	PERFOR	GDP
CSRD	1				
SSBSCORE	0.292**	1			
BSIZE	0.296**	0.057	1		
PERFOR	0.228*	-0.032	-0.173	1	
GDP	-0.012	-0.064	0.456***	-0.049	1

***, ** and * indicate two-tailed significance at 1%, 5% and 10% levels respectively.
Where: CSRD-corporate social responsibility disclosure; SSBSCORE-(NSSB + CROSS + PHD + REP + ESSB), SSBSCORE consists of NSSB-1 for Islamic banks with 5 or more SSB members and 0 otherwise; CROSS-1 FOR Islamic banks with one or more cross-members and 0 otherwise; PHD-1 for Islamic banks with one or more with doctorate qualifications and 0 otherwise; REP-1 for Islamic banks with one or more reputable scholars as members of the SSB and 0 otherwise; BSIZE-log of the bank's total employees; PERFOR-return on equity; GDP-the conuntry's gross domestic product.

5.2.3 Multivariate Regression

This research employs a multiple linear regression to test the relationship between the overall score of SSB and the CSR disclosure. Table 6 presents the findings of the multivariate regression.

Table 6 Regression Analysis between Dependent Variable and SSBSCORE

Model	Predicted Sign	Std. Coefficient	*T*	Sig.	VIF
Constant			0.340	0.736	
SSBSCORE	+	0.267	2.152	0.036*	1.014
BSIZE	+	0.408	2.890	0.006**	1.311
PERFOR	+	0.299	2.382	0.021*	1.033
GDP		-0.166	-1.191	0.240	1.277
F Value	4.414				
Sig. F (p-value)	0.004				
R	0.519				
R^2	0.269				
Adjusted R^2	0.208				

** and * indicate two-tailed significance at 1% and 5% levels. Where: CSRD-corporate social responsibility disclosure; SSBSCORE-(NSSB + CROSS + PHD + REP + ESSB), SSBSCORE consists of NSSB-1 for Islamic banks with 5 or more SSB members and 0 otherwise; CROSS-1 FOR Islamic banks with one or more cross-members and 0 otherwise; PHD-1 for Islamic banks with one or more with doctorate qualifications and 0 otherwise; REP-1 for Islamic banks with one or more reputable scholars as members of the SSB and 0 otherwise; BSIZE-log of the bank's total employees; PERFOR-return on equity; GDP-the conuntry's gross domestic product.

The model is significant at one per cent level, and the adjusted R^2 was 0.208. The findings of the regression analysis show a positive association between CSR disclosure and the SSBSCORE at five per cent significance level, as predicted, and supported the hypothesis. The significance of the overall score of SSB suggests that the SSB and its attributes are influential factors in determining CSR disclosures. This result is in line with the study of Farook *et al.* (2011) who found that SSBSCORE was an important determinant in influencing the disclosure level of CSR. This implies that the SSB with larger members, cross-memberships, PhD qualifications, good reputation and more knowledge and experience is effective for monitoring and controling the Islamic banks' activities related to social issues according to *Shariah* rules and principles.

The importance of these findings is that the combination of the internal SSB characteristics leads to greater monitoring and therefore, more compliance with *Shariah* principles and rules, which leads to higher disclosure levels of CSR. Furthermore, these results show that Islamic banks provide CSR information because of the existence of SSBs and their membership, rather than as a part of the banks' responsibility against the society based on the principles of accountability and full disclosure, which is supposed to be guiding these banks.

With regards to control variables, both size and financial performance were significant at the one and five per cent levels.. The results are consistent with previous studies (Gray *et al*., 2001; Haniffa and Cooke, 2005; Hossain *et al*., 2006; Khan, 2010; Othman *et al*., 2009; Roberts, 1992; Smith *et al*., 2007). It may indicate that larger and profitable banks make more CSR disclosure to comply with *Shariah* principles: accountability and full disclosure. Further, the results show that there is no relationship between the economic performance of a country and CSR disclosure, and the finding is consistent with the study of Chambers *et al.* (2003).

6. Conclusion

The objective of the present paper is to explore the extent of corporate social responsibility (CSR) disclosure in the annual reports of Islamic banks in GCC countries based on *Shariah* principles and rules. It also examines the influence of SSBSCORE as one of the governance characteristics of CSR disclosure, after controlling a bank's size, financial performance and economic performance. Overall, the findings show an increased disclosure of CSR by Islamic banks. All 53 Islamic banks in the sample disclosed some form of information related to CSR in their 2008 annual reports. This result gives extra evidence of the implications of *Shariah* principles, accountability and full disclosure.

In addition, the results of regression analysis found a positive significant relationship between the overall score of SSB and CSR disclosure. The findings imply that the Islamic banks, which have more SSB members and SSB members who have additional knowledge and experience in the field of the banking industry, decide to provide more information regarding CSR. Furthermore, based on the principles of accountability and full disclosure, the results indicated positive and significant correlation between the extent of CSR disclosure and bank size and financial performance, while no relationship was found for economic performance.

The study, consequently, proposes that for any managers of Islamic banks who seek to improve their CSR disclosure, they should have SSB members who have sufficient knowledge and skills regarding the banking sector as well as having a reasonable number of members in the SSB.

The findings of this study have a number of potential policy implications. The formation of an SSB tends to increase the level of monitoring, and results in a higher disclosure of CSR. These findings require Islamic banks to invest more in the banking controlling mechanisms, such as greater education and training of SSB members to enhance the confidence of investors and all stakeholders in the society (Bakar, 2002). The results also suggest that policy makers of the banks in GCC countries need to adopt the same accounting standards in order to ensure unification of disclosure level among the banks (Dudley, 2004; Karim, 2001). Given the evidence suggested in the research, Islamic banks tend to disclose only the positive information related to *Shariah* principles and rules, but neglect other information such as poverty and the environment.

The findings of this paper should be viewed in the light of a number of limitations. First, the sample is restricted to only Islamic banks in the GCC countries for one particular year. Future research can extend the sample to other countries and use longitudinal data to explore the trends of CSR disclosure and the influence of SSB on CSR reporting practices. Second, this study focused only on the annual reports to measure CSR disclosure. Hence, further research may use other media such as the firm's website and press releases to provide other evidence regarding CSR disclosure.

Lastly, due to the lack of prior research (except Farook *et al*., 2011), the current study only examined the impact of SSB as a mechanism of corporate governance on CSR disclosure. Future researchers can consider other factors such as the quality of the board of directors and audit committee. With regards the firm's attributes, the study tested only two of the main important factors, namely the bank size and financial performance. This is in line with Othman *et al.* (2009) who found that size and profitability affect Islamic social reporting. Future studies need to investigate other variables that may give significant results such as audit type and gearing. For country factors, the study examined the economic performance measured by GDP. This is consistent with Chambers *et al.* (2003) who stated that the level of a country's economy influences CSR disclosure. Further researchers can use different determinants such as the political context instead of economic performance. Future research that employs these factors may help to generalise the findings of this study.

References

AAOIFI (2005). *Accounting, Auditing and Governance Standards* (for Islamic Financial Institutions). Accounting and Auditing Organization for Islamic Financial Institutions, Manama, Bahrain.

AAOIFI (2011). AAOIFI Members. Retrieved June 10, 2011, from http: http://www.aaoifi.com/aaoifi/Members/AAOIFIMembers/tabid/233/language/enUS/Default.aspx.

AAOIFI (2006). Exposure Draft of Statement of Governance Principles for Islamic Financial Institutions, AAOIFI, Bahrain, pp. 1-16.

Abdeldayem, M.M. (2009). An Examination of Social Disclosures by Islamic Banks: Evidence from UAE. *The Journal of American Academy of Business,* 14 (2), 350-356.

Abdul Gader, A.H. (1997) Information Systems Strategies for Multinational Companies in Arab Gulf Countries. *International Journal of Information Management*,17, 3-12.

Abdul Rahman, A., Md. Hashim, M.F.A., & Abu Bakar, F. (2010). Corporate Social Reporting: A Preliminary Study of Bank Islam Malaysia Berhad (BIMB). *Issues in Social and Environmental Accounting*, 4(1), 18-39.

Adams, C.A. (2002). Internal Organisational Factors Influencing Corporate Social and Ethical Reporting. *Accounting, Auditing and Accountability Journal* 15(2), 223-250.

Adnan, M., & Gaffikin, M. (1997). The Sharia, Islamic Banks and Accounting Concepts and Practices. Accounting, Commerce and Finance: The Islamic Perspective, International Conference, Sydney.

Ahmad, Z., Hassan, S., & Mohammad, J. (2003). Determinants of Environmental Reporting in Malaysia. *International Journal of Business*, 11(1), 69-90.

AIBIM. Association of Islamic Banking Institutions Malaysia, Financial Institutions, Islamic Financial Institutions. Retrieved March 13, 2011, from http: http://aibim.com/component/option,com_bookmarks/Itemid,99999999/mode,0/catid,5/navstart,0/search,search../.

Akhtaruddin, M., Hossain, M., Hossain, M., & Yao, L. (2009). Corporate Governance and Voluntary Disclosure in Corporate Annual Reports of Malaysian listed firms. *Journal of Applied Management Accounting Research*, 7(1), 1-20.

Al-Hussaini, A., Al-Shammari, B., & Al- Sultan, W. (2008). Development enforcement mechanisms following adoption of international accounting standards in the Gulf Co-operation Council member states. *International Journal of Business Strategy*, 8(3), 50-71.

Ali, M.A. (1961). *Manual of Hadith (Sahih Al-Bukhari)*. Ahmadiyyah Anjuman Isha'at Islam.

Al-Mahmoud, A.L. (2007). Towards a Systematic Model of a Policy for Shari'a Supervisory Board and their Commitment Letter, Paper Presented at AAOIFI 6th Annual Conference of SSB (in Arabic), 1-36.

Al-Mograbi, A. (1996). *The Social Responsibility of Islamic Banks*. International Institute of Islamic Thoughts (in Arabic).

Al-Muharrami, S., Matthews, K., & Khabari. Y. (2006). Market Structure and Competitive Conditions in the Arab GCC Banking System. *Journal of Banking and Finance*, 30, 3487–3501.

Al-Qattan, & Abdul Sattar (2007). Towards a systematic model of a policy for Shari'a supervisory board and their commitment letter. paper presented at AAOIFI 6th Annual Conference of SSBs (in Arabic), 1-36.

Al-Safi, A.K. (1992). *Accountability: Islam versus the Man-made Doctrines*. Darulfikr, Kuala Lumpur.

Al-Shammari, B., Brown, P., & Tarca, A. (2008). An investigation of compliance with international accounting standards by listed companies in the Gulf Co-Operation Council member states. *The International Journal of Accounting*, 43, 425-447.

Anuar, H.A., Sulaiman, M., & Ahmad, N.N.N (2009). Some Evidence of Evironmental Reporting by Shari'ah Compliant Companies in Malaysia. IIUM *Journal of Economics and Management*, 17(2), 177-2008.

Aribi, Z.A., & Gao, S. (2010). Corporate social responsibility disclosure: A comparison between Islamic and conventional financial institutions, *Journal of Financial Reporting and Accounting*, 8(2), 72-91.

Askary, S., & Clarke, F. (1997). Accounting in the Koranic Verses. Accounting, Commerce and Finance: The Islamic Perspective International Conference, Sydney.

Asutay, M. (2007). A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System. *Kyoto Bulletin of Islamic Area Studies,* Vol. 1, No. 2, pp. 3-18.

Bakar, M.D. (2002). *The Shari'a supervisory board and issues of Shari'a rulings and their harmonization in Islamic banking and finance, in Islamic Finance: Innovation and Growth*, eds S. Archer and R. A. A. Karim, Euro books and AAOIFI, London, 74-89.

Baydoun, N., & Willett, R. (2000). Islamic Corporate Reports. *Abacus*, 36(1), 71-90.

Belkaoui, A., & Karpik, P.G. (1989). Determinants of the corporate decision to disclose social information, *Accounting, Auditing and Accountability Journal*, 2(1), 36-51.

Bhatti, M., & Bhatti, M.I. (2010). Toward Understanding Islamic Corporate Governance Issues in Islamic Finance. *Asian Politics and Policy* 2, 25-38.

Bhatti, M., & Bhatti, M.I. (2009). Development in legal Issues of corporate governance in Islamic finance, *Journal of Economics and Administrative Sciences* 25, 67-91.

Birnbaum, P. (1984). The choice of strategic alternatives under increasing regulation in high technology industries. *Academy of Management Journal,* 27(3), 489-510.

Bley, J. and Chen, K.H. (2006). Gulf Cooperation Council (GCC) Stock Markets: The Dawn of a New Era. *Global Finance Journal*, 17, 75-91.

Botosan, C. (1997). Disclosure level and the cost of equity capital, *The Accounting Review*, 72(3), 323-349.

Branco, M.C., & Rodrigues, L.L. (2008). Factors Influencing Social Responsibility Disclosure by Portuguese Companies. *Journal of Business Ethics*, 83(4), 685-701.

Chaganti, R.S., Mahajan, V., & Sharma, S. (1985). Corporate Board Size, Composition and Corporate Failures in Retailing Industry. *Journal of Management Studies*, 22(4), 400-417.

Chahine, S., & Tohmé, N.S. (2009). Is CEO duality always negative? An exploration of CEO duality and ownership structure in the Arab IPO context. *Corporate Governance: An International Review*, 17(2), 123-141.

Chambers, E., Chapple, W., Moon, J., & Sullivan, M. (2003). CSR in Asia: A Seven Country Study of CSR Website Reporting. Research Paper Series, International Centre for Corporate Social Responsibility.

Chapra, U. (1992). *Islam and the Economic Challenge*. Leicester, U.K.: The Islamic Foundation.

Chen, C.J.P., & Jaggi, B. (2000). Association between independent non-executive directors, family control and financial disclosures in Hong Kong. *Journal of Accounting and Public Policy*, 19(4-5), 285-310.

Cho, C.H., & Patten, D.M. (2007). The Role of Environmental Disclosures as Tools of Legitimacy: A Research Note. *Accounting, Organizations and Society* 32, 639-647.

Coakes, S.J. (2005). *SPSS Version 12 for Windows: Analysis without Anguish*. John Willey and Sons, Australia.

Choudhury, M.A., & Hussain, M.M. (2005). A Paradigm of Islamic Money and Banking. *International Journal of Social Economics,* 32(3), 203-217.

Cowen, S.S., Ferreri, L.B., & Parker, L.D. (1987). The impact of corporate characteristics on social responsibility disclosure: a typology and frequency-based analysis. *Accounting, Organization and Society*, 12(2), 111-122.

Dahya, J., Lonie, A.A., & Power, D.M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review,* 4(2), 52-68.

Daoud, H (1996). *Shari'a Control in Islamic Banks*. Verdon-VA: International Institute of Islamic Thoughts.

Dudley, N. (2004). Islamic finance needs solid foundations, *Euromoney*, January 2004, 35(7), 38-43.

Dusuki, A.W. (2006). Corporate Governance and Stakeholder Management: An Islamic Perspective. National Seminar in Islamic Banking and Finance, KUIM, Nilai, 20th-30th August.

Dusuki, A.W., & Dar, M.H. (2005). Stakeholders' Perception of Corporate Social Responsibility and Its Implications for Islamic Banking Business in Malaysia. Presented in the International Conference on Doing Business in Islamic Asia, Kuala Lumpur, 21st-23rd June 2005.

Farook, S., Hassan, K., & Lanis, R. (2011). Determinants of corporate social responsibility disclosure: The case of Islamic banks. *Journal of Islamic Accounting and Business Research*, 2(2), 114 – 141.

Gambling, T.E., & Karim, R.A.A. (1991). *Business and Accounting Ethics in Islam* (1st Ed.). Mansell Publishing Limited, London.

Grace, M., Ireland, A., & Dunstan, K. (1995). Board Composition, Non Exective Directors' characteristics and Corporate Financial Performance. *Asian-Pacific Journal of Accounting*, 17, 121-158.

Grais, W., & Pellegrini, M. (2006). Corporate governance and Shari'ah compliance in institutions offering Islamic financial services, *Working Paper. World Bank Policy Research*, World Bank.

Gray, S.J. (1988). Towards A Theory of Cultural Influence On the Development of Accounting Systems Internationally, *Abacus*, 24(1), 1-15.

Gray, R., Javad, M., Power, M.D., & Sinclair, C.D. (2001). Social and environmental disclosure and corporate characteristics: a research note and extension. *Journal of Business Finance and Accounting*, 28(3&4), 327-356.

Gray, R., Kouhy, R., & Lavers, S. (1995a). Corporate social and environmental reporting: a review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing and Accountability Journal*, 8(2), 47-77.

Gray, R., Kouhy, R., & Lavers, S. (1995b). Methodology themes construction research database of social and environmental reporting by UK companies. *Accounting, Auditing and Accountability Journal*, 8(2), 78-101.

Gray, R., D. Owen, D.L., & Maunders, K.T. (1991). Accountability, Corporate Social Reporting and External Social Audits. *Advances in Public Interest Accounting*, 4, 1-23.

Green, S.B. (1991). How Many Subjects Does It Take To Do A Regression Analysis. *Multivariate Behaviaral Research*, 26(3), 499-510.

Gujarati, D. (1995). *Basic Econometrics. McGraw* Hill, NY.

Gul, F.A., & Leung, S. (2004). Board leadership, outside directors' expertise and voluntary corporate disclosure, *Journal of Accounting and Public Policy*, 23(5), 351-379.

Gustafson, J. (2002). Corporate Social Responsibility: Are You Giving Back or Just Giving Away? *Business: The Ultimate*. Perseus Publishing, pp. 291-292.

Guthrie, J.E., & Parker, L.D. (1989). Corporate Social Reporting: A Rebuttal of Legitimacy Theory. *Accounting and Business Research*, 19(76), 343-352.

Guthrie, J., Cuganesan, S., & Ward, L. (2008). Industry Specific Social and Environmental Reporting: The Australian Food and Beverage Industry, *Accounting Forum*, 32, 1-15.

Haat, M.H.C., Abdul Rahman, R., & Mahenthiran, S. (2008). Corporate Governance, Transparency and Performance of Malaysian Companies. *Managerial Auditing Journal*, 33(8), 744-778.

Hackston, D., & Milne J.M. (1996). Some determinants of social and environmental disclosure in New Zealand companies. *Accounting, Auditing and Accountability Journal*, 18(1), 77-108.

Hambrick, D.C., & Mason, P.A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *Academy of Management Review*, 9(2), 131-149.

Hameed, S.M.I. (2001). Islamic Accounting, Accounting for New Millennium? Asia Pacific Conference 1, Accounting in the New Millennium, October 10-12, Renaissance Hotel Kota Bharu.

Hameed, S. (2007). *Alternative Disclosure and Performance Measures for Islamic Banks*. International Islamic University Malaysia.

Hamid, F.Z.A. (2004). Corporate social disclosure by banks and finance companies: Malaysian evidence. *Corporate Ownership and Control*, 1(4), 118-130.

Hamid, S., Craig, R., & Clarke, F. (1993). Religion: A Confounding Cultural Element in the International Harmonization of Accounting, *Abacus*, 29(2), 131-149.

Haniffa, R.M. (2002). Social Reporting Disclosure: An Islamic Perspective. *Indonesian Management and Accounting Research,* 1(2), 128-146.

Haniffa, R. (2001). Social Responsibility Disclosure: An Islamic Perspective. Discussion Paper, University of Exeter, UK.

Haniffa, R., & Cooke, T. (2005). Culture Corporate Governance and Disclosure in Malaysian Corporations. *Abacus*, 38(3), 317-349.

Haniffa, R., & Cooke, T. (2002). The Impact of Culture and Corporate Governance on Corporate Social Reporting, *Journal of Accounting and Public Policy*, 24(5), 391-430.

Haniffa, R., & Hudaib, M. (2007). Exploring the Ethical Identity of Islamic Banks via Communication in Annual Reports. *Journal of Business Ethics*, 76, 97-116.

Harahap, S.S. (2003). The Disclosure of Islamic Values-Annual Report, The Analysis of Bank Muamalat Indonesian's Annual report. *Managerial Finance*, 29(7), 70-89.

Hasan, Z. (2008). Corporate governance of Islamic financial institutions. Paper presented at the Conference on Malaysian Study of Islam, Lamperter, United Kingdom.

Hossain, M., Islam, K., & Andrew, J. (2006). Corporate Social and Environmental Disclosure in Developing Countries: Evidence from Bangladesh. Faculty of Commerce-Papers, University of Wollongong.

Hussain, S.H., & Mallin, C. (2003). The Dynamics of Corporate Governance in Bahrain: Structure, Responsibilities and Operation of Corporate boards. *Corporate Governance: An International Review*, 11(3), 249-262.

Hughes, S.B., & Anderson, A. (1995). Corporate Environmental Performance and Environmental Disclosure: Are They Related? Paper presented at the American Accounting Association Annual Conference, Orlando, Florida, UniHussain, S.H., & Mallin, C. (2003). The Dynamics of Corporate Governance in Bahrain:

Structure, Responsibilities and Operation of Corporate boards. *Corporate Governance: An International Review*, 11(3), 249-262.

IIBI (2000). *International Directory of Islamic banks and Institutions*. Institute of Islamic Banking and Insurance, London.

Ingram, R.W., & Frazier, K.B. (1980). Environmental Performance and Corporate Disclosure. *Journal of Accounting Research*, 18(2), 614-622.

International Association of Islamic Banks (IAIB) (2001). *Directory of Islamic banks and Institutions*, IAIB, Jedah.

Kamla, R., Gallhofer, S., & Salam, J. (2006). Islam, Nature and Accounting: Islamic Principles and the Notion of Accounting for Environment. *Accounting Forum*, 30(3), 245-265.

Karim, R.A.A. (2001). The Nature and Rationale of a Conceptual Framework for Financial Reporting by Islamic Banks, *Accounting and Business Research*, 25(100), 285-300.

Khan, Md. H. (2010). The Effect of Corporate Governance Elements on Corporate Social Responsibility (CSR) Reporting: Empirical Evidence from Private Commercial Banks of Bangladesh. *International Journal of Law and Management*, 52(2), 82-109.

Khan, M.M., & Bhatti, M.I. (2008). Islamic Banking and Finance: On Its Way to globalisation. *Managerial Finance*, 34(10), 708-725.

Krippendorff, K. (2004). *Content analysis: An introduction to its methodology*. London: Sage.

Lewis, M. K. (2001). Islam and Accounting. *Accounting Forum*, 25(2), 103-127.

Lorsch, J.W., & MacIver, E. (1989). *Pawns or Potentates: The Reality of America's Corporate Boards*. Harvard Business School, Press, Boston.

Maali, B., Casson, P., & Napier, C. (2006). Social Reporting by Islamic Banks. *ABACUS*, 42(2), 266-289.

McDaniel, L., Martin, R.D., & Maines, L.A. (2002). Evaluating financial reporting quality: the effects of financial expertise vs. financial literacy. *The Accounting Review*, 77, 139-67.

McMullen, D., & Raghunanthan, K. (1996). Enhancing audit committee effectiveness. *Journal of Accountancy*, 182, 79-81.

Menassa, E. (2010). Corporate Social Responsibility: An exploratory Study of the Quality and Extent of Social Disclosure by Lebanese Commercial Banks. *Journal of Applied Accounting Research*, 11(1), 4-23.

Milne, M.J., & Adler, R.W. (1999). Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing and Accountability Journal*, 12(2), 237-256.

Muwazir, M.R., Muhamad, R., & Noordin, K. (2006). Corporate Social Responsibility Disclosure: A Tawhidic Approach. *Journal Syariah,* 14(1), 125-142.

Naser, K. (1998). Comprehensives of disclosure of non-financial companies listed on the Amman financial market. *International Journal of Commerce and Management*, 2(8), 88-119.

Naser, K., & Al-Khatib, K. (2000). Determinants of the depth of voluntary disclosure in the board of directors' statement in a sample of Jordanian listed companies. *Advances in International Accounting*, 13, 99-118.

Naser, K., Al-Hussaini, A., Al-Kwari, D., & Nuseibeh, R. (2006). Determinants of Corporate Social Disclosure in Developing Countries: The Case of Qatar. *Advances in International Accounting*, 19, 1-23.

Nathan, S., & Pierce, C. (2009). *CSR in Islamic financial institutions in the Middle East*, in C. A. Mallin ed, Corporate social responsibility : a case study approach (Edward Elgar, Cheltenham, UK), 258-273.

Othman, R., Md-Thani, A., & Ghani, E.K. (2009). Determinants of Islamic Social Reporting Among Top Shari'a-Approved Companies in Bursa Malaysia. *Research Journal of International Studies*, 12, pp. 4-20.

Oxibar, B., & Déjean, F. (2003). An alternative approach of corporate social disclosure analysis, RePEc:hal:journl:halshs-00150581, Version 1, April 2003.

Patten, D.M. (1991). Exposure, legitimacy and social disclosure, *Journal of Accounting and Public Policy, 10(4), 297-308.*

Patten, D. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: a note on legitimacy theory. *Accounting, Organizations and Society*, 17(5), 471-475.

Reverte, C. (2009). Determinants of Corporate Social Responsibility Disclosure Ratings by Spanish Listed Firms. *Journal of Business Ethics*, 88(2), 351-366.

Rice, C. (1999). Islamic ethics and its implications for business. *Journal of Business Ethics*, 18(4), 345-358.

Roberts, R. W. (1992), "Determinants of corporate social responsibility disclosure: an application of stakeholder theory", *Accounting, Organizations and Society*, 17(6), 595-612.

Rogers, J. (2004). *Technical Assistance for the Development of International Prudential Standards for Islamic Financial Services*. Asian Development Bank TAR: OTH 38165.

Sadeghzadeh, A. (1995). *Social responsibility accounting, sustainability accounting and Islam*. Unpublished PhD's Thesis, University of Wollongong, Wollongong.

Sairally, S. (2007). Community Development Financial Institutions: Lessons in Social Banking for the Islamic Financial Industry. *Kyoto Bulletin of Islamic Area Studies*, 1(2), 19-37.

Samuelson, P.A., & Nordhaus, W.D. (1989). *Economics* (13th Ed.). McGraw Hill Book Company, New York.

Smith, M., Yahya, K., & Amiruddin, A. M. (2007). Environmental Disclosure and Performance Reporting in Malaysia. *Asian Review of Accounting*, 15(2), 185-199.

Srairi, S., Kouki, I, & Harrathi, N (2010). The Relationship between Islamic Bank Efficiency and Stock Market Performance: Evidence from GCC Countries. 8th International Conference on Islamic Economic and Finance, Center for Islamic Economics and Finance, Qatar Faculty of Islamic Studies, Qatar.

Sturm, M., Strasky, J., Adolf, P., & Peschel, D. (2008). The Gulf Cooperation Council Countries: Economic Structures, Recent Development and Role in the Global Economy. *EUROSYSTEM*, Occassional Paper Series, No. 92.

Sulaiman, M., & Willett, R. (2003). Using the Hofstede-Gray Framework to Argue Normatively for an Extension of Islamic Corporate Reports, *Malaysian Accounting Review*, 2(1), 81-104.

Useem, M. (1984), 'The Social Organization of the American Business Elite and Participation of Corporation Directors in the Government of American Institutions', *American Sociological Review*, 44, 553–71.

Usmani, M.T. (2002). An introduction to Islamic finance. Arab and Islamic Law Series, Kluwer Law International, Amsterdam.

Walden, W.D. and Schwartz, B.N. (1997). Environmental Disclosures and Public Policy Pressure. *Journal of Accounting and Public Policy*, 16(2), 125-154.

Wallace, R.S.O., & Cooke, T.E. (1990). The Diagnosis and Resolution of Emerging Issues in Corporate Disclosure Practice. *Journal of Accounting and Business Research*, 20(78), 143-151.

Will, M. (2007). Taking about the future within an SME? Corporate foresight and the potential contributions to sustainable development.

Management of Environmental Quality: An International Journal, Vol. 19, No. 2, pp. 234-242.

Williams, S.M. (1999). Voluntary Environmental and Social Accounting Disclosure Practices in the Asia-Pacific Region: An International Empirical Test of Political Economy Theory. *The International Journal of Accounting*, 34(2), 209-238.

Wilson, R. (2009). *The Development of Islamic Finance in the GCC*. The Centre for the Study of Global Governance. Kuwait.

Zaher, T.S., & Hassan, M.K. (2001). A Comparative Literature Survey of Islamic Finance Banking. *Financial Market Institutions and Instruments*, 10(4), 155-199.

Zeghal, D., &Ahmed, S.A. (1990). Comparison of social responsibility information disclosure media used by Canadian firms. *Accounting, Auditing and Accountability Journal*, 3(1), 38-53.

Zeghal, D., Mouelhi, R., & Louati, H. (2007). An Analysis of the Determinants of Research and Development Voluntary Disclosure by Canadian Firms. *The Irish Accounting Review*, 4(2), 61-89.

Appendix A: CSR Disclosure Items

Disclosure Category	No	Items to be disclosed
Vision and mission statement	1	Commitments in operating within *Shariah* principles
	2	Commitments to achieve *baraka* (blessing) and *al-falah* (successful in the world and the hereafter)
	3	Focus on maximising shareholders returns
	4	Serving the needs of Muslim community
	5	Offering efficient service to consumer
	6	Emphasizing on the importance of permissible (halal) profit
	7	Commitments to engage in investment activities that comply with *Shariah* principles
	8	Commitments to engage in financing activities that comply with *Shariah* principles
Shariah supervisory board (SSB)	9	Details regarding the qualifications of Profile of SSB
	10	Details regarding the members' profile of the SSB
	11	Statement on remuneration of the SSB members
	12	Statement certifying distribution of profits and losses are made according to Islamic *Shariah*
	13	Statement of recommendations to rectify defects in products
	14	The opinion of SSB regarding the bank's operation
	15	Number of meetings held
Unlawful (*haram*) transactions	16	Nature of unlawful or doubtful transactions
	17	Reasons for undertaking such transactions
	18	The *Shari'a* Board's view about the earnings of these transactions
	19	The amount of revenue or expenses from these transactions
	20	How the bank disposed, or intends to dispose, of such revenues
Zakah (for banks required to pay it)	21	Statement of sources and uses of *Zakah*
	22	Statement showing the amount of *Zakah* paid and its computation
	23	The balance of the *Zakah* fund, and reasons for non-distribution
	24	*Shariah* Board attestation regarding the computation and distribution of the funds

Zakah (for banks not required to pay it)	25	The amount due in respect of shares and deposits
	26	The *Shariah* Board's opinion regarding validity of computation
Quard Hassan	27	Sources of funds allocated to *Quard*
	28	The amounts given to beneficiaries
	29	The social purposes for which the funds were given
	30	The policy of the bank in providing such loans
	31	The policy of dealing with insolvent beneficiaries
Charitable and social activities	32	Sources and uses of charity
	33	The nature of charitable and social activities financed
	34	The amount spent on these activities
	35	The sources of funds used to finance these activities
Employees	36	Employees appreciation
	37	Number of employees
	38	The policy on wages and other remuneration
	39	The policy on education and training of employees
	40	The policy of equal opportunities towards women and minorities
	41	Working environment
	42	Statement detailing the company's policy on employees' welfare and benefit such as religious provision, holidays and medical benefits
Late repayments and insolvent clients	43	The policy in dealing with insolvent clients
	44	The amount charged as late penalty, if any
	45	The policy on late payments by clients
	46	The *Shari'a* Board's opinion regarding the permissibility of imposing additional charges (such as late penalties)
Environment	47	Finance any projects that may lead to environmental harm
	48	Finance any projects friendly to environment
	49	Conversation of energy in the conduct of business operations
	50	Amount spend on conversation of natural environment and wildlife
	51	The company's operations are in line with environmental laws and regulation

Products and services	52	Offering products and services based on *Shariah* principles
	53	Statement stating all products/services are approved by SSB
	54	Description regarding the basis of S*hariah* concepts for each product/service
	55	Policy on marketing is in compliance with Islamic ethical values
	56	Approved new products by SSB
	57	Launching new products and services
	58	Integrating and diversity of products and services
Customer	59	Customer service
	60	Meeting customer needs
	61	Customer satisfaction
Poverty	62	Poverty eradication
	63	Constructing affordable housing
	64	Supporting small business
	65	Supporting home-handiwork
	66	Employment of disabled
	67	Employment of disabled
	68	Creating jobs
Other aspects of community involvement	69	Statement on contributions made to support acts by other organizations for the betterment of the society The bank's role in economic development
	70	Sponsoring Islamic educational and social events
	71	Description of company's participation in government social activities