



# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



## Islamic Corporate Social Responsibility Disclosure Index: The Application of Maqasid Shari'ah and Maslahah

Syahiza Arsad, Roshima Said, Haslinda Yusoff, Rahayati Ahmad

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v12-i7/14331> DOI:10.6007/IJARBSS/v12-i7/14331

Received: 14 May 2022, Revised: 17 June 2022, Accepted: 03 July 2022

Published Online: 19 July 2022

In-Text Citation: (Arsad et al., 2022)

To Cite this Article: Arsad, S., Said, R., Yusoff, H., & Ahmad, R. (2022). Islamic Corporate Social Responsibility Disclosure Index: The Application of Maqasid Shari'ah and Maslahah. *International Journal of Academic Research in Business and Social Sciences*. 12(7), 1038 – 1058.

Copyright: © 2022 The Author(s)

Published by Human Resource Management Academic Research Society ([www.hrmars.com](http://www.hrmars.com))

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licences/by/4.0/legalcode>

Vol. 12, No. 7, 2022, Pg. 1038 – 1058

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at  
<http://hrmars.com/index.php/pages/detail/publication-ethics>



# INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



## Islamic Corporate Social Responsibility Disclosure Index: The Application of Maqasid Shari'ah and Maslahah

Syahiza Arsad

Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah, Kuala Ketil, Kedah,  
Malaysia

Roshima Said

Faculty of Accountancy, Universiti Teknologi MARA Merbok, Kedah, Malaysia

Haslinda Yusoff

Faculty of Accountancy, Universiti Teknologi MARA Shah Alam, Selangor, Malaysia

Rahayati Ahmad

Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah, Kuala Ketil, Kedah,  
Malaysia

### Abstract

The paper attempts to develop the Islamic Corporate Social Responsibility (*i*-CSR) Disclosure index for *Shari'ah* Compliant Companies (*ShCC*) in Malaysia. The *i*-CSR disclosure index was constructed based on the four themes of CSR framework that was established by Bursa Malaysia in 2006, namely, marketplace, workplace, environment and community. In addition to existing CSR framework, this study incorporated the five values of *Maqasid Shari'ah* namely protection of faith (*al-din*), protection of human life (*al-nafs*), protection of intellect (*al-aql*), protection of posterity (*al-nasl*) and protection of wealth (*al-mal*).and *Maslahah* namely essential (*daruriyyat*), complementary (*hajiyyat*) and embellishment (*tahsiniyyat*). The items of the four themes were developed based on the previous study, annual report of Middle East countries, annual report of the Prime Minister's CSR Award and National Annual Corporate Report Awards (NACRA). All of the mandatory items required by the approved Accounting Standards, Companies Act, 1965 and Bursa Malaysia Listing Requirement were eliminated in the *i*-CSR index. A checklist of ninety-three (93) items was used in this study after taking into consideration the ten (10) expert opinions, which were from the regulatory board *Shari'ah* officer from the Islamic Banking and Finance Institute Malaysia (IBFIM), *Shari'ah* officer from Jabatan Mufti and Majlis Agama Islam, and academicians from accounting and Islamic studies.

**Keywords:** Corporate Social Responsibility Disclosure, Islam, Maqasid Shari'ah and Maslahah

## Introduction

Former Malaysian Prime Minister Tun Abdullah Ahmad Badawi has emphasised the importance of corporate social responsibility (CSR) activities in all organisations (Badawi, 2006). As a result, on September 5, 2006, Bursa Malaysia established a CSR framework to assist Malaysian public listed companies (PLCs) in implementing CSR. This voluntary framework is divided into four categories: marketplace, workplace, environment, and community. The framework serves as a guide for PLCs in understanding and implementing CSR throughout their operations. Contrary to the PLCs that are *Shari'ah* compliant, wealth is a gift from Allah that has been given to mankind as a trust. Mankind is the vicegerent and servant entrusted with utilising and managing wealth in an equitable and just manner

According to a hadith narrated by Ahmad and al-Nasa'i, Islam strongly condemns the irrational and unjustified use of wealth: *"Oh God! This man slaughtered me (the bird) for no reason and for no gain."* According to the hadith, Allah will claim any wealth or resources that were used for no useful purpose in the afterlife hereafter (Al-Masri, 1999, as cited in Jalil, 2006). As a result, businesses have no excuse not to contribute their wealth to society and treat their employees, customers, suppliers, and others with respect, especially if they are *Shari'ah* compliant.

Except for fasting and prayer, the Prophet Muhammad (PBUH) imposed no minimum requirements in any activity. Nonetheless, it is based on our ability to perform any activity because there are certain duties that Allah commands us to perform as well as duties that Allah recommends we perform in order to receive additional rewards and improve our situation. Even if we only contribute a small amount of effort, Allah advises us to do so in order to reach the level of *al-Falah* (successful in this world and the hereafter). According to Prophet Muhammad (PBUH),

*"Every Muslim has to give in charity." The people then asked: "(But what) if someone has nothing to give, what should he do?" The Prophet replied: "He should work with his hands and benefit himself and also give in charity (from what he earns)." The people further asked: "If he cannot find even that?" He replied: "He should help the needy who appeal for help." Then the people asked: "If he cannot do (even) that?" The Prophet said finally: "Then he should perform good deeds and keep away from evil deeds, and that will be regarded as charitable deeds." (Sahih Al-Bukhari, Volume 2, Hadith 524)*

The preceding Hadith clearly demonstrates that an individual or organisation should not refrain from contributing their wealth because there is no minimum requirement stated to fulfil one's obligation to the Ummah (public). Furthermore, this is the appropriate approach for all businesses to demonstrate accountability to Allah, the Almighty. Because Muslims constitute the majority of Malaysia's population, ShCC must persuade Muslim stakeholders that their operations are in accordance with Islamic principles and values. In Islam, CSR is a mandate from Allah, as it is one of the most important human tasks. Furthermore, the Quran frequently mentions discussions about CSR. As a result, the Islamic perspective approach offers a new philosophical framework governed by *Shari'ah*.

*Shari'ah*, or Islamic law, is a system of ethics and values that encompasses all aspects of life, including personal, social, political, economic, and intellectual dimensions of human

beings that are inextricably linked to Islamic belief, values, and objectives (Iqbal & Mirakhor, 2004). As a result, it demonstrates that CSR is a requirement under *Shari'ah* in achieving benefits and preventing harm to humanity.

A number of verses in the Quran contain provisions aimed at achieving certain objectives (*Maqasid*) intended by Allah (SWT) as the lawgiver. It demonstrates that Allah (SWT) does not act in vain, as demonstrated by his questioning of their creation. As stated in the Quran:

*"For [thus it is:] we have not created the heavens and the earth and all that is between them in mere idle play. None of this have we created without [an inner] truth: but most of them do not understand it" (Ad Dukhann:38-39).*

Therefore, any types of Allah (SWT) creation have purpose and value. With respect to the creation of man and Islam as the last revelation given to them, Allah (SWT) has explicitly stated that:

*"...This day we have perfected for your religion and I have completed my bounties and I am pleased with the religion of Peace (Islam)... (al-Maidah:3).*

The above verse show that the creation of wealth by Allah (SWT) is for mankind. Upon the availability of wealth, individuals or organisation should utilise it for the cause of Allah (SWT), and which definitely including safeguarding the interest of stakeholders. Prophet Muhammad (PHUB) said:

*"The one who looks after and works for a widow and for a poor person, is like a warrior fighting for Allah's cause or like a person who fasts during the day and performs prayers all night".*

According to the preceding, Allah, the Almighty (SWT), highly values the protection and safeguarding of all mankind's interests. The objectives of *Shari'ah* (*Maqasid al-Shari'ah*), according to Imam Al-Ghazali, are to promote the well-being of all mankind, which lies in safeguarding their faith (*al-din*), human life (*al-nafs*), intellect (*al-aql*), posterity (*al-nasl*), and wealth (*al-mal*); whatever ensures the safeguard of these five serves the public interest and is desirable (Al-Maisawy, 2006). These five values are fundamental to being a human being. To ensure that all activities undertaken can protect the benefit of individuals and communities while also facilitating the improvement and perfection of human life in this world and in the hereafter, the concept of *Maqasid al-Shari'ah* must be upheld and prioritised at all times. Table 1 summarises the five dimension of *Maqasid al-Shari'ah*.

Table 1

*The Concept of Maqasid al-Shari'ah*

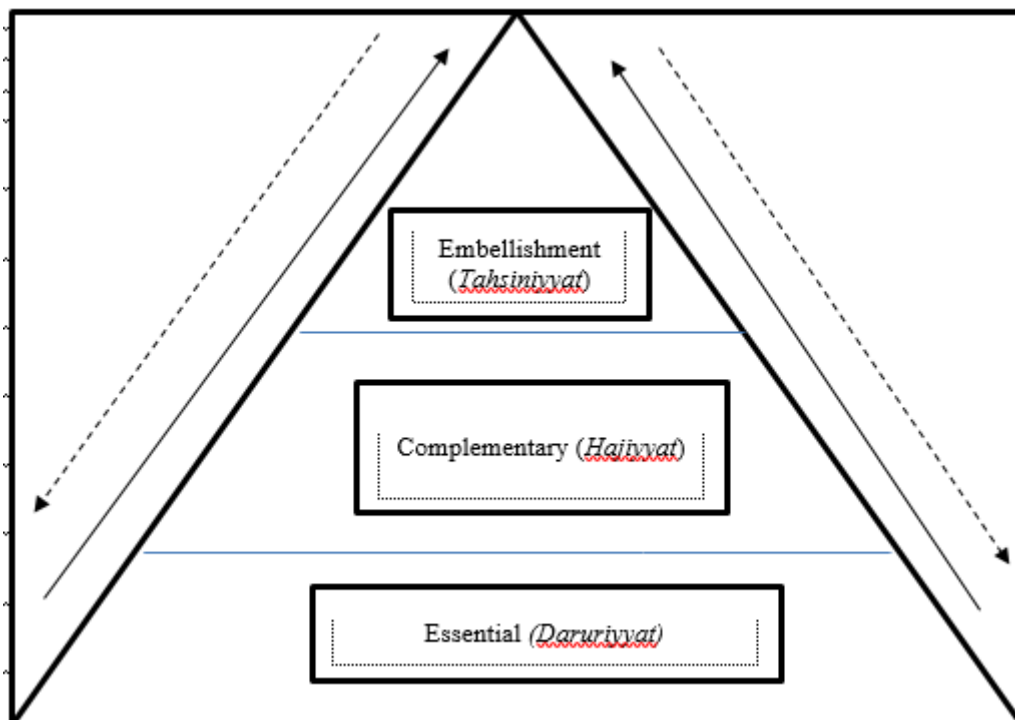
<b>Maqasid al-Shari'ah</b>	<b>Description</b>
Protection of Faith ( <i>al-din</i> )	Individual Muslims must defend their faith as one of their most precious values. <i>ShCC</i> must adhere to Islamic principles and values, so any activities undertaken must serve as a shield to prevent a person from pledging sin, becoming an apostate, or engaging in any activities that will obliterate his religious identity.
Protection of Life ( <i>al-nafs</i> )	Everyone considers life to be extremely important and valuable. Everyone wishes for a better and more secure way of life. It is equally important to protect one's own life, and it is everyone's and society's responsibility to do so.
Protection of Intellect ( <i>al-'aql</i> )	When compared to other forms of creation, human intelligence is a priceless gift from Allah (SWT). Everyone should guard this wonderful gift against anything that could impair its capability and function.
Protection of Posterity ( <i>al-'nasl</i> )	The descendants of a person are an important aspect of their life. The future leaders will be from the young generation. Islam is deeply concerned with a person's posterity and emphasises the importance of safeguarding one's posterity.
Protection of Wealth ( <i>al-mal</i> )	Wealth is a gift from Allah that should be nurtured and used responsibly. The acquisition and use of wealth should be guided by Islamic principles to ensure that all wealth receives God's pleasure and Barakah.

Source: (Laldin, 2011)

These five values of the objective should serve as the foundation or primary framework for all *ShCC* conducting business and social activities. The values provide a solid foundation for facilitating the improvement and perfection of human life in this world and the hereafter.

It is consistent with the *Shari'ah's* objective and rationale of promoting *Maslahah* (benefits) and repelling harm from the people that Islam emphasises the importance of securing benefit for society. According to (Nor et al., 2012; Rahman et al., 2017) an organisation can apply the principle of *Maslahah* in all activities to ensure that the *Shari'ah* principle achieves its objectives. Imam Al-Ghazali defined *Maslahah* as "an expression for seeking benefit (*manfa'ah*) or removing something harmful (*madarra*), and *Maslahah* is essentially the preservation of the five principles of *Maqasid al-Shari'ah*," according to Dusuki & Abdullah (2007), *Maslahah* is divided into three categories according to Imam Al-Shatibi: *daruriyyat* (essentials), *hajiyyat* (complementary), and *tahsiniyyat* (embellishment). These three categories are ranked in order of importance, and they also serve as a summary of *Shari'ah's* primary goal. *Daruriyyat* (essential) is the first category of *Maslahah*, referring to the necessary aspects of life, which include the five principles of *Maqasid al-Shari'ah*, which are religion, life, lineage, intellect, and property. This category's absence will result in unneeded adversity. The second category of *Maslahah* is *Hajiyyat* (complementary), which refers to aspects of life that supplement the necessities. The final category of *Maslahah* is

*Tahsiniyyat* (embellishment), which refers to positive ethics that can lead to life enhancement. The three *Maslahah* levels or categories are depicted in Figure 1.



Source: (Dusuki & Abdullah, 2007)

Figure 1. The Pyramid of Maslahah

The *Maslahah* pyramid, as depicted in Figure 1, represents a framework and general guideline that managers can use to fulfil their obligation and rectify any potential dilemmas (Dusuki & Abdullah ,2007). The *Maslahah* pyramid's three levels represent the degrees of importance in fulfilling responsibilities. Furthermore, the pyramid can be implemented to CSR practices. The study by (Dusuki & Abdullah ,2007) that applied the *Maslahah* pyramid to CSR is summarised in Table 2.

Table 2

*Maslahah and the Application*

<b>Maslahah</b>	<b>Description</b>	<b>Management Expectation</b>	<b>Example</b>
Essentials ( <i>Daruriyyat</i> )	It is required due to the importance of sustaining and preserving the five principles of <i>Maqasid al-Shari'ah</i> . The most fundamental responsibility that must be met.	To preserve and protect the essential needs of stakeholders (religion, life, intellect, posterity, and property), as well as the public good in general.	Provision of halal products and services, acquire wealth through halal means
Complementary ( <i>Hajjiyyat</i> )	To alleviate hardship and impediment,	To remove obstacles that do not threaten the	Provide proper place

	supplement the survival of the normal of worship necessities. If it is order. for ignored, it will cause employees, hardship but will not flexible completely disrupt working normal life. hour/rest day/holiday		
Embellishments ( <i>Tahsiniyyat</i> )	It refers to an interest that, when realised, leads to refinement and perfection in people's customs and behaviour at all levels of achievement.	To participate in activities or programmes that may lead to the improvement and perfection of public life.	Waqf, sponsorship

Source: Dusuki & Abdullah (2007)p.31-33

Table 2 describes the significance of applying the three categories of *Maslahah* to every activity undertaken by the companies, namely essentials (*daruriyyat*), complementary (*hajiyyat*), and embellishments (*tahsiniyyat*). The incorporation of the three *Maslahah* and five *Maqasid al-Shari'ah* principles in all activities undertaken will greatly assist in distinguishing an Islamic view of CSR from the conventional view (Jalil, 2006). This is due to the fact that both *Maslahah* and *Maqasid al-Shari'ah* refer to "a set of norms, values, and laws that comprise the Islamic way of life" (Dusuki, 2008). As a result, incorporating the norms and values of *Maqasid al-Shari'ah* and *Maslahah* component into the activities of *ShCC* would aid in improving all activities undertaken in accordance with Islamic principles and values.

Furthermore, because Muslims composition approximately 69.8 percent of the Malaysian population by 2021, *ShCC* must persuade stakeholders that their companies' activities are in accordance with Islamic principles and values by voluntarily disclosing all activities undertaken in their financial reporting. Moreover, in order to attract global *Shari'ah* capital, the company's activities must adhere to Islamic principles, and the disclosure must be related to the Islamic value.

CSR disclosures will improve the company's transparency, build a brand reputation, and provide useful information for investment decisions. Meanwhile, from an Islamic standpoint, CSR disclosure can assist *ShCC* in demonstrating their responsibility and accountability to the Ummah (public) and Allah Almighty. Furthermore, *ShCC* must apply the fundamental concepts of *Maqasid al-Shari'ah*, *Maslahah* (public good), and voluntary disclosure of Islamic items in addition to the items already reported in their annual report in order to develop Islamic corporate reports (Mazri et al., 2018; Sulaiman & Willett, 2001).

Former Prime Minister Datuk Seri Najib Tun Razak also suggests that Malaysia create a *Maqasid al-Shari'ah* index to assess Islamic countries' commitment (Abas, 2014). Thus, *ShCC* must be more transparent (Mazri et al., 2018; Wan Ismail et al., 2015) in disclosing company information, so that the community can learn regarding the societal impact of the companies' activities and operations, as they have a right to know (Baydoun & Willett, 2000).

### Corporate Social Responsibility Disclosure

The Malaysian government has put in place a number of frameworks and policies to encourage Malaysian companies to practise greater CSR. As shown in Table 3, the Malaysian government established the following framework and policies:

Table 3

*Framework and Policies Related to Corporate Social Responsibility*

	Name	Year introduced
Bursa Malaysia CSR Framework		2006
The Silver Book		2006
Fund for green technology development		2010
Tax incentives to businesses that implement broad CSR programs		2010
State-owned investment funds CSR investment		2010
Business Sustainability Program		2010

Source: (Yang & Yaacob, 2012, p.56)

The framework and policies outlined above are intended to encourage and stimulate Malaysian companies to participate in and report on their CSR activities. Former Malaysian Prime Minister Abdullah Ahmad Badawi supported these initiatives. In the 2007 budget reading, he made CSR reporting mandatory for all Public Listed Companies (PLCs) to report on environmental and social responsibility performance in annual reports, as customers now have greater access to that information rather than financial information (Ahmad Badawi, 2007). With the introduction of various frameworks and policies, the requirement of financial reporting has expanded to include non-financial information, such as social and environmental information, in addition to financial information.

Unfortunately, PLCs listed under *Shari'ah* complaint require an extensive framework that can provide Islamic principles and values as a guideline in conducting and reporting CSR activities because *ShCC* activities must be in line with Islamic principles and achieve *Shari'ah* objectives *ShCC* must report on CSR in a more transparent and comprehensive manner, including additional information that reflects Islamic values. As a result, *ShCC* require an additional framework and set of guidelines to ensure that they adhere to Islamic principles and values.

#### ***Dimension of Corporate Social Responsibility Disclosure from the Islamic Perspective***

This study looked at four themes in the Bursa Malaysia CSR framework. Marketplace, Workplace, Environment, and Community are the themes. An Islamic CSR index was created by categorising each item from four themes into the five dimensions of *Maqasid al-Shari'ah*, namely, protection of faith (*al-din*), protection of life (*al-nafs*), protection of intellect (*al-aql*), protection of posterity (*al-nasl*), and protection of wealth (*al-mal*), as well as the three levels of *Maslahah*, namely, essentials (*daruriyyat*) complementary (*hajiyyat*) and embellishments (*tahsiniyyat*).

#### **Marketplace**

The marketplace focuses on key activities in the business such as management on supply chain, product quality, safety, innovation, fair pricing and also ethical advertising (Karim et al., 2020). It required a diverse group of people to act in a sustainable manner across the value



chain, including shareholders, suppliers, vendors, and customers. (Karim et al., 2020) discovered that CSR practices in the marketplace positively affect market return, which is in accordance with stakeholder theory, which contends that CSR activities benefit stakeholders. Because *ShCC* are Islamic-based businesses that operate in accordance with Islamic principles and values, every product and service offered must emphasise the protection of faith, human life, intellect, posterity, and wealth. This is consistent with the Quran, which states in Surah al-Baqarah (2:219):

*“They ask concerning wine and gambling. Say: In them is great sin, and some profit for men; but the sin is greater than the profit”. (al-Baqarah: 219)*

The above verse emphasises that Islam forbids the sale of products or services that cause significant harm, such as cigarettes, alcohol, and gambling. Thus, As a result, quality declarations, safe and sanitary manufacturing processes, competitive pricing and business deals, halal and haram are required. and considered *Shari'ah* objectives, because they are in line with the Quran's demands for fair, open, and ethical behaviour in all matters (Arsad et al., 2015). Furthermore, Islam enjoins the ethical values of honesty, sincerity, trust, truthfulness, justice, and equity in their business dealings and transactions (Khurshid et al., 2014).

### **Workplace**

A company's relationship with its employees has a major effect on the company's operations. As a result, all companies must be socially responsible to their employees. It is critical to maintain a high level of employee recruitment, development, retention, and well-being. To be consistent with the five dimensions of *Maqasid al-Shari'ah*, namely, the protection of faith, intellect, life, posterity, and wealth, every company, particularly *ShCC*, must provide a balance of material and spiritual satisfaction in their employees' life (Arsad et al., 2015). In addition, Islam strongly emphasised for fair labor practices, worker's right and employees' self-esteem in the organisation. This is explicitly encouraged in Islam.

*Allah has placed those (employees) under you. They are your brothers. So anyone of you has someone under him, he should feed him out of what he himself eats, clothes him like he himself puts on. You should not overburden him with what he cannot bear, and if you do so, help him in his job. (Sahih Muslim Vol.3, Hadith No.4093.)*

The preceding Hadith emphasises that everyone is Allah's servant, and no one is nobler than another except Allah (SWT). As a result, in Islam, the spirit of brotherhood and equality in the workplace is extremely important. To ensure that no one is treated unfairly, justice and benevolence should also be emphasized.

### **Environment**

Businesses and industries operation have great environmental impacts, from the release of hazardous pollutants to the consumption of vast amounts of natural resources. Thus, many companies undertake environmental sustainability such a matter of compliance with environmental regulatory and policy requirements, as well as actively carried out

environmental programmes such as waste management, conservation of natural resources such as recycling paper, water, metal, etc. Environmental friendly companies able to reduce business risk, improve reputation, cost saving and increase revenue as well The environment and natural resources are highly valued in Islam, with 500 verses in the Quran providing guidance on how to deal with them; and Allah (SWT) condemns environmental exploitation. This statement is found in the Quran, Surah Taha (20:77):

*“Do not do any mischief on the earth as God dislikes those that make destruction on the earth”. (Taha: 77)*

The preceding Surah emphasises the importance of safeguarding the earth from harm and destruction. As a result, everyone, including businesses, particularly Shari'ah-compliant businesses, must ensure that the environment and natural resources are protected from exploitation, misuse, damage, or pollution; as such actions are prohibited by divine law.

### **Community**

The community theme involves activities that relate to the creation of maximum values to a group of people that living together and practicing common ownership. Islam strongly encourages supporting the community. Statement in the Quran (4:37) highlighted to practice a good deed to every different and categories of people.

*“Do good to parents, kinsfolk, orphans, those in need, neighbours who are near, neighbours who are strangers” (An-Nisaa' 4:37)*

In Islam, equitable distributions of wealth and possession to poor and needy people are constitute an important objective of the *Shari'ah*. To achieve the five objective of *Shari'ah* (*Maqasid al-Shari'ah*), namely, protection of faith, life, intellect, posterity and wealth to community is through charity, generosity and philanthropy (Arsad et al., 2015) as Allah S.W.T. promises will double the wealth to the generous companies or individual. This statement is found in the Quran (64:17):

*“If ye loan to Allah, a beautiful loan, He will double it to your (credit), and He will grant you forgiveness” (At-Taghabun: 17)*

In addition, Muslims with adequate wealth are entitled to pay Zakat. Zakat is one of Islam's social dimensions, and it also applies to companies (Khan & Karim, 2010). Therefore, *ShCC* that been classified as Islamic based company should also distribute the wealth of their company to poor and needy by contributing to zakat. This is clearly indicated that, Islam strongly emphasised about the transfer of wealth to the community, as it is consistent with the goal of Islamic jurisprudence, which is to safeguard community social order.

### **Methodology**

#### **Process of Constructing *i*-CSR Disclosure Index and Content Analysis**

The item of *i*-CSR checklist was constructed based on the four themes of the CSR framework that was established by Bursa Malaysia in 2006 and the items were developed based on previous studies done by (Ousama & Fatima, 2010; Sulaiman, 2005; Haniffa, 2002; Othman, Thani & Ghani, 2009; Maali et al., 2006). In addition, annual report from Middle East countries, annual report of the Prime Minister's CSR Award and National Annual Corporate

Report Awards (NACRA). All of the mandatory items required by the approved Accounting Standards, Companies Act, 1965 and Bursa Malaysia Listing Requirement were eliminated in the *i*-CSR index. A checklist of ninety-three (93) items was used in this study after taking into consideration the ten (10) expert opinions, which were from the regulatory board *Shari'ah* officer from the Islamic Banking and Finance Institute Malaysia (IBFIM), *Shari'ah* officer from Jabatan Mufti and Majlis Agama Islam, and academicians from accounting and Islamic studies. Table 4 shows the total number of the *i*-CSR disclosure item for each theme according to the 5 dimension of *Maqasid Shari'ah*. While, Table 5 showed a detail item for each four theme, five dimension of *Maqasid Shari'ah* and 3 level of *Maslahah*.

Table 4

*Total Items in the Islamic Corporate Social Responsibility Disclosure Index*

Themes	Total Items
<b>THEME: MARKETPLACE</b>	<b>27</b>
<b>Dimension: Protection of Faith (<i>al-din</i>)</b>	
Essential ( <i>Daruriyyat</i> )	4
Complementary ( <i>Hajiyyat</i> )	Nil
Embellishment ( <i>Tahsiniyyat</i> )	Nil
<b>Dimension: Protection of human life (<i>al-nafs</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	4
Embellishment ( <i>Tahsiniyyat</i> )	5
<b>Dimension: Protection of Intellect (<i>al-aql</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	1
Embellishment ( <i>Tahsiniyyat</i> )	3
<b>Dimension: Protection of posterity (<i>al-nasl</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	Nil
Embellishment ( <i>Tahsiniyyat</i> )	Nil
<b>Dimension: Protection of wealth (<i>al-mal</i>)</b>	
Essential ( <i>Daruriyyat</i> )	2
Complementary ( <i>Hajiyyat</i> )	3
Embellishment ( <i>Tahsiniyyat</i> )	5
<b>THEME:WORKPLACE</b>	<b>30</b>
<b>Dimension: Protection of Faith (<i>al-din</i>)</b>	
Essential ( <i>Daruriyyat</i> )	4
Complementary ( <i>Hajiyyat</i> )	4
Embellishment ( <i>Tahsiniyyat</i> )	Nil
<b>Dimension: Protection of human life (<i>al-nafs</i>)</b>	
Essential ( <i>Daruriyyat</i> )	1
Complementary ( <i>Hajiyyat</i> )	5
Embellishment ( <i>Tahsiniyyat</i> )	4
<b>Dimension: Protection of Intellect (<i>al-aql</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2

Embellishment ( <i>Tahsiniyyat</i> )	1
<b>Dimension: Protection of posterity (<i>al-nasl</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	3
Embellishment ( <i>Tahsiniyyat</i> )	1
<b>Dimension: Protection of wealth (<i>al-mal</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	1
Embellishment ( <i>Tahsiniyyat</i> )	4
<b>THEME: ENVIRONMENT</b>	<b>19</b>
<b>Dimension: Protection of Faith (<i>al-din</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2
Embellishment ( <i>Tahsiniyyat</i> )	Nil
<b>Dimension: Protection of human life (<i>al-nafs</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2
Embellishment ( <i>Tahsiniyyat</i> )	3
<b>Dimension: Protection of Intellect (<i>al-aql</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	1
Embellishment ( <i>Tahsiniyyat</i> )	2
<b>Dimension: Protection of posterity (<i>al-nasl</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2
Embellishment ( <i>Tahsiniyyat</i> )	2
<b>Dimension: Protection of wealth (<i>al-mal</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	3
Embellishment ( <i>Tahsiniyyat</i> )	2
<b>THEME: COMMUNITY</b>	<b>17</b>
<b>Dimension: Protection of Faith (<i>al-din</i>)</b>	
Essential ( <i>Daruriyyat</i> )	1
Complementary ( <i>Hajiyyat</i> )	1
Embellishment ( <i>Tahsiniyyat</i> )	1
<b>Dimension: Protection of human life (<i>al-nafs</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	1
Embellishment ( <i>Tahsiniyyat</i> )	1
<b>Dimension: Protection of Intellect (<i>al-aql</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2
Embellishment ( <i>Tahsiniyyat</i> )	1
<b>Dimension: Protection of posterity (<i>al-nasl</i>)</b>	
Essential ( <i>Daruriyyat</i> )	Nil
Complementary ( <i>Hajiyyat</i> )	2

Embellishment ( <i>Tahsiniyyat</i> )	3
<b>Dimension: Protection of wealth (<i>al-mal</i>)</b>	
Essential ( <i>Daruriyyat</i> )	1
Complementary ( <i>Hajiyyat</i> )	2
Embellishment ( <i>Tahsiniyyat</i> )	1
<b>TOTAL ITEMS FOR FOUR THEMES</b>	<b>93</b>

Table 5

*Items in the Islamic Corporate Social Responsibility Disclosure Index*

List of i-CSR disclosure items	MASLAHAH		
	Essential 3	Complementary 2	Embellishment 1
<b>THEME: MARKETPLACE</b>			
1. Protection of Faith ( <i>Al-Din</i> )			
a. Provision of <i>halal</i> products and services	√		
b. Provision of non-permissible products and services	√		
c. Disclose type of non-permissible products or services involved	√		
d. Disclose percentage of profit contribution from non-permissible activities	√		
2. Protection of human life ( <i>Al-Nafs</i> )			
a. Produce products that priorities health, safety and quality features for the consumers			√
b. Ensure safety standards in processing the products			√
c. Train employees on the development of safety standards for the processes			√
d. Display the content of the ingredients of the products			
e. Disclose that products or services meet the applicable safety standards		√	
f. Declaration of the quality, safety and hygienic production process		√	
g. Environmentally friendly products and services.			√
h. Employees implement product safety standards or process safety measures.		√	
i. Employees implement product quality measures.		√	
			√



<p>b. Provide proper place of worship for the employees</p> <p>c. Muslim employees are allowed to perform their obligatory prayers.</p> <p>d. Muslim employees are allowed to perform fasting during Ramadhan on their working day.</p> <p>e. Members of the top management often perform obligatory prayers together with their employees.</p> <p>f. Provide regular Islamic talk (<i>Tazkirah</i>)</p> <p>g. Provide training on <i>Sha'riah</i> awareness</p> <p>h. Offer employees a channel of communication or feedback to immediate supervisor and top management</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>		
<p>2. Protection of human life (<i>Al-Nafs</i>)</p> <p>a. Provide health and safety workplace</p> <p>b. Provide training or talk on methods of preventing accidents or safety attires</p> <p>c. Treat employees fairly in terms of wages, working hours etc.</p> <p>d. Provide recreational activities or facilities</p> <p>e. Provide staff accommodation/staff home ownership schemes</p> <p>f. Provide facilities for disable employees</p> <p>g. Provide health insurance for employees</p> <p>h. Provide clear policies or objectives or reasons for the company's remuneration package and scheme.</p> <p>i. Recruitment of other special-interest-group (i.e. handicapped, ex-convict, former drug-addicts)</p> <p>j. Islamically friendly environment such as free from discrimination, harrasment and retaliation</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	
<p>3. Protection of posterity (<i>Al-Nasl</i>)</p>			

<p>a. Provide child care center, maternity and paternity leaves</p> <p>b. Provide social clubs such as Islamic social welfare association, women's organization, etc.</p> <p>c. Flexible working hours and rest day/holiday</p> <p>d. Provide medical care for the employees and their families.</p>		<p>√</p> <p>√</p> <p>√</p>	<p>√</p>
<p>4. Protection of intellect (<i>Al-Aql</i>)</p> <p>a. Provide adequate training and personal development</p> <p>b. Give financial assistance to employees in educational institutions or continuing education courses</p> <p>c. Provide training on the <i>Shari'ah</i> or Islamic values</p>		<p>√</p> <p>√</p>	<p>√</p>
<p>5. Protection of wealth (<i>Al-Mal</i>)</p> <p>a. Provide conducive environment for production activities</p> <p>b. Quality management staff to make sure of the efficiency of the production</p> <p>c. Employees are kept up to date with the information and development in the production</p> <p>d. Provide counselor, coaches or consultants to the staff members who are facing personal or work-related problem</p> <p>e. Invest in high technology equipment and machine</p>		<p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>
<b>THEME : ENVIRONMENT</b>			
<p>1. Protection of Faith (<i>Al-Din</i>)</p> <p>a. Disclose activities which could be unfriendly to the environment.</p> <p>b. Comply with environmental laws, regulation and policies</p>		<p>√</p> <p>√</p>	
<p>2. Protection of human life (<i>Al-Nafs</i>)</p> <p>a. Reduce environmental pollution due to work processes</p> <p>b. Design facilities harmonious with the environment.</p>		<p>√</p>	<p>√</p>



<p>c. Availability of environmental program for employees</p> <p>d. Contribute in terms of cash or art/sculptures to beautify the environment</p> <p>e. Environmental Management System/Policy</p>		<p>√</p> <p>√</p> <p>√</p>	
<p>3. Protection of posterity (<i>Al-Nasl</i>)</p> <p>a. Conserve natural resources, e.g. recycle glass, metals, oil, water and paper</p> <p>b. Use recycled materials</p> <p>c. Conduct environmentally-friendly programmes</p> <p>d. Availability of environmental programmes to community, students, graduation etc.</p>		<p>√</p> <p>√</p> <p>√</p> <p>√</p>	
<p>4. Protection of intellect (<i>Al-Aql</i>)</p> <p>a. Classes/discussion/training on environmental programs</p> <p>b. On-the-job training about processes that prioritise a clean and healthy environment.</p> <p>c. Establish of social clubs, such as <i>kelab pecinta alam</i>, Nestle paddy club, etc.</p>		<p>√</p> <p>√</p> <p>√</p>	
<p>5. Protection of wealth (<i>Al-Mal</i>)</p> <p>a. Receive an award relating to the company's environmental programmes or policies.</p> <p>b. Pollution control in the conduct of the business operation, capacity, and operating, research and development expenditure for pollution abatement.</p> <p>c. Prevent and monitor waste, e.g., electricity, water and paper consumption.</p> <p>d. Regularly audit the waste management process/ Environmental Audit</p> <p>e. Introduce 3R program to reduce, reuse and recycle waste</p>		<p>√</p> <p>√</p> <p>√</p> <p>√</p>	
<b>THEME: COMMUNITY</b>			
<p>1. Protection of Faith (<i>Al-Din</i>)</p>			

<p>a. Provide financial assistance (<i>saddaqa</i>) to the needy, disabled people or disaster victims</p> <p>b. Disclosed the amount and beneficiaries of contribution (<i>saddaqa</i>)</p> <p>c. Waqf public infrastructure : Type and value</p>	√	√	√
<p>2. Protection of human life (<i>Al-Nafs</i>)</p> <p>a. Provide high quality preventive health care services to families, communities and school children.</p> <p>b. Sponsor public health/recreational projects/sports/cultural events</p>		√	√
<p>3. Protection of posterity (<i>Al-Nasl</i>)</p> <p>a. Fund students with scholarship</p> <p>b. Disclose the amount of fund and the number of students being sponsored.</p> <p>c. Adopt schools to provide academic assistance and reward incentives</p> <p>d. Develop or contribute (amount) to develop institutes of learning. e.g., university, school, college</p> <p>e. Youth development. e.g., <i>Kelab rakan muda</i></p>		√ √	√ √ √
<p>4. Protection of intellect (<i>Al-Aql</i>)</p> <p>a. Provide seminars, workshops and activities for students, teachers and parents. e.g., teambuilding activities</p> <p>b. Establish community activities. e.g., computer skills, entrepreneurship training, etc.</p> <p>c. Company sponsoring of conferences &amp; training seminars</p>		√ √	√
<p>5. Protection of wealth (<i>Al-Mal</i>)</p> <p>a. Provide Qard Hassan (lending with no profit) : Amount and Beneficiaries</p> <p>b. Pay of zakat: Amount and beneficiaries</p> <p>c. Receive an award for community involvement.</p> <p>d. Provide job training programmes or internships to young people or trainees.</p>	√	√ √	√

--	--	--	--

### Scoring the *i*-CSR Disclosure Index

In this study, *i*-CSR Disclosure index was developed by using the nominal score to record the absence (represented by “0”) or the presence (represented by “1”) of an item which was called the un-weighted approach. Next step is to determine the entire item especially the presence items which was represented by “1” with the level of *Maslahah* namely essential (*Daruriyat*), complementary (*Hajiyat*) and embellishment (*Tahsiniyat*). These three categories of *Maslahah* reflect the different degree of responsibility fulfillment, thus it was represented in a 1 to 3 rating scale. Essential (*Daruriyyat*) is a very important element in the *Maslahah*, therefore the rating scale for essential (*Daruriyat*) was 3=very important. While, rating scale for complementary (*Hajiyat*) was 2=important and embellishment (*Tahsiniyat*) was 1 = slightly important. After that, each of the presence items is multiply with the scale of the *Maslahah*. Lastly, the process will add all the scores and equally weighted. The scores will be calculated as follows:

$$i\text{-CSRDI } j = \frac{n_j \sum_{t=1}^3 X_{ij} * M_{ij}}{N_j * 3}$$

---

$N_j * 3$

<i>i</i> -CSRDI j	Islamic Corporate Social Responsibility Disclosure Index
Nj	Number of items expected for the company $n_j \leq 93$ items multiple with the highest level of <i>Maslahah</i>
Xij	of “1” , if the company disclose the items and “0”, if it is not
Mij	of “3” if the items is Essential, “2” if the items is Complementary and “1” if Embellishment

---

### Limitation and Suggestion

This study does have some limitations. The *i*-CSR disclosure index was created using the CSR framework established by Bursa Malaysia in 2006, which included the marketplace, workplace, environment, and community, as well as previous studies and the company's annual report, which received the Prime Minister's CSR Award and the National Annual Corporate Report Awards (NACRA). As a result, future research may refer to the Environmental, Social and Governance (ESG) Index launched in Decemer 2014 and Bursa Malaysia sustainability framework, which was launched in October 2015, as well as standalone sustainability reports that won sustainability and CSR Malaysia Awards. This study is expected to provide a signal to the Securities Commission regarding the status of listed companies under *Shari'ah* compliant securities, in order to be in line with the *ShCC* image. Furthermore, the *i*-CSR index created in this study could be used by *ShCC*'s board of directors and management team to guide the conduct and reporting of business practises and activities that adhere to Islamic principles and values. This would enable *ShCC* to be constantly listed as *Shari'ah* securities in Malaysia, in line with the Malaysian Capital Market Master Plan of making Malaysia a global hub for Islamic Capital Market (Securities Commission, 2001; Securities Commssion, 2017).

**Corresponding Author**

Syahiza Arsad

Universiti Islam Antarabangsa Sultan Abdul Halim Mu'adzam Shah, Kuala Ketil, Kedah, Malaysia.

Email: syahiza.arsad@unishams.edu.my

**References**

- Abas, A. (2014). Maqasid Syariah Index to be implemented in January: PM. *New Straits Times*.
- Khurshid, A. M., Al-Aali, A., Soliman, A., & Amin, M. S. (2014). Developing an Islamic corporate social responsibility model (ICSR). *Competitiveness Review*, 24(4), 258–274. <https://doi.org/10.1108/CR-01-2013-0004>
- Badawi, A. B. (2007). *The 2007 budget speech: Implementing the national mission towards achieving the national vision*. Retrieved from <http://lampiran2.hasil.gov.my/pdf/pdfam/Speech2007.pdf>
- Al-Maisawy, M. E.-T. (2006). *Ibn Ashur treatise on Maqasid al-Shariah*. The International Institute of Islamic Thought.
- Al-Masri, R. (1999). *Usul al-Iqtisad al-Islami*. Bayrut: Dar Al-Shamiyyah.
- Arsad, S., Ahmad, R., Fisol, M. W. N., Said, R., & Haji-othman, Y. (2015). Maqasid Shariah in corporate social responsibility of Shari'ah compliant companies. *Research Journal of Finance and Accounting*, 6(6), 239–248.
- Baydoun, N., & Willett, R. (2000). Islamic Corporate Reports. *Abacus*, 36(1), 71–90. <https://doi.org/10.1111/1467-6281.00054>
- Dusuki, A. W. (2008). What does Islam say about corporate social responsibility? *Review of Islamic Economics*, 12(1), 5–28. <https://doi.org/10.2190/86QB-KKY1-F27L-3KHK>
- Dusuki, A. W., & Abdullah, N. I. (2007). Maqasid al-Shari'ah, Maslahah, and corporate social responsibility. *The American Journal of Islamic Social Sciences*, 24(1), 25–45. <https://doi.org/10.1007/978-3-658-06776-2>
- Haniffa, R. (2002). Social reporting disclosure: an Islamic perspective. *Indonesian Management & Accounting Research*, 1(2), 128–146.
- Nor, A. H. M., Alias, M. N., Samsudin, A., Omar, A. F., Ibrahim, I. A., Laluddin, H., ... & Manap, N. A. (2012). Application of the principles of maqasid shari'ah in administration of the islamic countries. *Advances in Natural and Applied Sciences*, 6(6), 847-852.
- Iqbal, Z., & Mirakhor, A. (2004). Stakeholders model of governance in Islamic economic system. *Islamic Economic Studies*, 11(2), 43–63.
- Jalil, A. (2006). The significances of Maslahah concept and doctrine of Maqasid ( objectives ) al- Shari'ah in project evaluation. *The Journal of Muamalat and Islamic Finance Research*, 3(1), 171–202.
- Karim, S., Abdul Manab, N., & Ismail, R. (2020). The dynamic impact of board composition on CSR practices and their mutual effect on organizational returns. *Journal of Asia Business Studies*, 14(4), 463–479. <https://doi.org/10.1108/JABS-07-2019-0214>
- Khan, M. S. U., & Karim, M. N. (2010). Corporate social responsibility: Contemporary thought and Islamic perspective. *Thought on Economics*, 21(1), 45–66.
- Laldin, M. A. (2011). *Introduction to Shariah and Islamic jurisprudence*. CERT Publications.
- Maali, B., Casson, P., & Napier, C. (2006). Social reporting by Islamic banks. *Abacus*, 42(2), 266–289. <https://doi.org/10.1111/j.1468-4497.2006.00200.x>
- Mazri, K. F., Ismail, R. F., Arshad, R., & Kamaruzaman, A. (2018). Corporate Governance Attributes as Determinants of the Islamic Social Reporting of Shariah-compliant

- Companies in Malaysia. *International Journal of Economics and Management*, 12(SI), 169–180.
- Othman, R., Thani, A. M., & Ghani, E. K. (2009). Determinants of Islamic social reporting among top Shariah -approved companies in Bursa Malaysia. *Research Journal of International Studies*, 12(12), 4–20.
- Ousama, A., & Fatima, A. H. (2010). Voluntary disclosure by Shariah approved companies: an exploratory study. *Journal of Financial Reporting and Accounting*, 8(1), 35–49. <https://doi.org/10.1108/19852511011055943>
- Rahman, F. K., Tareq, M. A., Yunanda, R. A., & Mahdzir, A. (2017). Maqasid Al-Shari'ah- based performance measurement for Halal industry. *Humanomics*.
- Securities Commission. (2001). *Capital market masterplan Malaysia*.
- Securities Commssion. (2017). *Islamic fund and wealth management blueprint*.
- Sulaiman, M. (2005). *Islamic corporate reporting: Between the desirable and the desired*. International Islamic University Malaysia.
- Sulaiman, M., & Willet, R. (2001). Islam , economic rationalism and accounting. *The American Journal of Islamic Social Sciences*, 18(2), 1–36.
- Wan Ismail, W. A., Kamarudin, K. A., & Sarman, S. R. (2015). The quality of earnings in Shari'ah compliant companies:evidence from Malaysia. *Journal of Islamic Accounting and Business Research*, 6(1), 19–41. [https://doi.org/10.1108/S1871-3173\(2013\)0000007004](https://doi.org/10.1108/S1871-3173(2013)0000007004)
- Yang, L., & Yaacob, Z. (2012). A comparative analysis of corporate social disclosure of top listed companies in China and Malaysia. *World Review of Business Research*, 2(2), 45–61.