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CSR at the Core: Perspectives on Islamic and Conventional Financial Institutions in Emerging Markets

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ABSTRACT

Concerns about corporate social responsibility (CSR) have emerged for several reasons related to the change in the CSR agenda and international compliance. This study presents new evidence by investigating the perceptions of CSR practices among executives of Islamic and conventional financial institutions in Malaysia, a prominent financial hub and partner for Middle Eastern, Central Asian, and European markets. The paper employs a mixed methods approach, where a survey questionnaire covering 27 Islamic and 20 conventional financial institutions builds upon the findings of a stratified random sample. Probit regression is applied to test the effect of executives' attributes on the importance of different elements of their perceived CSR. The findings challenge a prevailing CSR view that underplays the importance of values and responsibilities. Overall, the results show that executives' pay close attention to ethical considerations, contrary to longstanding prior results. Findings reflect stakeholders' interest in corporate environmental, social, and governance (ESG) practices, prompting businesses to align with long-term social and ethical values beyond financial returns. The Covid-19 pandemic incited new roles and responsibilities in business, giving rise to new roles and responsibilities beyond the bottom-line results. This paper adds to literature on CSR in financial institutions providing insight on the impact of executives' attributes.

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It provides a clear understanding of CSR in Islamic and conventional financial institutions grounded in the framework of stakeholder theory.

Keywords: Corporate social responsibility (CSR), developing countries, emerging markets, executives' demographics, financial institutions, Islamic finance

INTRODUCTION

Concerns about corporate social responsibility (CSR) have emerged for several reasons related to the change in the CSR agenda and international compliance. Unethical practices directly affect investors' confidence[1] (Abdel Rahman et al., 2011; Brogi & Lagasio, 2019; Wilson, 2000). Concerns for corporate social responsibility (CSR) have been raised by changes to CSR agenda and international compliance. In turn, this has caused shareholders to scrutinise social and environmental aspects more closely. Furthermore, the Covid-19 pandemic *per se* incited new roles and responsibilities in business. The pandemic has given rise to new roles and responsibilities of business beyond the bottom-line results. It reflects investors' interest in corporate environmental, social, and governance (ESG) practices, prompting businesses to align with long-term social and ethical values beyond financial returns[2].

The social responsibility of corporations and their role in responding to the welfare of society is of paramount importance. Financial institutions act as a catalyst in bringing about this transformation in CSR. The rapid growth of Islamic financial institutions (IFIs, thereafter) globally shows how these institutions can contribute to progressing social responsibility in businesses. Aribi and Arun (2015) state that the demand for investments aligned with Islamic ethical principles fuels the growth of IFIs. However, academic research on CSR in Islamic financial institutions (IFIs) is limited. To address that lacuna, this paper addresses CSR practices in Malaysia, a prominent financial hub for Middle Eastern, Central Asian, and European markets. The twin objectives of this study are (i) to contribute to CSR developments within the framework of Shari'ah and (ii) to identify areas where positive outcomes might be enhanced.

To this end, a questionnaire survey covering 27 Islamic and 20 conventional financial institutions assesses (1) the levels of CSR understanding among finance executives, (2) the influence of demographic characteristics on CSR orientations, and (3) the motivations behind CSR engagement. Hence, the study intends to inform decision-makers about their involvement in CSR practices. Contrasting with the CSR pyramid proposed by Carroll (1979), we set a different hierarchy of importance: 1) ethical responsibility, 2) legal responsibilities, and 3) economic responsibilities. By our judgment, we set a lower priority on legal responsibilities, and we challenge the notion argued by Visser (2008) that ethical responsibilities have relatively less importance in emerging markets.

The contribution of this study is twofold: First, it contributes to the existing CSR literature. There is limited knowledge of how executive demographics such as gender, age, experience and ethnicity can influence CSR perceptions in the Islamic financial sector. Filling this gap can enhance insights aligned with global sustainability. In recent years, significant conceptual developments in CSR include developing new tools and enhancing existing guidelines. These include disseminating the ISO 26000 Guidance on Social Responsibility in 2010[3], the release of the updated OECD Guidelines for Multinational Enterprises in 2011[4], and the publication of the UN Sustainable Development Goals of the 2030 Agenda in 2015[5]. Secondly, the empirical findings of this study provide valuable insights into how CSR is perceived in IFIs and conventional institutions grounded in the framework of stakeholder theory in a developing country such as Malaysia. Our findings reveal that executives in Islamic and conventional financial institutions consider ethical and moral elements highly important. However, the results indicate interesting demographic differences between executives in their attitudes to CSR.

The remainder of the paper is organised as follows: Section 2 provides the related literature and hypothesis development; Section 3 presents the research design; Section 4 presents and discusses our findings; and Section 5 concludes.

LITERATURE AND HYPOTHESES DEVELOPMENT

Country Background and Industry Specifics

Among 13 countries identified in the 2008 Growth Report of the Commission on Growth and Development, Malaysia was among the first to have experienced average annual growth above 7% over 25 years.[7] The financial services sector is among the largest in Malaysia. With digitalisation and a commitment to foster further financial inclusion, this sector is gaining prominence as an agent for financial inclusivity. In 2022, around 375 thousand people were employed, an increase from 349 in 2015 (Figure 1).

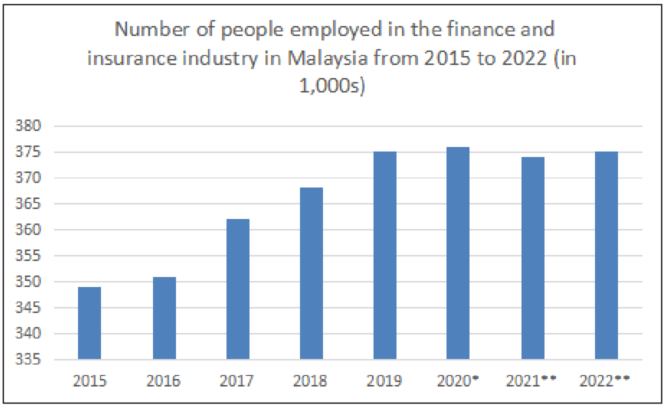

Figure 1. The number of people employed in financial services sector in Malaysia

The Federation of Malaysian Consumers Association, Consumers Association of Penang, and the World-Wide Fund for Nature (WWF) of Malaysia are viewed as non-government pioneers of CSR. To encourage companies to commit to the CSR agenda, the Professional Association of Chartered Certified Accountants (ACCA) initiated the Malaysia Environmental and Reporting Awards (MESRA) (Hamid et al., 2014). In 2006, a set of CSR guidelines, was introduced (the 'Silver Book'). In that same year, Bursa Malaysia launched its CSR.

In 2017, Bank Negara Malaysia introduced the Value-Based Intermediation (VBI) policy for Islamic finance. Although this policy resembles Environmental, Social and Corporate Governance (ESG) and Ethical Finance and Sustainable and Responsible Impact Financing (SRI), its primary difference is the relevance of Shariah. In going further that Shariah, VBI goes further embraces practices, conduct and offerings that, while remaining consistent with shareholders' long-term interests,[8] benefit the community and environment.

Recognising that an efficient market rewards firms that embrace ethical and governance practices (Nalband & Al-Amri, 2013), the Malaysian government has been promoting social responsibility, enabling firms with good practices to raise more capital, both domestically and internationally. The belief had been that Malaysian firms were generally slow in responding to initiatives (Chapple & Moon, 2005).

Early investigations of CSR in Malaysia - Ostlund (1977) and Teoh and Thong (1984) –showed companies to be more concerned with human resources and the contribution of product/service, and to be less concerned with social information. Later studies place greater emphasis on the development of CSR disclosure (e.g., Abdul & Ibrahim, 2002).

Evolution of CSR Practices

From a single focus on maximising shareholder value, CSR grew to include managers, employees, and the wider society. Its practices now incorporate social, economic, legal, ethical and philanthropic aspects. From the 1980s onwards, management's attention spread to include occupational health, safety and 'responsible care'. Most recently CSR has been extended to include corporate governance codes and a Global Reporting Initiative (GRI). There is now an abundance of codes, guidelines and standards. Kumar and Srivastava (2022) explain how CSR has undergone many changes. Where the 'CSR Pyramid' (Carroll, 1991; 1999; 2000) itemised economic, ethical, legal, and discretionary responsibilities, Dahlsrud (2008) incorporates principles relating to the environment generally. Emphasis on ethical dimensions is reinforced by Sarkar and Searcy (2016). Kumar and Srivastava (2022) place particular emphasis on the legal dimension. Where CSR is now more focused on sustainability and stakeholders' dimensions, the foremost priority is afforded to owners, managers, customers, employees, and supply chain sustainability.

Theoretical Framework

Many researchers associate CSR agenda with stakeholder theory (see for example, Bai & Chang, 2015; Di Bella & Al-Fayoumi, 2016; Freeman, 1984), where the firm must pay attention to the interests, needs and rights of multiple stakeholders (i.e., community, customers, stockholders, employees and suppliers). However, this view is less progressive since balancing of different stakeholders' demands and objectives halts firm's profit maximisation and the interest of stockholders. Another alternative angle is by connecting CSR with the theory of the firm. According to this perspective, CSR is considered a form of business investment (Mcwilliams & Siegel, 2001). A firm creates a certain level of CSR by embodying its products and services with CSR characteristics (such as Green Sukuk (bond) for Islamic finance and ethical financing products).

CSR extends beyond profit to encompass environmental protection, employee care, ethical trading, and philanthropy (Darrag & El-Bassiouny, 2013). This contrasts with arguments that emphasise maximising shareholder profits within legal constraints (Falck & Heblich, 2007; Schwartz & Saiia, 2012). Among the incentives that motivate modern corporations to embrace social activity is the emergence of public standards for social performance e.g., (United Nations Global Compact), the influence of independent evaluations and rankings e.g., (Fortune's Most Admired Companies), and high-profile scandals involving prominent companies e.g., (Enron and Worldcom).

According to one set of arguments, non-economic motives undermine shareholder interests (Blowfield & Frynas, 2005), while general welfare is the government's responsibility (Klonoski, 1991). A general motivation to align profit maximisation with social and environmental objectives is that CSR enhances performance and long-term profitability (Bai & Chang, 2015). Many other studies show a positive link between CSR involvement and financial performance (Joyner & Payne, 2002; Margolis & Walsh, 2003).

Existing studies suggest the need to reorder Carroll's Pyramid based on specific circumstances (Crane & Matten, 2007). In developing countries, economic responsibility holds greater significance (Visser, 2006). Visser (2011) identifies political reforms, socio-economic factors, and cultural diversity/homogeneity as critical drivers of CSR. However, research on the structures of Carroll's Pyramid and the link between CSR elements in emerging markets and IFIs is limited. Further research is necessary to fill this gap.

From a systematic literature review for 1995-2020, Shu et al. (2022) show that, Islamic values are relevant to CSR practices in banking. There are four themes: (1) Islamic narratives that promote CSR; (2) Islam-based CSR; (3) Islamic financial institutions as enablers of CSR; and (4) stakeholders' perspectives on how Islamic values influence CSR. Asutay (2013) argues that Islam drives such values such as 'social good', 'good governance', 'environmental concern' and 'ethical individual and organisational behaviour'. Platonova et al. (2018) see the practice of CSR as an extension of Islamic ethics.

Hypotheses Development

Several studies indicate that awareness of CSR is growing e.g., (Abdul Hamid, 2004; Broadstock et al., 2019). These generally show awareness to be growing. In Islamic banking, disclosure is not merely a financial reporting mechanism but also has non-economic consequences for stakeholders, including trust, satisfaction, and loyalty (El-Halaby et al., 2018). Islamic financial institutions should not be treated as identical to conventional institutions (Abou-El-Sood & El-Ansary, 2017). Furthermore, Malaysian firms are motivated by government promotions.to engage in CSR practices. We use Carroll's (1979, 1991) model to identify significant elements of the CSR framework and to examine whether that model holds for IFIs in an emerging market context.

Where gender-based differences have been used to explain ethical attitudes (Panwar et al., 2010; Wang et al., 2020), other studies also indicate gender to be an important determinant of concerns for social and environmental issues (Al-Simadi, 2013; Bear et al., 2010; Cheah et al., 2011; Giannarakis, 2014; Liao et al., 2015; Setó-Pamies, 2015; Tippet, 2001; Wall, 1995; Yasser et al., 2017; Abou-El-Sood, 2019; 2021; ElMassah & Abou-El-Sood, 2022) show females to have stronger commitments to CSR. Where Zou et al. (2018) view higher engagement as altruistic, Shamil et al. (2014) find gender to have no significance. Motivated by those differences, we apply the following hypothesis:

> H_{01}: The perception, as to how CSR affects Islamic/conventional institutional performance, differs according to the gender of the executive responding.

That older people tend to be more conservative in their ethical standpoints (Serwinek, 1992; Jing & Moon, 2021), motivates the second hypothesis:

> H_{02}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly according to the age group of the executive.

There are a few studies that investigate the impact of ethnicity on a firm's commitment towards social responsibility. The association of CSR with the composition of ethnic groups is a relatively new development. Other, more limited investigations, relate to the relevance of CSR across different geographical areas (Samdahl & Robertson, 1989; Panwar et al., 2010) finds that social and environmental issues are valued more highly in rural areas. To address these views, we raise the following hypothesis:

> H_{03}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly with differences in ethnic groups.

Less attention had been given to the connection between of CSR with religious belief (ElMassah and Abou-El-Sood, 2022). Tan and Komaran (2006) test the relation between religion and CSR perception in Singaporean companies. Their findings are that religious beliefs shape distinctive perceptions. Therefore, the fourth hypothesis conjectures the following:

> H_{04}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly between religious beliefs.

Regarding the relationship between work experience and CSR, where Tan and Komaran (2006) show social, environmental, and philanthropic responsibilities to be rated highly by those with extensive work experience, Serwinek (1992) and Gunawan and Putra (2014) do not find such a relationship. We pose the following hypothesis:

> H_{05}: The perception of an executive, as to how CSR affects Islamic/conventional institutional performance, differs significantly with differences in work experience.

MATERIALS AND METHODS

Survey Design and Data

In the first phase, the questionnaire investigates the attitudes of respondents towards CSR. Cross-section analysis is applied to executives at IFIs and conventional financial institutions (CFIs) in Malaysia. Drawn from the Bank Negara Malaysia's (Central Bank of Malaysia) lists of licensed financial institutions, the sample covers four areas: Islamic banks, *takaful* (Islamic insurance) companies, conventional banks, and insurance companies (Table 1). An initial distribution of 540 questionnaires was followed by e-mails and telephone calls. All questionnaires were anonymous and treated confidentially.

Table 1
List of sample financial institutions

No.	Islamic Financial Institutions		No.	Conventional Financial Institutions	
	Islamic Banks	**Ownership**		**Conventional Banks**	**Ownership**
1	Affin Islamic Bank Berhad	Local	1	Affin Bank Berhad	Local
2	Al Rajhi Banking & Investment Corporation (Malaysia) Berhad	Foreign	2	Alliance Bank Berhad	Local
3	Alliance Islamic Bank Berhad	Local	3	AmBank Berhad	Local
4	AmBank Islamic Berhad	Local	4	CIMB Bank Berhad	Local
5	Asian Finance Bank Berhad	Foreign	5	HSBC (Malaysia) Berhad	Foreign
6	Bank Islam Malaysia Berhad	Local	6	Hong Leong Bank Berhad	Local
7	Bank Muamalat Malaysia Berhad	Local	7	Maybank Berhad	Local
8	CIMB Islamic Bank Berhad	Local	8	OCBC Bank Berhad	Foreign

Table 1 (*continued*)

No.	Islamic Financial Institutions		No.	Conventional Financial Institutions	
	Islamic Banks	**Ownership**		**Conventional Banks**	**Ownership**
9	HSBC Amanah (Malaysia) Berhad	Foreign	9	Public Bank Berhad	Local
10	Hong Leong Islamic Bank Berhad	Local	10	RHB Bank Berhad	Local
11	Kuwait Finance House (Malaysia) Berhad	Foreign	11	Standard Chartered Bank Berhad	Foreign
12	Maybank Islamic Berhad	Local			
13	OCBC Al-Amin Bank Berhad	Foreign			
14	Public Islamic Bank Berhad	Local			
15	RHB Islamic Bank Berhad	Local			
16	Standard Chartered Saadiq Berhad	Foreign			
	Takaful Companies			**Insurance Companies**	
17	AIA Public Takaful Berhad	Foreign	12	AIA Public Berhad	Foreign
18	AmMetLife Takaful Berhad	Local	13	AmMetLife Berhad	Local
19	Etiqa Takaful Berhad	Local	14	Etiqa Berhad	Local
20	Great Eastern Takaful Berhad	Foreign	15	Great Eastern Berhad	Foreign
21	HSBC Amanah Takaful (Malaysia) Berhad	Local	16	HSBC Amanah (Malaysia) Berhad	Local
22	Hong Leong MSIG Takaful Berhad	Local	17	Hong Leong MSIG Berhad	Local
23	Prudential BSN Takaful Berhad	Local	18	Prudential BSN Berhad	Local
24	Sun Life Malaysia Takaful Berhad	Local	19	Sun Life Malaysia Berhad	Local
25	Syarikat Takaful Malaysia Berhad	Local	20	Zurich Takaful Berhad	Local
26	Takaful Ikhlas Berhad	Local			
27	Zurich Takaful Malaysia Berhad	Local			

A 67% response rate delivered 360 returns, which compares favourably with similar studies.[9]

The five-point Likert scale (1 strongly agree; 5 strongly disagree) is applied to sixteen items of a three-section survey: attitudes to Carroll's CSR pyramid; motivations to engage in CSR activities; the relevance of gender, age group, ethnicity, religion, and work experience.

Models

To test an association between respective perceptions of four CSR elements (Carroll, 1979; 1991) and executive-specific characteristics, four probit regression models are applied: to economic responsibility, social responsibility, ethical responsibility, and philanthropic responsibility.

$$\mathrm{EconResp}_{ij} = \partial_1 + \partial_2\mathrm{Gen}_{ij} + \partial_3\mathrm{Age}_{ij} + \partial_4\mathrm{Ethn}_{ij} + \partial_5\mathrm{Rlg}_{ij} + \partial_6\mathrm{Exp}_{ij} + \partial_7\mathrm{Own}_{ij} + \varepsilon_{ij} \quad [1]$$

$$\mathrm{LegResp}_{ij} = \beta_1 + \beta_2\mathrm{Gen}_{ij} + \beta_3\mathrm{Age}_{ij} + \beta_4\mathrm{Ethn}_{ij} + \beta_5\mathrm{Rlg}_{ij} + \beta_6\mathrm{Exp}_{ij} + \beta_7\mathrm{Own}_{ij} + \varepsilon_{ij} \quad [2]$$

$$\mathrm{EthicResp}_{ij} = \gamma_1 + \gamma_2\mathrm{Gen}_{ij} + \gamma_3\mathrm{Age}_{ij} + \gamma_4\mathrm{Ethn}_{ij} + \gamma_5\mathrm{Rlg}_{ij} + \gamma_6\mathrm{Exp}_{ij} + \gamma_7\mathrm{Own}_{ij} + \varepsilon_{ij} \quad [3]$$

$$\mathrm{PhilResp}_{ij} = \delta_1 + \delta_2\mathrm{Gen}_{ij} + \delta_3\mathrm{Age}_{ij} + \delta_4\mathrm{Ethn}_{ij} + \delta_5\mathrm{Rlg}_{ij} + \delta_6\mathrm{Exp}_{ij} + \delta_7\mathrm{Own}_{ij} + \varepsilon_{ij} \quad [4]$$

Where, each dependent variable is measured as the mean score for the relevant questions (economic/legal/ethical/philanthropic) for respondent *i* at firm *j*; Gen_{ij} is a dummy variable that equals 1 if respondent *i* at firm *j* is a male and 0 otherwise; Age_{ij} is a dummy variable that represents age group of below 30, 31-40, 41-50, and above 51; $Ethn_{ij}$ is a dummy variable that represents ethnicity groups of Malay, Chinese, and Indian; Rlg_{ij} is a dummy that represents religion of Buddhism, Christianity, Hinduism, Islam, and Other; Exp_{ij} is a dummy variable that represents work experience of ≤ 5 years, 6-10 years, 11-15 years, 16-20 years, and ≥ 21 years; and Own_{ij} is a control variable representing ownership structure and is measured as a dummy variable that equals 1 if the firm *i*, of respondent *j*, is dominated by foreign investment and 0 otherwise.

RESULTS AND DISCUSSION

Descriptive Statistics

Figure 2 depicts differences in the hierarchy of CSR elements, between Carroll's CSR pyramid and the findings from IFIs and CFIs. The figure reveals that greatest emphasis is placed on ethical responsibilities, thereafter, followed by philanthropic responsibilities, legal responsibilities, and economic responsibilities.

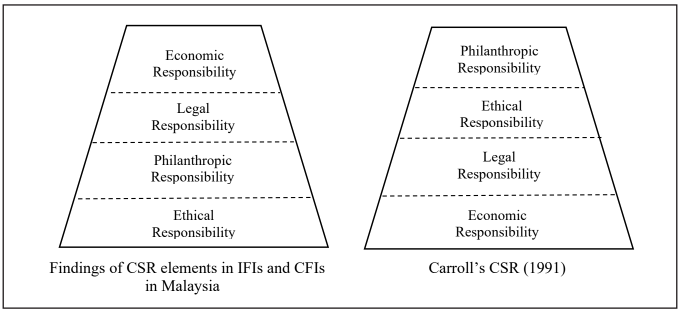

Figure 2. Comparison of CSR elements

As indicated in Table 2, of sample respondents are 73.3% male and 26.7% female. Where those aged 31-40 and 41-50 years comprise 75.9% of the sample, 8.9% of respondents were under 30 years old and 15.2% were over 50 years old. The study is dominated by the opinion of middle-aged respondents. In regard to ethnic groups, a majority of respondents are Malay (65.3%), followed by Chinese (23%), and Indians (10.3%). Most the respondents (65.8%) are Muslims followed by Buddhists, Christians, Hindus and other religions (13.9%, 12.5%, 5.3% and 2.5%, respectively). Almost 80% of respondents had over 10 years of work experience.

Table 2
Profile of respondents (n = 360)

Profile	Islamic Financial Institutions		Conventional Financial Institutions		Total	
	Frequency	Percentage (%)	Frequency	Percentage (%)	Frequency	Percentage (%)
Gender						
Female	43	23.1	53	30.5	96	26.7
Male	143	76.9	121	69.5	264	73.3
Age Group						
Below 30	11	5.9	21	12.1	32	8.9
31-40	69	37.1	63	36.2	132	36.7
41-50	79	42.5	62	35.6	141	39.2
Above 51	27	14.5	28	16.1	55	15.2
Ethnicity						
Chinese	46	24.8	37	21.3	83	23.0
Indian	14	7.5	23	13.2	37	10.3
Malay	126	67.7	109	62.6	235	65.3
Others	0	0	5	2.9	5	1.4
Religion						
Buddhism	23	12.4	27	15.5	50	13.9
Christianity	21	11.3	24	13.8	45	12.5
Hinduism	8	4.3	11	6.3	19	5.3
Islam	128	68.8	109	62.6	237	65.8
Others	6	3.2	3	1.7	9	2.5
Work Experience						
≤ 5 years	11	5.9	12	6.9	23	6.4
6-10	24	12.9	29	16.7	53	14.7
11-15	40	21.5	40	23.0	80	22.2
16-20	37	19.9	37	21.3	74	20.6
≥ 21 years	74	39.8	56	32.2	130	36.1
Number of Respondents	n = 186		n = 174		n = 360	

Survey Results

Table 3-A indicates the motivations of CSR of participants in IFIs and CFIs. With a mean value of 4.39, 'increase community trust and support' is ranked highest. Thereafter follows 'enhance public image and reputation' (4.33), 'increase competitive advantage' (3.91) and 'personal ethical and cultural tradition' (3.63).

Rankings for the motivation for good CSR practices in CFIs are: 'increase community trust and support' (mean 4.27), 'enhance public image and reputation' (4.21), 'increase competitive advantage' (3.78), 'religious responsibility' (3.75) and 'personal ethical and cultural tradition' (3.59). Overall, internal factors, ethical values, and religious beliefs rank highly.

Table 3-B records the motivations to apply CSR practices in IFIs. Over 90% of respondents deliver high rankings for 'increase community trust and support' and 'enhance public image and reputation' (respective mean values 4.39 and 4.33). Respective standard deviations are 0.642 and 0.703. Least important drivers for CSR involvement were 'pressure from government', 'international regulations' and 'pressure from special interest groups/NGOs' (respective mean values of 2.96, 2.88, and 2.79). Those motivations derive from the highest number of 'undecided' respondents (respectively 91, 90 and 89 of 186).

Table 3-A
Analysis of motivations to apply CSR practices

Items	Islamic Financial Institutions			Conventional Financial Institutions			T-test Differences in Means
	Mean	**Std. Deviation**	**Rank**	**Mean**	**Std. Deviation**	**Rank**	
Increase community trust and support	4.39	0.642	1	4.27	0.600	1	0.06
Enhance public image and reputation	4.33	0.703	2	4.21	0.648	2	0.08
Increase competitive advantage	3.91	0.794	3	3.78	0.899	3	0.14
Personal ethical and cultural tradition	3.63	0.783	4	3.59	0.819	4	0.66
Matching of social needs to corporate skill and ability to help	3.60	0.731	5	3.40	0.880	5	0.02*
Religious responsibility	3.56	1.050	6	3.75	1.065	6	0.08
Increase profitability	3.42	0.957	7	3.36	1.037	7	0.56
Pressure from local community	3.06	0.960	8	3.07	0.935	8	0.92
Pressure from government	2.96	0.966	9	3.21	0.787	9	0.01**0
Pressure from international regulations	2.88	0.911	10	3.18	0.874	10	0.00
Pressure from special interest groups/NGOs	2.79	0.841	11	2.76	0.918	11	0.73

*p<0.05, **p<0.0

Table 3-B
Detailed evaluation of motivation to apply CSR practices in Islamic financial institutions

Items	n	Not Important/ Less Important	Neutral	Very Important/ Important	Mean	SD
Increase community trust and support	186	2	10	174	4.39	0.64
Enhance public image and reputation	186	5	10	171	4.33	0.70
Increase competitive advantage	186	9	40	137	3.91	0.79
Religious responsibility	186	15	53	118	3.63	0.78
Personal ethical and cultural tradition	186	14	54	118	3.60	0.73
Matching of social needs to corporate skill and ability to help	186	31	53	102	3.56	1.05
Increase profitability	186	28	67	91	3.42	0.96
Pressure from government	186	53	66	67	3.06	0.96
Pressure from international regulations	186	48	91	47	2.96	0.97
Pressure from local community	186	52	90	44	2.88	0.91
Pressure from special interest groups/NGOs	186	63	89	34	2.79	0.84

Note. SD standard deviation

Table 3-C records the motivations to apply CSR practices in CFIs. Over 93% of respondents deliver high rankings for ‘increase community trust and support’ and ‘enhance public image and reputation’ (respective mean values of 4.27 and 4.21). Respective standard deviations are 0.60 and 0.65. Least important drivers for CSR involvement were ‘pressure from government’, ‘international regulations’, ‘pressure from local community’ and ‘pressure from special interest groups/ NGOs. Those motivations derive from the highest number of ‘undecided’ respondents (respectively 95, 99, 73 and 72).

Table 4-A records the overall evaluation of CSR elements in IFIs and CFIs. Descriptive analysis for each CSR element was drawn from 16 statements listed in the questionnaire. The results reveal that ‘ethical responsibilities’ and ‘philanthropic responsibilities’ have a mean score of 4.00 and above for both IFIs and CFIs. ‘Treating all employees and job applicants equally without discrimination’, and ‘avoid any projects or activities involving alcohol, drugs and gambling’ receive the highest score from respondents working in both financial institutions. ‘Legal responsibilities’ and ‘economic responsibilities’ ranked as least important CSR elements. Overall, evaluation of CSR elements in Table 8 indicates a similar pattern with respondents from both financial institutions.

Table 3-C
Detailed evaluation of motivation to apply CSR practices in conventional financial institutions

Items	n	Not Important/ Less Important	Neutral	Very Important/ Important	Mean	SD
Increase community trust and support	174	1	11	162	4.27	0.60
Enhance public image and reputation	174	4	10	160	4.21	0.65
Increase competitive advantage	174	13	45	116	3.78	0.89
Religious responsibility	174	22	44	108	3.75	1.07
Personal ethical and cultural tradition	174	17	54	103	3.59	0.82
Matching of social needs to corporate skill and ability to help	174	20	63	91	3.40	0.88
Increase profitability	174	26	68	80	3.36	1.04
Pressure from government	174	25	95	47	3.21	0.79
Pressure from international regulations	174	28	99	47	3.18	0.87
Pressure from local community	174	42	73	59	3.07	0.94
Pressure from special interest groups/NGOs	174	68	72	34	2.76	0.92

Note. SD standard deviation

Table 4-A
Overall evaluation of CSR elements in Islamic and conventional financial institutions

CSR Element	Statement	Islamic Financial Institutions		Conventional Financial Institutions		T-test Differences in Means
		Mean	SD	Mean	SD	
Ethical Responsibilities	Treat all employees and job applicants equally without discrimination	4.30	0.867	4.28	0.765	0.82
	Avoid any projects or activities involving alcohol, drugs and gambling	4.13	1.129	4.14	1.135	0.98
	Respect and understand ethics and cultural diversity among difference ethnic groups	3.83	0.844	3.75	0.868	0.37
	Ensure that the respect for ethical values has priority over economic performance	3.66	0.936	3.49	0.948	0.10

Table 4-A (*continued*)

CSR Element	Statement	Islamic Financial Institutions		Conventional Financial Institutions		T-test Differences in Means
		Mean	SD	Mean	SD	
Philanthropic Responsibilities	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	4.03	0.863	4.04	0.732	0.93
	Promote sustainable development activities	4.03	0.854	4.00	0.867	0.73
	Help to solve social problems such as poverty, crime and illiteracy	4.03	0.906	3.91	0.927	0.21
	Support charities and community projects even if there is probably no profit potential	3.74	0.970	3.60	0.880	0.16
Legal Responsibilities	Ensure that company's operations are in compliance with environmental laws and regulations	4.25	0.816	4.06	0.881	0.04*
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	3.96	0.946	3.88	0.834	0.41
	Pay tax and royalty consistently	3.79	0.967	3.68	0.956	0.27
	Refrain from putting aside their contractual obligation	2.91	0.908	2.97	0.818	0.57
Economic Responsibilities	Involve in social welfare activities if it creates competitive advantage	3.98	0.805	3.82	0.865	0.08
	Enhance corporate reputation and goodwill solely based on economic strength	3.38	1.148	3.40	0.997	0.82
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	2.52	1.097	2.70	1.067	0.12
	Emphasise profit maximisation rather than promoting corporate social responsibility	2.38	1.002	2.53	0.935	0.12

Note. SD standard deviation; $^*p<0.05$, $^{**}p<0.01$

Table 4-B gives detailed evaluation of CSR elements in IFIs. |For 'ethical responsibilities' most respondents in IFIs (156 out of 186 samples) agreed that 'treating all employees and job applicants equally without discrimination' is most important. 'Ensuring that respect for ethical values has priority over economic performance' had the lowest mean score (3.66).

As shown in Table 4-C, ethical and philanthropic elements registered high levels of agreement from respondents in CFIs,

Table 4-B
Detailed evaluation of CSR elements in Islamic financial institutions

CSR Element	Statement	n	Strongly Disagree/ Disagree	Undecided	Strongly Agree/ Agree	Mean	SD
Ethical Responsibility	Treat all employees and job applicants equally without discrimination	186	7	23	156	4.30	0.87
	Avoid any projects or activities involving alcohol, drugs and gambling	186	20	23	143	4.13	1.13
	Respect and understand ethics and cultural diversity among difference ethnic groups	186	11	45	130	3.83	0.84
	Ensure that the respect for ethical values has priority over economic performance	186	20	58	108	3.66	0.94
Philanthropic Responsibility	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	186	9	33	144	4.03	0.86
	Help to solve social problems such as poverty, crime and illiteracy	186	7	38	141	4.03	0.85
	Promote sustainable development activities	186	14	22	150	4.03	0.91
	Support charities and community projects even if there is probably no profit potential	186	20	43	123	3.74	0.97
Legal Responsibility	Ensure that company's operations are in compliance with environmental laws and regulations	186	6	20	160	4.25	0.82
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	186	11	42	133	3.96	0.95
	Pay tax and royalty consistently	186	15	50	121	3.79	0.97
	Refrain from putting aside their contractual obligation	186	50	98	38	2.91	0.908
Economic Responsibility	Involve in social welfare activities if it creates competitive advantage	186	8	32	146	3.98	0.81
	Enhance corporate reputation and goodwill solely based on economic strength	186	48	45	93	3.38	1.15
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	186	96	55	35	2.52	1.09
	Emphasise profit maximisation rather than promoting corporate social responsibility	186	115	42	29	2.38	1.00

Note. SD standard deviation

Table 4-C
Detailed evaluation of CSR elements in conventional financial institutions

CSR Element	Statement	n	Strongly Disagree/ Disagree	Undecided	Strongly Agree/ Agree	Mean	SD
Ethical Responsibility	Treat all employees and job applicants equally without discrimination	174	1	30	143	4.28	0.77
	Avoid any projects or activities involving alcohol, drugs and gambling	174	17	26	131	4.14	1.14
	Respect and understand ethics and cultural diversity among difference ethnic groups	174	12	53	109	3.75	0.87
	Ensure that the respect for ethical values has priority over economic performance	174	17	72	85	3.49	0.95
Philanthropic Responsibility	Allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged	174	3	34	137	4.04	0.73
	Help to solve social problems such as poverty, crime and illiteracy	174	12	41	121	3.91	0.93
	Promote sustainable development activities	174	13	20	141	4.00	0.87
	Support charities and community projects even if there is probably no profit potential	174	17	56	101	3.60	0.88
Legal Responsibility	Ensure that company's operations are in compliance with environmental laws and regulations	174	11	23	140	4.06	0.88
	Commit to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery	174	9	42	123	3.88	0.83
	Pay tax and royalty consistently	174	15	65	94	3.68	0.96
	Refrain from putting aside their contractual obligation	174	34	109	31	2.97	0.82
Economic Responsibility	Involve in social welfare activities if it creates competitive advantage	174	11	44	119	3.82	0.87
	Enhance corporate reputation and goodwill solely based on economic strength	174	35	58	81	3.40	0.99
	Disregard social and environmental responsibility involvement if it negatively affects financial performance	174	80	57	37	2.70	1.07
	Emphasise profit maximisation rather than promoting corporate social responsibility	174	81	66	27	2.53	0.94

Note. SD standard deviation

as compared with legal and economic elements. For example, almost 80% of respondents agree that CFIs should treat employees equally without discrimination and take part in philanthropic activities such as offering scholarship and donations to underprivileged community groups.

Respondents generally support the element of 'philanthropic responsibilities' (Table 4-B and Table 4-C), as also indicated by low values of standard deviations. Most respondents support the notion that businesses should 'allocate some of the profits for philanthropic activities such as offering scholarships and donations to the underprivileged', 'help to solve social problems such as poverty, crime, and illiteracy' and 'promote sustainable development activities.

Over 80% of respondents agreed with the statement 'ensure that company's operations follow environmental laws and regulations. Over half the respondents were undecided about 'refrain from putting aside their contractual obligations'. This might reflect the importance of valuing obligations as a core value in IFIs.

Most respondents agree that financial institutions should 'involve in social welfare activities if it creates competitive advantage'. Most respondents disagree with the statement 'emphasise profit maximisation rather than promoting corporate social responsibility'. Almost half the sample thought that IFIs and CFIs should 'disregard social and environmental responsibility involvement if it negatively affects financial performance'.

Table 5 is based on Carroll's pyramid of responsibilities. The CSR element perceived to have the most significance is ethical responsibility for both IFIs and CFIs (respective mean 15.92 and 15.67) followed by philanthropic responsibility (15.83 and 15.55), legal responsibility (14.91 and 14.59), and finally economic responsibility (12.25 and 12.45). High rankings for Ethical and philanthropic responsibilities, might imply that respondents (IFIs and CFIs) support contributions towards enhancing the society. This is consistent with the philosophical concept behind business organisations promoting social responsibilities, ethical and sustainability practices. Regardless of the ethnicity and demographic background, there was general agreement that IFIs and CFIs should emphasise morals and values. These findings are at variance with Visser (2008).

Table 6. shows the correlation between the four categories of responsibility (economic, legal, ethical, and philanthropic). Results from the respondents clearly show that all CSR elements in IFIs and CFIs in Malaysia are positively related at the 1% significance level.

From Table 7-A, there is only one statistically significant association between gender and CSR orientation in IFIs ($p<0.05$), which is legal responsibility. However, Table 7-B shows that there is a significant association between gender and economic and legal responsibilities ($p<0.01$).

Table 5
CSR score (mean, ranking and standard deviation)

	Islamic Financial Institutions			Conventional Financial Institutions			T-test Differences in Means
	Mean (Ranking)	**Standard Deviation**	**95% Confidence Interval**	**Mean (Ranking)**	**Standard Deviation**	**95% Confidence Interval**	
Economic Responsibility	12.25 (4)	2.51	11.88 to 12.61	12.45 (4)	2.51	12.08 to 12.83	0.44
Legal Responsibility	14.91 (3)	2.44	14.56 to 15.27	14.59 (3)	2.43	14.22 to 14.95	0.20
Ethical Responsibility	15.92 (1)	2.55	15.56 to 16.29	15.67 (1)	2.44	15.30 to 16.03	0.33
Philanthropic Responsibility	15.83 (2)	2.60	15.45 to 16.20	15.55 (2)	2.52	15.17 to 15.92	0.30

Table 6
Pearson correlation coefficient

	Islamic Financial Institutions				Conventional Financial Institutions			
Responsibilities	**Economic**	**Legal**	**Ethical**	**Philanthropic**	**Economic**	**Legal**	**Ethical**	**Philanthropic**
Economic								
Legal	0.243*				0.316*			
Ethical	0.287*	0.573*			0.210*	0.522*		
Philanthropic	0.222*	0.621*	0.785*		0.139*	0.500*	0.680*	

Note. * Highly significant correlations at the p<0.01 level

Table 7-A
ANOVA tests: The relationship between gender and CSR orientation (Islamic financial institutions)

	Gender				F-ratio	Sig.
	Female		Male			
	Mean	SD	Mean	SD		
Economic Responsibility	12.16	2.19	12.27	2.60	0.063	0.08
Legal Responsibility	14.28	2.50	15.10	2.39	3.885	0.05*
Ethical Responsibility	15.81	2.30	15.96	2.62	0.105	0.75
Philanthropic Responsibility	15.51	2.64	15.92	2.58	0.830	0.36

Note. SD standard deviation
*p<0.05

Table 7-B
ANOVA tests: The relationship between gender and CSR orientation (conventional financial institutions)

	Gender				F-ratio	Sig.
	Female		Male			
	Mean	SD	Mean	SD		
Economic Responsibility	11.40	2.10	12.92	2.54	14.64	0.00**
Legal Responsibility	13.79	2.73	14.93	2.21	8.51	0.00**
Ethical Responsibility	15.17	2.35	15.88	2.45	3.21	0.08
Philanthropic Responsibility	15.15	2.88	15.72	2.34	1.88	0.17

Note. SD standard deviation
**p<0.01

From Tables 8-A and 8-B, there is significant association between age group (both IFIs and CFIs) and economic and legal responsibilities ($p<0.01$). Respondents in the age group 'below 30' have better attitudes towards economic responsibility. Whilst respondent in the age group 'above 51' have better attitudes towards legal responsibility.

From Tables 9-A and 9-B, there is significant association between ethnicity and economic ($p<0.01$) and legal responsibilities ($p<0.05$). There is only one statistically significant association between ethnicity and CSR orientation in CFIs ($p<0.01$), which is economic responsibility.

Table 10-A shows a significant association between religion and CSR orientation. Results show that the attitude towards economic ($p<0.01$), legal ($p<0.01$) and ethical ($p<0.05$) responsibility are significantly associated with religion in IFIs. As for CFIs, Table 10-B shows that the attitudes towards economic ($p<0.01$) and legal ($p<0.01$) responsibilities are significantly associated with religion.

Table 8-A

The relationship between age group and CSR orientation (Islamic financial institutions)

	Age Group								F-ratio	Sig.
	Below 30		31-40		41-50		Above 51			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	13.71	1.62	11.97	2.36	12.72	2.52	10.96	2.58	5.18	0.00**
Legal Responsibility	14.73	1.19	14.67	2.91	14.67	2.18	16.33	1.71	3.73	0.01*
Ethical Responsibility	15.36	1.03	15.83	3.17	15.94	2.16	16.37	2.26	0.49	0.69
Philanthropic Responsibility	15.64	2.20	15.61	3.18	15.89	2.32	16.30	1.75	0.49	0.69

Note. SD standard deviation
*p<0.05, **p<0.01

Table 8-B

The relationship between age group and CSR orientation (conventional financial institutions)

	Age Group								F-ratio	Sig.
	Below 30		31-40		41-50		Above 51			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	14.14	2.35	12.29	2.15	12.31	2.29	11.89	3.23	4.01	0.00**
Legal Responsibility	14.71	2.24	14.25	2.49	14.91	2.27	16.11	2.25	4.94	0.00**
Ethical Responsibility	15.67	2.01	15.51	2.72	15.74	2.36	15.86	2.30	0.16	0.92
Philanthropic Responsibility	15.81	2.02	15.22	2.91	15.47	2.43	16.25	2.05	1.17	0.32

Note. SD standard deviation
**p<0.01

Table 9-A

The relationship between ethnicity and CSR orientation (Islamic financial institutions)

	Ethnicity								F-ratio	Sig.
	Chinese		Indian		Malay		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.02	2.11	10.71	1.73	12.87	2.48	0	0	13.54	0.00**
Legal Responsibility	15.26	2.06	16.14	2.03	14.65	2.56	0	0	3.05	0.05*
Ethical Responsibility	15.33	1.98	15.57	1.99	16.18	2.75	0	0	2.01	0.13
Philanthropic Responsibility	15.37	1.98	17.00	1.36	15.87	2.85	0	0	2.19	0.12

Note. SD standard deviation
*p<0.05, **p<0.01

Table 9-B
The relationship between ethnicity and CSR orientation (conventional financial institutions)

	Ethnicity								F-ratio	Sig.
	Chinese		Indian		Malay		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.29	2.09	11.78	2.45	12.89	2.46	14.60	3.21	5.97	0.00**
Legal Responsibility	14.62	2.29	14.48	2.45	14.50	2.48	16.80	1.30	1.47	0.23
Ethical Responsibility	15.27	1.74	15.52	2.76	15.83	2.47	15.60	4.51	0.52	0.67
Philanthropic Responsibility	14.97	2.06	15.61	2.84	15.62	2.55	17.80	2.77	2.04	0.11

Note. SD standard deviation
**p<0.01

Table 10-A
The relationship between religion and CSR orientation (Islamic financial institutions)

	Religion										F-ratio	Sig.
	Buddhist		Christian		Hindu		Muslim		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.00	1.73	10.19	2.40	11.25	0.88	12.88	2.47	12.00	1.79	8.53	0.00**
Legal Responsibility	14.70	1.49	16.86	1.77	15.50	2.45	14.64	2.54	14.00	2.37	4.42	0.00**
Ethical Responsibility	14.78	2.04	15.19	1.83	17.00	0.76	16.21	2.74	15.33	2.07	2.52	0.04*
Philanthropic Responsibility	15.09	1.95	15.90	1.76	17.00	1.69	15.88	2.83	15.67	2.73	0.90	0.47

Note. SD standard deviation
*p<0.05, **p<0.01

Table 10-B
The relationship between religion and CSR orientation (conventional financial institutions)

	Religion										F-ratio	Sig.
	Buddhist		Christian		Hindu		Muslim		Other			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	11.81	1.50	11.04	2.51	11.55	2.73	12.89	2.46	17.00	1.73	6.80	0.00**
Legal Responsibility	13.78	2.04	16.13	1.75	13.18	2.04	14.50	2.48	18.00	0.00	6.30	0.00**
Ethical Responsibility	14.89	1.80	15.75	2.80	15.45	2.62	15.83	2.47	16.67	2.31	0.97	0.43
Philanthropic Responsibility	14.67	1.94	15.88	2.88	15.91	2.21	15.62	2.55	16.67	4.04	1.16	0.33

Note. SD standard deviation
**p<0.01

Table 11-A
The relationship between work experience and CSR orientation (Islamic financial institutions)

	Working Experience										F-ratio	Sig.
	≤ 5 years		6-10 years		11-15 years		16-20 years		≥ 21 years			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	13.73	1.62	12.46	2.13	12.08	2.72	12.27	1.77	12.04	2.87	1.18	0.32
Legal Responsibility	14.73	1.19	14.38	2.79	14.53	3.23	14.92	1.88	15.32	2.18	1.09	0.36
Ethical Responsibility	15.36	1.03	15.83	2.48	15.50	3.69	16.24	2.13	16.11	2.13	0.66	0.62
Philanthropic Responsibility	15.64	2.20	15.96	3.09	15.40	3.48	15.32	1.99	16.30	2.12	1.26	0.29

Note. SD standard deviation

Table 11-B
The relationship between work experience and CSR orientation (conventional financial institutions)

	Working Experience										F-ratio	Sig.
	≤ 5 years		6-10 years		11-15 years		16-20 years		≥ 21 years			
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD		
Economic Responsibility	13.67	1.44	13.52	2.63	12.20	2.11	12.08	1.89	12.07	3.02	2.75	0.03*
Legal Responsibility	14.67	1.67	13.76	2.86	14.13	2.52	14.73	2.14	15.23	2.30	2.30	0.06
Ethical Responsibility	15.58	1.51	14.86	2.75	16.08	2.66	16.00	2.54	15.59	2.14	1.27	0.28
Philanthropic Responsibility	16.33	1.97	14.62	3.03	15.60	2.80	15.65	2.16	15.75	2.31	1.39	0.24

Note. SD standard deviation
*p<0.05

Table 11-A indicates an insignificant relationship between work experience and CSR elements in IFIs; *i.e.,* ethical and philanthropic responsibilities are not influenced by work experience. From Table 11-B, only the attitude towards economic responsibility is significantly associated with work experience ($p<0.05$) in CFIs. Respondents, with less than 5 years and between 6 to 10 years' work experience in CFIs, react more positively to economic responsibility (respective means 13.67 and 13.52).

Regression Results

Table 12 detail the probit regression analysis, which shows that gender significantly influences perceptions towards economic and legal responsibilities ($p<0.01$). Work experience is significant in all four aspects (economic, legal, ethical, and philanthropic).

Table 12
Logistic regression models

	Islamic Financial Institutions (IFIs)								Conventional Financial Institutions (CFIs)							
	Model (1) Economic		**Model (2) Legal**		**Model (3) Ethical**		**Model (4) Philanthropic**		**Model (1) Economic**		**Model (2) Legal**		**Model (3) Ethical**		**Model (4) Philanthropic**	
Intercept	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**
Gen_{ij}	1.82	.13	6.53**	.01	.22	.24	2.40	.38	5.52**	.00	3.89*	.03	1.59	.65	5.71	.09
Age_{ij}	1.60	.19	.53	.49	.44	.42	.41	.50	.63	.18	.29*	.04	.20	.15	.09*	.03
$Ethn_{ij}$	.53	.15	72.17	.99	.15	.41	16.53	1.00	1.42	.37	.42	.17	.64	.57	1.87	.64
Rlg_{ij}	.77	.28	.00	.99	6.49	.39	1.39	1.00	.75	.30	2.38	.13	.77	.69	.84	.83
Exp_{ij}	.55**	.01	1.93	.24	2.93	.10	3.40	.15	.77	.27	1.72	.17	4.94*	.03	6.29**	.01
Own_{i}	1.28	.62	10.56	.16	.22	.13	17.76	1.00	.71	.37	.83	.75	.68	.71	.48	.42
No. of obs.	186		186		186		186		174		174		174		174	
Pseudo R^2	.186		.333		.163		.260		.221		.138		.192		.277	

*p<0.05, **p<0.01

Table 12 (*continued*)
Logistic regression models (Overall sample)

	Model (1) Economic		**Model (2) Legal**		**Model (3) Ethical**		**Model (4) Philanthropic**	
Intercept	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**	**B**	**Sig.**
Gen_{ij}	2.84**	.00	4.11**	.00	.66	.56	2.94	.11
Age_{ij}	.98	.93	.33*	.02	.38	.15	.14*	.02
$Ethn_{ij}$	1.03	.92	1.03	.95	.48	.27	1.85	.60
Rlg_{ij}	.73	.06	1.06	.84	1.57	.39	1.23	.76
Exp_{ij}	.69*	.02	2.10*	.02	2.99*	.02	5.00**	.00
Own_{i}	.92	.77	1.02	.97	.55	.37	.86	.83
No. of obs.	360		360		360		360	
Pseudo R^2	.153		.116		.117		.199	

*p<0.05, **p<0.01

Overall results for male respondents in CFIs, indicate that economic and legal responsibilities are rated more highly than for their female counterparts in CFIs, while the difference in perception for males/females is more significant only for the legal dimension in IFIs. The only age group that shows significant differences in perception is executives below 30. They perceive legal and economic responsibilities more significantly in both CFIs and IFIs. In IFIs, executives with Malay ethnic background perceive economic responsibilities more significantly, while executives with Indian ethnic background perceive legal responsibilities more significantly. In CFIs, executives with other/mixed ethnicities perceive economic responsibilities as the sole significant dimension. Among executives in IFIs, Muslims significantly perceive economic responsibilities, Christians significantly perceive legal responsibilities, and Hindus significantly perceive ethical responsibilities. In CFIs, executives other than Buddhist/Christian/Muslim/Hindu significantly valuable economic responsibilities. In IFIs, there is no significant difference in executives' perception across CSR dimensions. However, in CFIs, executives with less work experience highly value the economic responsibilities dimension. Further analysis shows that in probability that these executives focus on the economic dimension is bigger in IFIs, while the probability that these executives focus on the ethical and philanthropic dimensions is bigger in CFIs.

CONCLUSION

The twin objectives of this paper are (i) to contribute to economic development within the framework of *Shariah*; (ii) to identify areas where positive social and ethical outcomes might be further improved. Our findings reveal that executives in both Islamic and conventional financial institutions consider ethical and moral elements to be highly important. They rank both ethical and philanthropic responsibilities highly. This questions the theoretical framework developed by Carroll (1979, 1991). The results indicate interesting demographic differences between executives in their attitudes to CSR.

The integration of ethics and philanthropy into Malaysian business operations is increasingly important. This trend is particularly evident in Islamic finance, where ethical and philanthropic business behaviour is upheld. It is considered important that IFIs have CSR policies and procedures in place that incorporate philanthropic, social, and ethical considerations, along with Shariah principles, into their business operations and core strategy. Executives in IFIs consider community support and public image to be important motivators for CSR engagement. Pressure from local governments, NGOs, and international regulations has less influence. Further empirical testing is required to assess the suitability of local and global CSR initiatives for IFIs and whether adaptation is necessary to align with the specific nature of these institutions.

Regardless of their demographic profile, the sample supports the relevance of ethical and philanthropic responsibilities.

Strong implications may be drawn for both industry and researchers. Embracing diversity among employees enhances organisational performance by providing new insights and perspectives. This has previously been emphasised for both IFIs and CFIs in Malaysia (Siciliano, 1996). In supporting workplace diversity and fostering synergy values, institutions can utilise the country's multi-ethnic, multicultural endowments. Demographic differences among employees can be strategically important in achieving CSR objectives.

The paper enhances our understanding of CSR theory, particularly in the context of the coexistence of CFIs and IFIs in a developing country. It challenges Carroll's classic CSR pyramid, as the CSR orientation in the Islamic financial industry and developing countries differs. Ethical responsibilities receive the highest emphasis, followed by philanthropy, legal, and economic responsibilities.

While the relevance of demographic characteristics to CSR has previously been explored (Amran et al., 2013; Liao et al., 2014; Wang et al., 2020), limited attention has been given to investigating their influence in the Islamic financial industry. This study begins to fill that gap as it paves the way for further research on diversity, culture, and ethnicity within the Islamic financial industry.

The rise of FinTech in Malaysia has led to increased investment in digital transformation, with the issuance of digital banking licenses by Bank Negara Malaysia (BNM) in 2022. Exploring the impact of digitalisation on CSR in the financial sector is crucial. It is important to examine how digitalisation can bring value to communities, enhance energy efficiency, promote a clean environment, and reduce waste. Additionally, future research should delve into the influence of demographic characteristics such as gender, age, work experience, ethnicity, and religious backgrounds on CSR decision-making within the dual banking system. Interviews and case studies can provide valuable insights into the complex interactions within financial institutions, particularly in the Islamic financial industry.

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JEL Classification

M14, G30, G21, G22, M41

EndNotes

1. Available at: https://www.ig.com/en/news-and-trade-ideas/top-10-biggest-corporate-scandals-and-how-they affected-share-pr-181101 (accessed 5 June 2021).
2. Available at: https://www.ey.com/en_us/assurance/why-esg-performance-is-growing-in-importance-for-investors (accessed 18 June, 2023).
3. To further read about ISO 26000 (2010) Guidance on social responsibility, see https://www.iso.org/standard/42546.html
4. To know more about the 2011 Update of the OECD Guidelines for Multinational Enterprises, see https://www.oecd/daf/inv/mne/oecdguidelinesformultinational enterprises
5. For further reading on the 17 UN goals on sustainable development, see https://sdgs.un.org/goals.
6. The first pillar, economic responsibility, entails that the existence of a business is motivated by profit maximisation and increasing shareholder value. Second, corporate legal responsibility embraces the expectation of their society to pursue their objectives within the framework of the law. Third, ethical responsibility refers to the ethical responsiveness of the business corporations towards what is right and wrong. The final pillar is philanthropic responsibility, which refers to the common desire to see business contributions in response to society's expectations. For further details, please see Carrol (1991).
7. The Growth Report (2008) can be accessed through the World bank website https://openknowledge.worldbank.org/handle/10986/6507
8. Available at: https://www.bnm.gov.my/banking-islamic-banking.
9. For example, a study conducted by Ahmad, et al. (2016) yielded 15.5 per cent, Darus, et al. (2014) and Iyigun (2013) yielded 21.4 per cent.

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APPENDIX QUESTIONNAIRE

Section 1: Corporate Social Responsibility

[Please tick (√) in an appropriate box]

1. Some academicians claim that different countries present a distinctive set of corporate social responsibility elements. Please indicate to what extent do you agree with the following statement?

I believe that business must:	Strongly Disagree ←			→	Strongly Agree
Disregard social and environmental responsibility involvement if its affect financial performance	1	2	3	4	5
Emphasising on profit maximisation rather than promoting corporate social responsibility					
Involve in social welfare activities if it creates competitive advantage					
Enhance corporate reputation and goodwill solely based on economic strength					
Committed to take action and disclose any violation of laws, regulations and policies such as abuse of power, fraud and bribery					
Refrain from putting aside their contractual obligation					
Paying tax and royalty consistently					
Ensure that company's operations are in compliance with environmental laws and regulations					
Ensure that the respect for ethical values has priority over economic performance					
Respect and understand ethics and cultural diversity among difference ethnic groups					
Treating all employees and job applicants equally without discrimination					
Integrating social and ethical environmental responsibility into organisation policy					
Allocate some of the profits for philanthropic activities					
Supporting charities and community projects even if there is probably no profit potential					
Help to solve social problems such as poverty, crime and illiteracy					
Promoting sustainable development activities					

2. In your opinion, what would be the motivation behind corporate social responsibility practices?

	Strongly Disagree ⟷ Strongly Agree				
Enhance public image and reputation	1	2	3	4	5
Increase community trust and support					
Pressure from international regulations					
Pressure from government					
Matching of social needs to corporate skill, need or ability to help					
Personal ethical and cultural tradition					
Pressure from special interest groups/NGOs					
Pressure of local community					
Increase profitability					
Religious responsibility					
Increase competitive advantage					

Section 2: Demographic information

[Please tick (√) in an appropriate box]

1. Please state your gender:
   - [ ] Male
   - [ ] Female

2. Please state your age group:
   - [ ] Below 30
   - [ ] 31-40
   - [ ] 41-50
   - [ ] Above 51

3. Please state your ethnicity:
   - [ ] Chinese
   - [ ] Indian
   - [ ] Malay
   - [ ] Others

4. Please state your religion:
   - ☐ Islam
   - ☐ Buddha
   - ☐ Hindu
   - ☐ Christian
   - ☐ Others (Please specify) __________________

5. Please state the number of years of your working experience:
   - ☐ 5 years and below
   - ☐ 6 – 10 years
   - ☐ 11 – 15 years
   - ☐ 16 – 20 years
   - ☐ More than 20 years

6. Please indicate the profile of company that you are representing:
   - ☐ Islamic financial institution
   - ☐ Conventional financial institution
   - ☐ Takaful/Islamic insurance company
   - ☐ Insurance (conventional) company