

# CSR practices of Palestinian Islamic banks: contribution to socio-economic development

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CSR practices  
of Palestinian  
Islamic banks

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## Abstract

**Purpose** – Corporate social responsibility (CSR) is an important corporate activity that affirms the importance of giving back to the community. This research aims to examine the CSR practices of Palestinian Islamic banks and their contribution to socio-economic development. There is an ongoing debate regarding Islamic financial institutions' profit motive versus their motivation to achieve human welfare. The Palestinian Islamic banks are not disconnected from this debate, and this paper aims to discuss this issue.

**Design/methodology/approach** – For the purpose of assessing the CSR practices of Palestinian Islamic banks, a secondary analysis of the banks' annual reports was carried out. In addition, 11 structured interviews were conducted with Islamic banks' practitioners at the decision-making level and with some of the banks' Shari'ah board members to gather their views on CSR. These have been analyzed in light of the actual CSR practices disclosed in each bank's annual reports.

**Findings** – The main research findings suggest that the CSR practice is highly valued by the Palestinian Islamic banks, but it is small and has marginal effects on the community's socio-economic development. Another important observation from report analysis is that Islamic banks have great potential for expansion, given that the demand for Islamic financial transactions is double of what Islamic banks currently offer. If Islamic banks live up to that opportunity, they could deliver more in CSR practices, which is their ultimate goal according to the majority of the interviewees.

**Originality/value** – Existing literature has presented findings on the CSR of Palestinian corporations in general, but there is no available literature on the CSR practices of Palestinian Islamic banks. This research attempts to fill in the gap by presenting preliminary findings on Palestinian Islamic banks' CSR practices.

**Keywords** Islam, corporate social responsibility, community development, Palestinian Islamic banks, Shari'ah objectives, socio-economic development

**Paper type** Research paper

## Introduction

Corporate social responsibility (CSR) is an important practice carried out by most of the large corporations in the world. CSR practices by corporations towards the communities they operate in are of great importance for the continuing development of the corporations regardless of the sector they operate in. Banks are one of the key components of the modern economic system, playing an essential role in the economic development of societies. Islamic banks, which were initially developed in Muslim-majority countries, have today expanded



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beyond Muslim borders. They are attractive to both conservative Muslim populations who consider the Islamic financial system as a financial alternative and to non-Muslims who want to explore the products and services of Islamic banking and finance.

CSR has become a fundamental pillar in the practices of banking and financial institutions. More pressure tends to fall upon Islamic banks to engage in social financing. One way that Islamic banks address the issue is by increasing their CSR practices. By doing so, they reduce the criticism that Islamic banks fail to achieve the main economic objective of Islam, which is improving human well-being, while focusing on profit sharing and risk management (Heles and Migdad, 2005; Asutay, 2007, Farooq, 2009). Islamic banks generally do not have a unified CSR framework to follow. That is certainly the case in Palestine and seems to hold true for other Islamic banks as well, some from the leading global hubs of Islamic finance and banking (Jusoh and Ibrahim, 2015).

The focus on banks is because they represent the largest financial institutions in the country. The bigger picture of human security protection in Palestine requires larger efforts that must include external players because of those countries' sensitivity and the long-lasting Israeli occupation. However, focusing only on Islamic banks' CSR practices makes it possible to draw relevant conclusions on the banks' role in socio-economic development. Furthermore, CSR is always mentioned in the annual reports of Palestinian Islamic banks, and the institutions' practices in that field are clearly pointed out and well elaborated based on the importance of giving back to the community.

In this paper, the practitioners' perspectives on Palestinian Islamic banks' CSR practices are investigated. There are four Islamic banks in Palestine. Three of them make their annual reports available to the public, while one bank does not. The banks differ in the ways they report their CSR practices. Not only that, they appear to have different perceptions of what CSR is.

In addition to the introduction, this paper is structured to cover:

- a review of previous studies;
- explanation of the research methodology;
- discussion of Palestinian Islamic banks' CSR based on an analysis of Islamic banks' annual reports;
- the perspective of Palestinian Islamic banks' practitioners on CSR and their contribution to socio-economic development; and
- the conclusion.

## **Background and review of previous studies**

### *Overview of Islamic banking in Palestine*

Following the establishment of the Palestinian National Authority (PNA) in 1994, a number of financial institutions were established, mainly banks. Several commercial, Islamic and specialized banks comprise the foundation of the banking system in Palestine. There are four Islamic banks in Palestine, two of which operate in the Gaza Strip and the West Bank, while the other two operate only in the Gaza Strip. Two of these banks are recognized by the PNA, while the other two are not, for reasons associated with rivalry and conflict between political parties. However, all four banks are active in the country and have an effect on local Palestinian socio-economic development. Therefore, all four banks are studied in this paper.

Islamic banks in Palestine have continued to grow despite the unfavourable economic system and the unsupportive policies of PNA towards the newly established Islamic banks. This indicates that there has been continuous demand for the services of Islamic banks and

financial institutions. The proportion of Islamic banking transactions is less than 9 per cent of the total banking sector in Palestine, and the estimated demand for Islamic banking services is 20 per cent (PIF, 2014, p. 42).

There is still no regulatory framework in Palestine that governs Islamic banks' activities separately from conventional transactions. The Palestinian Principal Law, enforced in 2002, is based loosely on the Shari'ah (Islamic law). However, the banking system is a combination of both conventional and Islamic modes of financing. Shari'ah-compliant financial transactions, as all other financial activities, are governed by the same legislation which is regulated by the Palestinian Monetary Authority (PMA), notably the Law of Jordan of 1966 and the PMA Law of 1997. In the Palestinian context, the PMA is an independent public institution responsible for monetary and banking policies.

Islamic financial institutions that operate in Palestine count on the Muslim population's desire to live a *halal* (Islamically permissible) life where investment, banking and insurance are all Shari'ah-compliant. One of the awareness sessions on the work of Islamic financial institutions in Palestine connected a "relieved life" with "banking and insurance being *halal*". It was also stressed that when the Islamic alternative is available, it has to be chosen over any other alternative. In Palestine, literacy rates and the understanding of Islamic teachings are relatively high. Palestinians understand the importance of Shari'ah compliance, and their demand for Islamic banking services is higher than what Islamic banks can currently offer (PIF, 2014). This is partly the reason why Islamic financial institutions are growing despite all odds.

#### *The importance of Islamic banking services in Palestine*

Roy (1999) and More (2008) describe how the Palestinian living conditions have been gradually deteriorating despite the high level of international support since Oslo 1945. One of the problems concerns "Palestinian capitalists". The governments of high-risk countries and those at conflict are generally repressive regimes that exercise "narrow development". This causes further conflict because the elites (in the Palestinian case, they are called Palestinian capitalists) use the wealth of the country to finance family businesses and incur private accumulations by taking advantage of the weak financial system (Addison *et al.*, 2001, p. 3).

Abdel-Shafi (2015, pp. 16-25) describes the Palestinian economy as a "myth" and highlights the importance of cooperating with civil society institutions and private financial institutions to direct funds where they are necessary. The relevance of the development of Islamic banks is that they serve the purpose of financially including large numbers of Palestinians across the country, especially those that reject conventional financial institutions. They also exist as important financial institutions with large pools of savings and thus represent great investment ability (Heles and Migdad, 2005).

However, Islamic banks' investment ability is currently relatively poor, especially in the Gaza Strip. The 11-year siege imposed there targets the economy and people's livelihoods for political reasons, resulting in great economic and social insecurity in people's lives. However, despite the Islamic banks' current limited ability, their role theoretically remains very important in elevating social and economic insecurities. To this end, Islamic banks are important because the PNA has failed to present itself as a capable service provider on most levels (More, 2008). The Palestinian demand for Islamic banks services is at least twice as much as the banks can currently provide (PIF, 2014). Finally, the philosophy upon which Islamic banks are built is best suited to elevate social and economic development in Palestine.

*Recognizing the importance of corporate social responsibility*

CSR has become an irreversible part of the corporate and business life in all sectors. The practices of CSR revolve around ethics, social development and environmental protection, among other issues (Dusuki, 2008; Chintaman, 2014). However, in every region and in every community where a corporation works, CSR practices are implemented to meet the local social needs, which brings greater value to the corporation. Thus, all types of businesses carry out CSR initiatives for many reasons, including furthering their relationships with their customers, employees and community. Islamic financial institutions are not irresponsive to this strategy, given they are also business entities (Jusoh and Ibrahim, 2015).

Bolanle *et al.* (2012), studying the First Bank of Nigeria, found a positive relationship between CSR and the bank's profitability. A much broader study of 90 different Islamic banks in 13 different countries also found a positive relationship between CSR and financial performance (Mallin *et al.*, 2014). The study also found a positive and highly significant association between the size of the Shari'ah supervisory board and the CSR disclosure index (Mallin *et al.*, 2014).

A number of studies have highlighted the importance of social development in Islam and advocated an active role for Islamic financial institutions in that process. For example, Islamic financial institutions are said to "provide social and community finance to socially vulnerable groups and reinforce social cohesion" (Sairally, 2007). Asutay (2007, p. 189) described Islamic finance as being concerned with human justice and human-centred economic growth and development. El-Gamal (2006) and Farooq (2009) also shared similar ideas about the importance of social and community development being part of the Islamic finance industry agenda. Farooq (2009) noted that Islamic financial institutions must not be left to operate for the sole purpose of profit. This is in consideration of the importance of adhering to the main objective of Shari'ah in economics, which is human well-being.

A significant number of studies have focused on Islamic banks' CSR in particular geographical locations, including Malaysia, the Gulf countries and Bangladesh, among others. For instance, Chintaman (2014) covered banks in the Gulf Cooperation Council region, Jusoh and Ibrahim (2015) studied all Malaysian Islamic banks. Rashid *et al.* (2013) conducted a study focusing on Islamic banks' ethical efficiency in Bangladesh taking into account customer-centric CSR. Mallin *et al.* (2014) expanded their domain of their inquiry to the CSR activities of 90 Islamic banks across 13 countries. The main outcome of these studies is that CSR is not a new practice in Islamic banks or in the Islamic finance industry in general. Furthermore, those studies described the social responsibility of Islamic financial institutions as a religious obligation.

A few studies on the CSR of Islamic banks and Islamic financial institutions focused on the assessment of CSR according to Islamic values (Dusuki, 2008; Tafti *et al.*, 2012; Basha and Yusuf, 2013). Asutay (2007), Sairally (2007) and Farooq (2009) have all emphasized the importance of rethinking the status of Islamic banks and their adherence to the main objectives of Shari'ah in economics. Sairally (2013) evaluated the corporate social performance of Islamic financial institutions. Hassan and Harahap (2010) further discussed CSR disclosure by Islamic banks. This is important because Palestinian Islamic banks have widely differing views of what constitutes CSR, which is reflected in the ways they disclose it in their annual reports.

Jusoh *et al.* (2015) found that Malaysian practitioners thought a framework ought to be established for CSR of Islamic banks in Malaysia. The authors then attempted to provide such a framework. Farook (2007) proposed a structured definition of the social purpose of Islamic financial institutions fulfilling a collective religious obligation. Perhaps the most

systematic effort in this regards was that of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), which introduced a governance standard for Islamic financial institutions on CSR conduct and disclosure (AAOIFI, 2015).

In Palestine, responsibility towards the society is a very important concept. Similar to other countries, Palestinian corporations, especially the largest businesses in the country, engage in CSR practices. However, the literature on CSR in Palestine is very minimal. One research measured the perception of Palestinian corporations with regards to CSR practices. In this research, CSR was found to be moderate for two main reasons:

- (1) difficulties in implementation; and
- (2) under-reporting of CSR practices (Alsenawi and Banat, 2014).

Another research that examined the effect of CSR on the profitability of all banks working in Palestine found that donations had significance on returns on assets, and the paper concluded that banks in Palestine should focus more on financially contributing to social issues (Sabri and Sweis, 2016). Literature on Islamic banks' CSR practices was, however, not found. This study thus pioneers the literature on Islamic banks' CSR in Palestine. The study analyzes the banks' CSR practices as disclosed in their annual reports and presents new knowledge on the perception of practitioners and Sharī'ah board members regarding their banks' CSR practices.

### Research methodology

This study is qualitative in nature. It uses two methodological approaches. The first is a secondary analysis of the published annual reports of the four Islamic banks that operate in Gaza and the West Bank. Only three of the banks made their latest 2015 report available (Palestine Islamic Bank [PIB], Arab Islamic Bank [AIB] and Islamic National Bank [INB]). Thus, the disclosure of the three Islamic banks' CSR practices in their annual reports was analyzed to see how the perception of the banks' practitioners corresponds to what the banks actually practice.

The second approach used in this research was a structured interview with six practitioners at a decision-making level and five members of the banks' Sharī'ah advisory boards. Interview questions were made short and clear, given that it was an e-mail-based interview. Simplicity and clarity guarantee higher accuracy and a satisfying outcome (Denscombe, 2014). The majority of the percentages reported in this paper are calculated based on frequencies from interviews, unless otherwise indicated.

The importance of taking a qualitative approach to achieving the objective of this study is owing to the relative difficulty of measuring the objective via quantitative numerical analysis. For example, Islamic economists appear to have used ratio analysis and various input and output frontier models in measuring the efficiency of Islamic banks, such as the ratio method, econometric models and efficiency models. However, the way they have used the technique often has gaps, errors and inconsistencies that render their conclusions vulnerable even within their own framework (Hasan, 2004).

The performance of Islamic financial institutions ought to be evaluated in reference to social responsibility in an Islamic framework (Hasan, 2004). As such, finding reliable research conclusions on Islamic banks' CSR practices is more likely to be achieved through qualitative research methods. In the last section of this paper, when discussing the perspectives of Palestinian Islamic banks' practitioners and Sharī'ah board members, the percentages are provided according to repetitions of certain responses to each of the interview questions.

## Palestinian Islamic banks' corporate social responsibility: perspective and practice

The CSR of Islamic banks needs to be understood in the broader context of the Palestinian economy and Palestinian Islamic banks' financial representation within the Palestinian community. To that end, deposits in all Palestinian banks and then deposits in Islamic banks are briefly reviewed for comparison with the value of CSR practices. First, the status of all banks will be reported, and then the status of Islamic banks. Finally, in this section, the value of each bank's CSR will be put into the larger context of each bank's financial capacity.

### *The current status of all banks in Palestine*

According to the PMA, the number of banks that operate in Palestine as of 2015 is 16. This does not include the Islamic National Bank (INB) and the Palestinian Production Bank (PPB) that operate in Gaza and are not yet recognized by the PMA. Among the 16 banks are two Islamic banks: Palestine Islamic Bank (PIB) and the Arab Islamic Bank (AIB). The two banks have a total of 33 branches between them spread throughout the most active cities in the West Bank and the Gaza Strip. Although the deposits in the Palestinian banks altogether reached US\$9.7bn as at 2015 (PMA, 2015), they have failed to provide necessary facilities to finance long-term development in particular.

Investment in Palestine involves high risk; therefore, the majority of investment carried out by Islamic banks is in the form of *murābahah*. The *murābahah* contract used by Islamic banks guarantees returns on investment. By analyzing the Islamic banks' annual reports, the researcher finds that the majority of *murābahah* contracts relate to personal financing and represent on average about 90 per cent of the banks' investment. Personal financing in Palestine is largely used for cars and houses, rarely for businesses. Table I exhibits the percentage of annual change in credit facilities provided by all Palestinian banks, including Islamic banks.

### *Status of Islamic banks in Palestine*

The share of Islamic banking in Palestine was about 12 per cent in 2015 (AIB, 2015). Taking into consideration that the demand for Islamic banking transactions is about double the banks' capacity (PIF, 2014, p. 42), there is an opportunity for Palestinian Islamic banks to significantly increase their market share.

There are four Islamic banks that operate in Palestine. Two were established with the establishment of the PNA. After that, two other banks were established; however, they were not recognized by the PNA. Table II shows the banks' year of establishment, the number of branches and their official status.

Year	Deposits	Change in deposits (%)	Credit facilities	Change in credit facilities (%)
2010	6,802.4	–	2,885.9	–
2011	6,972.5	2.5	3,552.6	23.0
2012	7,484.1	7.3	4,199.3	18.0
2013	8,303.7	11.0	4,480.1	6.6
2014	8,934.5	7.6	4,895.1	9.2
2015	9,654.6	8.1	5,824.7	19.0
2016Q1	10,054.7	4.1	6,137.3	5.3

**Table I.**  
Customer deposits in  
Palestinian banks  
(USD million)

Source: PMA (2016)

The Palestinian Islamic banks have some limited economic contributions. Table III shows the increase in deposits in the Palestinian Islamic banks from 2014 to 2015. Islamic banks rely heavily on individual deposits managed under current accounts to expand their operations and participate in local economic activities. According to Sabri and Sweis (2016), Palestinian banks' donations in the form of CSR practices increase the profitability of the banks they examined, which included the two main Islamic banks that operate in Palestine. To put the amount of money spent on CSR into perspective, each of the bank's accounts is exhibited in Table III.

Usually CSR practices are financed from the corporation's annual profit. However, in the case of the INB, the actual donations that could be categorized as CSR practices were not disclosed in the report, but rather a few of the rather socially responsible Islamic contracts (loans) were put under the CSR section, as will be explained later. PIB, for instance, makes use of *qard hasan* to finance its CSR initiatives. It stood at US \$2.1m in 2014 and US\$2m in 2015 (PIB, 2015). The majority of Islamic finance transactions conducted by Palestinian Islamic banks use the *murabahah* contract, which tends to be low-risk and offers a highly guaranteed return. It is the reason why this contract represents the majority (about 87 to 96 per cent) of investment in direct credit facilities given by each bank in 2014 and 2015 (AIB, 2014, 2015; INB, 2014, 2015; PIB, 2015).

*Palestinian Islamic banks' corporate social responsibility practices*

In this section, each of the Islamic bank's CSR practices is exhibited to show the different fields that receive donations in the form of CSR. Health, education, the environment and cultural activities were the main CSR activities carried out by the banks. In Palestine, relief aid is always present, due mainly to the continued Israeli aggression. Table IV shows the CSR activities of PIB and AIB, which reflect a high level of similarity in their CSR activities, though it should be emphasized that they had radically different distributions between the

**Table II.**  
Islamic banks that operate in Palestine as at 2016

No.	Bank	No. of branches	Year established	Official status
1	PIB	21	1995	Recognized
2	AIB	11	1995	Recognized
3	INB	4	2008	Not recognized
4	PPB	1	2013	Not recognized

Source: Palestinian Islamic banks annual reports 2016

**Table III.**  
Deposits in Islamic banks (USD million)

Bank	Deposits			
	Current accounts		General investment deposits	
	2014	2015	2014	2015
PIB	134.4	154.9	55.2	47.2
AIB	134.3	158.2	27.8	51.2
INB	29.7	31.7	–	–
Total	297.7	344.8	83.0	98.4

Source: Palestinian Islamic banks annual reports 2016

**Table IV.**  
CSR practices of PIB  
and AIB for  
2015-2016 (USD)

CSR categories	PIB		AIB	
	2015	2016	2015	2016
Development	3,000	13,000	30,774	11,600
Relief	440,487		25,470	17,556
Education	96,751	60,000	39,484	18,149
Children	2,150			
Cultural activities	1,292	36,500	187,187	4,450
Health	143,030		28,269	62,254
Sports	4,850			38,104
Environment	15,576		802	
Special needs assistance	7,998			4,125
Humanitarian emergencies			9,142	
Building mosques			124,107	
Other	29,556	690,496*		148,129
Total	744,690	799,996	445,235	304,367

**Note:** \*This number is distributed in health, sport and other activities but not specified  
**Source:** PIB and AIB 2015 and 2016 annual reports (PIB, 2017; AIB, 2017)

various areas. However, the data in the table indicate that there is no specific plan. The total amount spent by AIB was US\$445,235 in 2015. It was right after the 2014 Israeli aggression, but expenditure on relief and health was rather low compared to expenditure on cultural activities. PIB spent about 450 times more on relief and health than it did on cultural activities in 2015, whereas the AIB spent much more on cultural activities during the same year.

The CSR activities of INB are separately provided in [Table V](#), because of the large differences in their activities. The annual report of INB only recognizes the importance of CSR practices and mentions their engagement and support for a few cultural and community events without specifying the value of contribution. On the other hand, it is noted that the bank provides a significant amount of loans that have an effect on local socio-economic development. These include giving loans for marriage and microfinancing. It is not clear whether the bank actually confuses CSR practices for loans that have a social impact, or their intention was to consider loans as part of their CSR practices.

In terms of CSR expenditure as a percentage of profit after tax, the annual reports of PIB and AIB show 7.42 and 8.56 per cent, respectively, as provided in [Table VI](#). It was however not possible to calculate the percentage that CSR expenditure represents out of profit for INB, as their disclosure of what CSR is was not clearly mentioned and in some events only the description of the CSR practice was available without clarifying the value.

**Table V.**  
INB disclosed CSR  
practices 2015 (USD)

Loans categories	Loan amount	Beneficiaries
Marriage loans	3,187,000	1,594
Microfinance loans	4,554,390	720
Total	7,741,390	2,314

**Source:** INB (2015)

Overall, it appears that Islamic banks in Palestine have no specific strategic approach or methodology for CSR, nor do they have a unified plan for implementing CSR practices. However, the banks tend to recognize its necessity and therefore engage in projects and activities that benefit the community. Each Islamic bank has its own procedures through which it engages in CSR but not a fixed plan. Thus, each bank's CSR practices change with changes in the bank's strategic plan.

### Practitioners' perception on corporate social responsibility and value to socio-economic development

In this section of the paper, five main dimensions are discussed as reported by the six practitioners in decision-making positions and five Shari'ah advisory board members at Palestinian Islamic banks who were interviewed. The practitioners included a treasurer, a public relations officer, two officers from finance departments, a customer services officer and a senior bank manager. The questions were designed to reflect on the bankers' and scholars' perception of CSR and how these perceptions are reflected in the banks' annual reports. The questions were related to:

- CSR as perceived by most Islamic banks;
- reasons driving your bank to engage in CSR practices;
- opinion on a unified CSR system for all Palestinian Islamic banks;
- the presence of a CSR plan or system at your bank; and
- the contribution of CSR to socio-economic security dimensions.

#### *Corporate social responsibility as perceived by most Islamic banks*

According to the interviewees, as reflected in Figure 1, CSR is about participating in community activities by sponsoring and financing health, education, cultural and sports activities. Additionally, it is viewed as a moral and ethical theory, an obligation towards the community that is voluntarily implemented to improve social and living conditions. Furthermore, some perceive it as development, precisely economic development to achieve a balance between a country's economic policy and a decent life and a balance between the development of economic policy and the environment. The intention here is not to provide a clear concept of what CSR is. Rather, the aim is to show the general perception held by practitioners, which is that CSR is about helping people and contributing towards uplifting different dimensions of life.

#### *Reasons driving your bank to engage in corporate social responsibility practices*

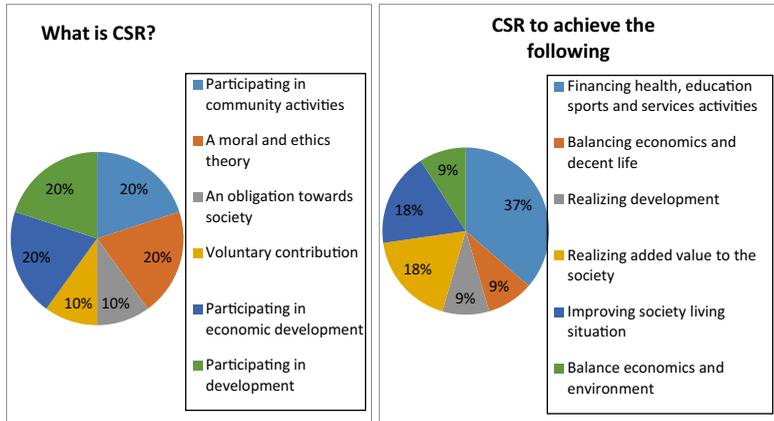
Figure 2 explains the reasons for banks to involve in CSR activities. According to the respondents, their banks involve in CSR because they want to be partners in

Bank	Annual profit	CSR practice	CSR % of profit
PIB	10,033,817	744,690	7.42
AIB	5,200,000	445,235	8.56
INB	1,782,695	N.A.	–

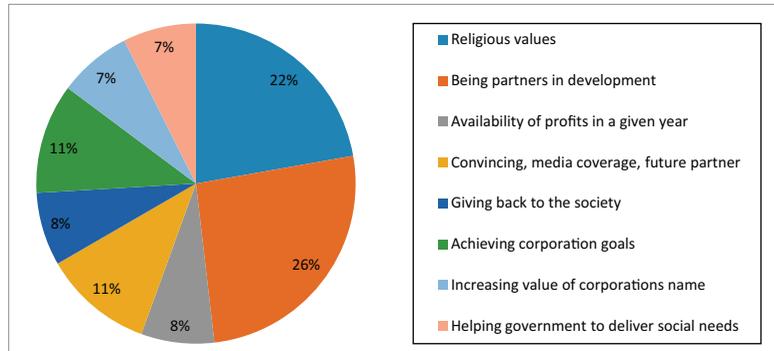
Source: Annual reports 2015 of PIB, AIB and INB

**Table VI.**  
Palestinian Islamic  
banks CSR practices  
for 2015 (million  
USD)

**Figure 1.**  
How is CSR perceived  
and for what  
purposes?



**Figure 2.**  
Reasons invoking  
corporate  
involvement in social  
responsibility  
activities



development and because it is a religious obligation. The other main reasons behind engaging in CSR activities are mostly business-oriented and pragmatic. For instance, if there is enough profit, the bank engages in CSR; if a proposal is convincing and the beneficiary is a promising future partner, the activity takes place. Additional reasons are to achieve the bank's goals, increase the value of the bank's name and secure enough media coverage.

*Opinion on a unified corporate social responsibility system for all Palestinian Islamic banks*

Table VII shows the respondents' views on a unified CSR system for the Islamic banks in Palestine. The justifications provided under each view are listed according to the importance attributed by the respondents and how frequently each justification was reported. However, with regards to the presence of a clear unified system for all the banks, it does not exist in practice, nor does a unified CSR system exist for Islamic banks. Each bank has a general process for accepting proposals from community organizations or individuals that can fall under CSR. However, no fixed plan exists, and CSR is subject to changes in each bank's larger strategic plan and according to annual profits.

The idea of a unified CSR system found acceptance, where Table VII shows that 62 per cent of the respondents supported the idea. However, those that saw CSR as better off left un-unified (38 per cent) seem to have strong justifications. Nonetheless, both groups explained that the main purpose was to broaden CSR so that it reaches more people and has a bigger effect on the community. On the one hand, a unified CSR system would make banks more transparent and more committed and would help standardization and eliminate randomness. Unified efforts would also bring more recognizable outcomes. On the other hand, and rightly so, CSR is basically a voluntary charity. The voluntary nature of CSR is its main source of power. Some bankers explained that making it compulsory would strip away its source of power. Another reason for leaving CSR un-unified is that unification could unintentionally neglect some important needs of marginalized communities and that different banks operate in different local communities and could have different priorities.

*The presence of a corporate social responsibility plan or system at your bank*

Each of the Islamic banks in Palestine has a general strategy for CSR activities that changes with the bank’s bigger strategy. There is no specific fixed plan for any of the banks. However, according to the respondents’ feedback, 50 per cent confirmed that their bank had a plan for CSR activities, and the other 50 per cent explained that there is a general framework that is flexible and adaptable but nothing fixed and committed. Despite individual differences in elaborating on whether their bank has a set plan for conducting CSR activities or not, the end result is that each Islamic bank in Palestine has a general framework through which it conducts CSR activities.

Among the general comments in this regard were that the CSR practices change with the bank’s strategic plan and that CSR activities are planned for but in a limited way. Others who indicated that their bank has a plan explained that the plan is “providing financial support to localities and providing training opportunities for graduates”, “financing SMEs and productive projects” or “there is a seven-step process through which the bank engages in CSR”. However, all that is mentioned is either an activity or a process through which an activity is implemented.

*The contribution of corporate social responsibility to socio-economic security dimensions*

Both the social and economic settings in the Palestinian context are strictly connected to the political atmosphere: steady socio-economic development is achieved at a time of positive political atmosphere. In other words, socio-economic development in Palestine is fluctuating and dependent upon the political scene. For this precise reason, Palestinian Islamic banks are found to be operating using the least risky financial contract,

It is a good idea: 62%	It is best left un-unified: 38%	Table VII. Opinion on introducing a unified CSR system
It makes banks more committed and transparent All banks participate in CSR as a unit, which has greater effects on community development A unified system must be obligatory but have some flexibility It helps in achieving standardization instead of adopting a random policy	Difficult, as different banks have different priorities Unification could unintentionally lead to neglecting some important parts and needs of marginalized communities The power of CSR comes from its voluntary nature; making it compulsory will make it weaker	

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*murābahah*, comprising an average of 90 per cent of total investments made within a year (Migdad, 2017, p. 86).

The fluctuations of politics cause many insecurities in the economic and social life of Palestinians. Insecurities in the Palestinian community tend to affect most dimensions of life for the majority of the people. Unemployment is high, poverty is high, trade is highly restricted, borders are mostly closed and the Gaza Strip has been besieged for its 11th year. All these economic insecurities cause additional social insecurities. One example is shortages in housing faced by new families.

There are three main factors recognized by bank practitioners and Shari'ah board members on the aspect of socio-economic insecurities. The first is that Islamic bankers and Shari'ah board scholars, who are among the intellectuals of the community, recognize the presence of such social and economic insecurities that range from marriage and family matters to unemployment and a deteriorating economic situation. The second important factor was the importance of giving back to the community and being part of the development process, as well as supporting the government in fulfilling its obligations towards satisfying the people's needs. A third important factor is the limited ability of Islamic banks that remains at a margin of the whole Palestinian economy, which in turn suffers numerous problems.

### Conclusion

In conclusion, Palestinian Islamic banks are developing and can further maximize their market share because the demand for Islamic financial transactions is higher than the actual supply. One important factor that can help in maximizing market share is to re-assure customers that Islamic banks are there to serve and achieve the objectives of Islam in their operations. One way that Islamic banks could achieve this is by maximizing CSR practices and making those practices more visible and connected to the community.

There is a positive relationship between banks' profitability and CSR spending. Palestinian Islamic banks recognize that and work towards more involvement in CSR activities while also recognizing their institution's limited ability in contributing more towards CSR. They are also willing to continue in that direction to build a better relationship with their customers and establish the name of the bank as a trademark.

One important point highlighted by the practitioners interviewed was the importance of doing what is best for business and that involvement in CSR represented doing what is best for business. In addition, CSR was also perceived as a religious obligation. As for the Shari'ah board members, they talked about what best satisfies the purpose and objectives of Shari'ah. The point was clearly made that one of the reasons CSR is practised is because of Islamic and ethical values. Like bank practitioners, Shari'ah board members did not neglect the banks' business interests, but they prioritized religious objectives. Another important point that was highlighted was that CSR is practised if there is a convincing project proposal and high profits to cover the expenses. This point was stressed more by the bankers and not by the Shari'ah board members.

Finally, there was a rather positive response from the interviewees to making CSR practices unified, but both those who opposed the idea and those who accepted it conceded that the final goal is for CSR to maximize benefits to the community. Despite the value of standardization and the creation of a unified system, those who saw greater value in leaving CSR practices free from rules and systemic applications had a sound argument. The strength of CSR comes from its voluntary nature; making it compulsory in any way will make this voluntary giving grow weaker. Overall, the general outcome of this paper

confirms that the approach of Palestinian Islamic banks towards CSR is in line with the Islamic worldview and the objective of economic activities in Islam, which is to uplift human well-being.

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