Corporate Social Responsibility (CSR) in Malaysia with Reference to the Maqāṣid

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What is CSR?

What follows is a comparative understanding of Western and Islamic thought on CSR and the increasing awareness of it in Malaysia. This commitment from a policy angle may be described as being in line with maqāṣid al-sharīʿah or the goals and purposes of Islamic law.

The term ‘CSR’ was popularised in the early 1970s after the formation of many multinational corporations, and its definition is widely debated. A corporation in today’s globalised world can no longer hold the view that solving social problems is the duty of governments and social agencies and that managers are only to serve the interests of stakeholders and no-one else. This view is deeply-rooted in self-interest. Globalisation has contributed to an increase in socioeconomic problems and corporations are expected to demonstrate corporate governance and social responsibility. Firms have quickly realised that ignoring the needs and interests of multiple stakeholders and the society at large is detrimental. This is because the public perception of a company, especially a large one, is crucial. The corporate social contract theory used to justify CSR argues that business and society are equal partners. There is an interdependent relationship. Proponents of CSR also say that it would help boost the company’s image, competitive edge and other strategic concerns without jeopardising the interests of primary stakeholders.

Islamic Basis for CSR

Islamic CSR is inextricably linked to the Islamic worldview which stresses the teachings of the Qur’ān and the Prophet Muḥammad as guiding principles in all aspects of a Muslim’s life. In contrast to Western humanistic theories, Islam’s approach to CSR is a holistic one based on the revealed sources. Hence, the fundamentals such as ʿaqīdah (creed), ʿibādah (acts of worship) and akhlāq (morality and ethics) are permanent but their manifestations in our day-to-day living in activities such as economics and business may be changeable, subject to the goals and purposes of Islamic law. According to Abū Ḥāmid al-Ghazālī (d. 1111), “the objective of the sharīʿah is to promote the well-being of all mankind which

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lies in safeguarding their faith […], their human self (nafs), their intellect (ʿaql), their posterity (nasl) and their wealth (māl). Whatever ensures the safeguard of these five serves public interest and is desirable.”

Islam encourages its followers to contribute actively to this worldly life through wealth formation and economic advancement but qualifies this with the simultaneous call for social justice: “God commands you to do justice and be fair (to others)” (Qurʾān 16:90). Hence there is textual evidence that calls for activities that improve the wellbeing of all members of society. Malaysian Islamic economist Dusuki observed that “the concept of CSR in Islam encompasses a broader meaning embracing the taqwā (God consciousness) dimension by which a corporation as a group of individuals, assumes the roles and responsibility as servants and vicegerents in all situations.”

The Western theorists, in turn, depend on the social contract theory and the normative stakeholder theory, both of which include a moral or philosophical dimension to guide the operation and management of a corporation. However, the view that the ‘social contract’ between business and society needs to be renegotiated when preferences change, or the assumption that the interests of stakeholders can be compromised, is problematic. Companies sometimes face crossroads, and without an absolute guiding principle they are faced with a dilemma. This contention may be illustrated with an example: corporations are encouraged to respect the local culture or values of the country in which they operate. When offering bribes is the norm in a particular country, corporations are then required to alter their behaviours to meet the expectations of that particular society. Bribing then becomes acceptable. Some Western philosophers assert that one should give up the effort of developing moral standards or a code of ethics for businesses. Instead corporations should have the freedom to determine their own moral responsibilities in any way they deem appropriate. Islam does not support this. Today, there are companies both Muslim and non-Muslim who stand their ground, and make known their standards and guiding principles and they do not waiver.

CSR and Muslims

Islam does not vilify profit-making; it merely disagrees with its maximisation as the core objective of a company. There must be a balance between the rights and duties of the individual and their commitments to the community that they live in. Striking a balance would mean that corporations must consider the question of the common good in their decision-making processes at every level. However, like all other value systems, there is a gap between theory and practice because data from Muslim countries have demonstrated that not all teachings of Islam are adhered to. The equal treatment of women is an area where many Islamic countries do not
fare well. This is also true when it comes to basic human rights and transparency of the judicial process, says the World Values Survey. Transparency International also found that Islamic countries are often highly corrupt. Nonetheless these findings are almost certainly not related directly to Islam per se but are more likely to be due to other socio-political factors related to the nature of government and the development of civil society since many non-Islamic countries also perform badly along these dimensions.

**CSR is More than Philanthropy**

More often than not, CSR is mistaken for acts of charity by corporations. Bursa Malaysia has explained that CSR is about how a corporate entity makes its money (through resource management for example) and *not* so much how it spends it. CSR is not about compliance or philanthropy or public relations. It often involves cultural transformation in a company as it integrates CSR concepts into its operations and decision making. Corporations need strong exemplary leadership and passion for CSR to be part of the organisation’s culture. A key element of CSR is the fact that it is discretionary. That is why there is a need to incentivise companies. This does not refer to business activities that are mandated by law or moral or ethical in nature (and perhaps therefore expected). Rather, we are referring to a voluntary commitment a business makes in choosing and implementing these practices and making these contributions.

**CSR Awards in Malaysia**

From 2006, the Malaysian Government now requires all Public Listed Companies to disclose their CSR activities. In 2007, the Ministry of Women, Family and Community Development launched the Prime Minister’s CSR Awards to recognise companies that have made a difference to the communities in which they operate through their CSR programmes. A total of 70 companies sent in entries for the 2009 award, involving close to 150 different projects. The Education category received the most entries, followed by Social Welfare, Environment, Workplace Practices, Small Company CSR, Empowerment of Women, Media Coverage, and Culture and Heritage. Apparently the number of submissions for the 2009 awards was nearly as high as it had been in 2007, despite the global economic meltdown. Each submission is assessed on three main considerations:

- the positive impact the CSR initiative has on the communities at which it is targeted;
- the sustainability of the project; and
• the level of commitment and involvement displayed by the companies in these projects.

This demonstrates clearly that the government’s policy on CSR was motivated by the need to encourage corporations to be committed to CSR by educating their employees on social responsibility and tweaking resource management styles and policies with various stakeholders to impact positively on communities and the general environment. This is in line with the maqāṣid-approach which seeks to improve the welfare and benefit of society.

Recommendations

• While this is encouraging, Malaysia has still a long way to go to ensure that corporations act responsibly and fulfil a goal or maqṣad of the sharīʿah, once the objective has been identified.
• A consultative approach to the identification of the maqāṣid is advisable.
• Policy makers would do well, according to Mohammad Hashim Kamali, to verify the veracity of a maqṣid that is identified for the purpose of policy making and legislation through consultation with the people and those with relevant specialised knowledge.3

Notes