

## Chapter 9

# Islamic Ethics and Corporate Social Responsibility

### ABSTRACT

*The core principles of Islamic corporate social responsibility (CSR) are derived from al-Qur'ān and Sunnah, while the major foundations of Islamic CSR principles are unity, viceregency and trusteeship, justice and equilibrium, and rights and responsibilities. Man is a vicegerent (khalifah) or representative of Allah on Earth and trustee of resources provided by Allah (SWT). As a khalifah or leader in organisation, they have greater responsibility to utilise all these given things and facilities by Allah to the best of their abilities to create maximum added value to the organisation itself and to the whole community. The purpose of this chapter is to explore how Islamic ethics and corporate social responsibility (CSR) are two compatible concepts.*

### INTRODUCTION

Corporate social responsibility (CSR) is a concept that has attracted worldwide attention and acquired a new resonance in the global economy. Heightened interest in CSR in recent years has stemmed from the advent of globalisation and international trade, which have reflected in increased business complexity and new demands for enhanced transparency and corporate citizenship. Governments have traditionally assumed sole responsibility for the improvement of the living conditions of the population, society's needs have exceeded the capabilities of governments to fulfil them. In this context,

DOI: 10.4018/978-1-7998-5295-7.ch009

the spotlight is increasingly turning to focus on the role of business in society and progressive companies are seeking to differentiate themselves through engagement in CSR (Elasrag, 2015).

This chapter further discuss that corporate social responsibility (CSR) is an idea that has been constantly evolving as business firms are continually more aware of the community around them. CSR encompasses a business firm's obligation to society beyond simply maximising its profits. The business organisations involving charitable giving and reflecting the highly competitive environment of the 1990s has been termed “strategic charity”. It involves corporate giving which serves dual purposes: contributing funds to charitable causes while simultaneously benefiting the firm's financial bottom line and enhancing business political legitimacy.

## **Dimensions of Corporate Social Responsibility**

Several terms and definitions are used, including, corporate responsibility, corporate accountability, corporate ethics, corporate citizenship, sustainability, stewardship, triple bottom line and responsible business. CSR could be defined as the voluntary integration of environmental, social and human rights considerations into business operations, over and above legal requirements, contractual obligations and spirit of business i.e. growth and prosperity (Elasrag, 2015).

According to Dahlsrud (2008) despite numerous efforts to bring about a clear and unbiased definition of CSR, there is still some confusion as to how CSR should be defined. He developed following five dimensions of CSR through content analysis of 37 definitions.

1. The Environmental Dimension
  - a. The natural environment
    - i. ‘a cleaner environment’
    - ii. ‘environmental stewardship’
    - iii. ‘environmental concerns in business operations’
2. The Social Dimension
  - a. The relationship between business and society
    - i. ‘contribute to a better society’
    - ii. ‘integrate social concerns in their business operations’
    - iii. ‘consider the full scope of their impact on communities’

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