



ADVANCED INTERNATIONAL JOURNAL OF  
BANKING, ACCOUNTING AND FINANCE  
(AIJBAF)

[www.aijbaf.com](http://www.aijbaf.com)



## THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON ISLAMIC BANKING PERFORMANCE IN MALAYSIA

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### Article Info:

#### Article history:

Received date: 19.04.2021

Revised date: 11.05.2021

Accepted date: 13.07.2021

Published date: 01.09.2021

#### To cite this document:

Razali, N. H., Jaafar, N., & Ahmad, I. (2021). The Impact of Corporate Social Responsibility (CSR) on Islamic Banking Performance in Malaysia. *Advanced International Journal of Banking, Accounting, and Finance*, 3 (8), 01-15.

DOI: 10.35631/AIJBAF.38001.

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### Abstract:

Corporate Social Responsibility (CSR) activities can lead the company to gain better recognition from citizens and investors. CSR has become one of the added values for a company in increasing competition from global and domestic. However, there are some critics who contend that the CSR benefits surpass the actual cost and some also claim that for the company to be socially responsible is too expensive. Therefore, the objective of this study is to determine the relationship between Corporate Social Responsibility (CSR) impacts on the Islamic Banks' financial performance, specifically in Malaysia. This study used Fixed Effect Regression Model to achieve the objectives of this study. The independent variables used to determine CSR comprise of environment, community, and workplace and marketplace expenditure ratio. Meanwhile, to measure the financial bank performance that is the dependent variable, Return on Asset (ROA) is used in this study. Based on this model, the researcher concluded that CSR's elements which are environment, community, and marketplace have significant impacts on banks financial performance. This is consistent with Stakeholder Theory which states that the firm financial performance is determined by external stakeholders. In order to enhance the study future research may segregate the focus of the study specifically on Islamic Bank or conventional banking. Future research may also conduct research on the different industries.

### Keywords:

Corporate Social Responsibility (CSR), Islamic Banking Performance, Environment, Community, Workplace, Marketplace

## Introduction

In the early 1930s, Corporate Social Responsibility (CSR) had turned out to be part of a business plan for the sustenance, survival, and corporate development (Adamu & Yusoff, 2016). Nowadays, the corporate social responsibility concept has grown to be a common practice which is not entirely due to regulation of a legal bodies but more on the custom practices of the organization around the world. However, many organizations remain unfamiliar with CSR (Rahim et al., 2011). Corporate firm in Malaysia views CSR as a strategic agenda in their company in a way to become good corporate citizen (Saleh, 2009).

According to (Rahim et al., 2011) CSR activities can lead company gain better recognition to be a responsible corporate from the local and international investor. The traditional business view which is to maximize profit no longer be accepted in today's business environment. As a result, firms must adopt CSR concept in their practice as it can lead company to have added value. Earlier CSR which is concern of economic, environment and social performance has said to be shift to a broader component which includes stakeholder interest it is as one of the vital components in CSR. Environment considered as one of the company stakeholders as for those s who are environmentally concerned may not support products and services from those firms which polluted the environment. In others means, corporation which do not prepare themselves with CSR undertakings will be left behind with the increasing competition from global and domestically. As borderless market trends are increasing and corporations with sound CSR activities grow stronger. The educational level increases and consumer are being more conscious of the need for responsible corporate behaviour.

According to Dusuki and Abdullah (2008), Islam views on Corporate Social Responsibility (CSR) in a rather holistic approach. It contrasts with human theorist. It is spiritual view from Qur'an and the Prophet's saying and practices (Sunnah). It presents a framework for a person's interaction with nature and fellow human beings the principle is derived from legal evidence (Sunnah) and the Revelation that is the Quran. Therefore, the characteristic is enduring, eternal and absolute. In other words, it concurrently presents better guidelines for companies performing their social responsibilities and business. One of the Islamic legal maxim which that is preventing harm, is relevant to CSR framework. As such, corporation must consider social responsibility and avoid business practices that can bring harm to the society's well-being at large. In deduction, on Islamic perspectives CSR is assume more holistic concept and broader. The firms are responsible to the customer, workers, managers, and society. They need to embrace the concept of taqwa by taking their responsibilities as servant and vicegerent of God in all circumstances (Dusuki & Abdullah, 2008). Based on these views, we can acknowledge that CSR is an organization's responsibility. This is to ensure the four pillars of corporation sustainable development which are environmental protection, community as well as protection in workplace.

However, Arsad et al. (2015) most of the companies in Malaysia found CSR as an extra burden to be borne by the companies because it involves high cost, and these will affect profitability of the companies in the long run. Some critics also argue that it is too expensive for a company to be socially responsible. On the other hand, Bedi (2010) stated that the practice of CSR is subject to much debate and criticism. They discover that corporation's benefit in multiple ways while others argue that it is nothing more than superficial window-dressing and CSR distracts from the fundamental economic role of businesses. Based on Palmer (2012), business should not adopt CSR programmes because they are outside the profit-making scope and involve

unnecessary expenditure. CSR centre stage of debate is captured on the belief that the CSR activities is carried based on shareholder wealth (Harjoto & Laksmana, 2018). While the initiative on CSR incurs huge cost and profit did not generated from these activities. Henceforth, corresponding to Servaes and Tamayo (2013), the study whether CSR lowering firm value or enhances shareholder value or pay too much attention on other stakeholders is essential. Several studies showed the positive relation between the CSR and firm value (El Ghoul et al., 2017), some indicated negative relationship (Manchiraju & Rajgopal, 2017) and others found no significant relationship between them (Zhang et al., 2018). Therefore, this paper intends to bridge the gap between CSR with Islamic Bank by evaluating the impact of CSR dimension towards Islamic Bank financial performance.

### Literature Review

There Bowen, H in 1950 has originated the Corporate Social Responsibility idea in his inspiring book known as “The Social Responsibilities of a Businessman” (Carroll, 1999). CSR bring a lot of benefits to companies. CSR is said can reinforce the company’s position in the market. Besides that, Moir (2001), claims that companies can gain superior loyalty among the employee and benefited by having better reputation. Eventually, in business communities the practice of CSR is increasingly and interestingly considered over the decades.

Corporate Social Responsibility in Islamic perspectives is not alien. Rendering to the study which was conducted by Dasuki and Abdullah (2007) conclude that corporations which claims to follow Sharia’ah based principles should be the business which promotes the CSR practices. Invoking that Shari’ah and reflecting *maslahah* imply that corporation such as bank must not be only solely oriented towards profits, but also seek a way to promote social welfare and protect the society. Their finding is based on the Islamic Legal maxim which stated the principle of preventing harm which is embedded in CSR framework. Based on this principle, as the vicegerent, or *Khalifah*, manager who desires on profit maximization allowed to do so if his business does not bring any adverse effect towards environment, society, and stakeholders.

According to Jusoh and Ibrahim (2017), the literature review on CSR of Islamic banks discovered that, there is no comprehensive and standard CSR outline has been established for Islamic banks although CSR is substantial. Although there are many present practices in Islamic banks that are in line with notions of CSR in Islam, these seem to be merely improvised and driven more by Shari’ah legal requirements rather than by a higher-order understanding based on fundamental religious texts concerning social responsibility (Mohammed et al., 2008). Furthermore, there is no clear guidance and legal requirement on the CSR information levied on Islamic banks (Aribi, 2009). Indisputably, many of Islamic bank are using the conventional CSR framework which are based on the western beliefs, values, culture, and perspective despite the fact that Islamic banks are governed in accordance with Shari’ah law (Hamdan, 2014). This study, therefore, further by using the existence CSR framework.

### Stakeholder Theory

In the mid of 1980s, stakeholder theory had introduced by the Freeman (1984). This theory is re-conceptualizing the firm nature to also deliberate on external stakeholders which therefore had go beyond the traditional concept which firm only focus on customer, shareholders, suppliers, and employee. From this theory perspective and views, organization is anticipated responsibility to manage stakeholder interests across the boundaries of organization and at the same time admitting the duty concerning the traditional interest group. This theory also takes

regard on environment and local communities as the silent stakeholders. Therefore, this theory, presented a new way about organizational responsibilities in organize thinking. This theory also suggested that some degree of the needs of stakeholders must be satisfied. In other words, the success of to serve shareholders as the primary concern is also depending on the other stakeholders.

Another study has divided stakeholders into two group or categories which are primary and secondary. The first categories known as primary stakeholders consist of organizations employees, investor, customers, supplier, shareholder, and public entities such as trade associations, environmental group, and government. While the second categories which is secondary stakeholder group is denoted who able to have influence or affecting the organization even though are not directly engaged with the firm economic activities. Then, in this case, CSR which is portrayed as a state of emergence able to affect the organizations and have an influence in firm have been challenged theoretically and empirically to clear ambiguity in this construct. As a result, the reason why business should engage with CSR is for economic and ethical justification as the moral element which held by CSR act as contributor in this construct. This theory suggested that the economic and ethical elements blend in business decisions.

### **Triple Bottom Line**

Concept of the triple bottom line or also known as triple performance line is another foundation of CSR which is expected for the development of sustainability. According to Zak (2015) it is based on balancing three dimensions that is ecology, ethic, and economy. John Elkington in years 1994 had used the triple bottom line approach for the first time in the California Management Review. Then it was improved through expanding and thoroughly explained it by the other researcher and academician. The triple bottom line concept consists of three different or separate bottom line which are, the first is about the traditional measure on the corporate profit. The second is the company people account which measure social responsibility of an organization during its operations. The third is the corporation planet account as the bottom line in this theory which measure how firm environmentally responsible. In the Green Paper on CSR, triple bottom line is defined in another similar definition which referred that company overall performance should be distinguished through on its joined contribution of social capital, economics, and environment quality. While the Andrew Savitz (2006) explains triple bottom line as capture the core of sustainability by measuring an organization undertaking which include their profitability, shareholder value, corporation, and its social, human, and environmental capital impact on the world. All the definitions have one common thing which is emphasized by the sustainable development.

The other part of sustainability development is involving profit which need to be perceived as economics benefit that benefited the society. It has a permanent effect on the economy which is exercised by an organization in its business environment. Companies that earn profit should consider how they could contribute to the other two elements which are people and environment. To conduct a more balanced and ecological activities, TBL concept must be a continuous process. This shows that company does not just operate for profit but also for the community members. Therefore, CSR can be summarized based on integration between these two theories as the way in which organizations achieve a balance between economic, environmental and society. By this way, they can simultaneously address both shareholder and stakeholders' prospect.



## **Corporate Financial Performance**

There is a wide existence of research conducted in measuring financial performance of organizations. The measurements can derive from either market view or accounting view. Yet problems may occur when used the market-based measure or accounting based measure (McGuire et al., 1988). Based on them, accounting based measure are more liable in differential accounting procedures and managerial manipulation and market-based focus on investor evaluation measurement. Market based is said can be used to yield economics earning for future fairly than previous performance. It is a presentation of investor in assessing the ability of the firm. However, by using market-based measurement can benefited by providing estimation value of the company. As described by the Goukasian and Whitney (2008), this can happen when implementing certain strategies such as to be socially responsible. However, this does not mean that accounting based cannot be used in measuring the firm financial performance. Contradictory, accounting based can be considered as the best proxy in measuring the financial performance of the firm.

Based on Hagel and Brown (2012) in Harvard Business Review, Return on Asset (ROA) is the best proxy to measure the organization performance. This is because ROA is clearly signifying the assets that being used in business activity. Moreover, it also demonstrates whether company by merely increase Return on Sales can generate appropriate return on assets. Therefore, Palmer (2012) choose ROA as a method to measure the firm financial performance by having higher ROA means higher return for the firm.

## **Components of Corporate Social Responsibility**

### ***Environment and Financial Performance***

Environment can be described as the healthy condition of people living in environment and as the condition of earth overall (Evans & Kantrowitz, 2012). Economics induce can be regard to the company which take the environmental initiative while achieving CSR. According to Adamu & Yusuff, (2016) in several leading company, initiative on environment can encourage marketplace with the competitive landscape to reconsider product design, improve the efficiency of operational, and seek out innovative new technology. In general, CSR dimension which is environmental initiative which consist of environmental policy, environmental impact, environmental performance, and environmental disclosure can affect the level of corporate structure. Kaplan and Norton (2013) affirm that companies fight to develop environmental performance to have the competitive advantages, to attain regulatory framework and to gain market demand.

Conversely, there are also studies (Seumpaet, 2005, Rhaman et al, 2009) which indicate that there is no relationship between the environmental disclosure and financial performance. Furthermore, De Villiers & Van Staden (2006) find a negative relationship between long term environmental performances with the extent of environmental disclosure. They discover that companies with bad environment reputation to clarify community and shareholders on how they confront environmental issues. This discovery is consistent with Cheung & Mak (2010) who found the negative relationship between environment information and return on equity (ROE) of companies.

The achievement of sustainability cannot be reached if the firms only focusing on the shareholder's economic goals, which consequently deteriorates the environment and affects the societal welfare. Therefore, all the three pillars which are economics goals of the firms, environmental and societal goals need to be balance which also known as the triple bottom line (TBL) approach (Rajeev, Pati, Padhi, & Govindan, 2017). Thus, this led to the first hypothesis which is:

H1: There is a significant relationship between expenditure on environment with Islamic bank financial performance.

### ***Community and Financial Performance***

It is difficult to describe community since every individual outside the company can be considered as community. This includes supplier, employee, customer, public, government, non-governmental agencies, regulators etcetera. Stakeholders are also part of the community. It is important to note that company and community depend on each another. It is believed that companies which allocate more resources for charity, or any others forms of community's event tend to have better reputation. The reputation of the companies derives from member of the community who has verbal communication. This could affect the stakeholder's behaviour. Therefore, in this context, investment in community means that company involvement in community partnership which lead to contributes towards the social issues that can improve the reputation in the society surrounding and protect corporate interest. The contributions context can be in term of in-kind donations, cash, donations, financial contribution, contribution of time and skills (Reddy et al., 2013). (Agbiogwu, et al., 2016) found that expenditure on social and environmental activities has no impact towards firm net profit margin. Another study conducted by Basit et al, (2018) on amount spending on community investment towards the generated revenue of the selected New York Stock Exchange companies. The study shows that a significant negative impact of investment on community towards ROA. Therefore, a various result shown from the previous literature which trigger this study to be conducted. Therefore, the second hypothesis for this study is:

H2: There is a significant relationship between expenditure on community with Islamic bank financial performance.

### ***Workplace and Financial Performance***

Workplace in CSR dimension as being discussed by Fox and Stallworth (2009) referring to variety of issues which is faced by employee and employers during the business conduct or carrying out business task. This includes the safety and health, professional conflict, and issues of personal, harassment and discrimination and labour relations. Further, they also support that thriving design workplace allowing free communication between departmental areas which lead to enhance distribution of information and networking notwithstanding job boundaries. Sustainable workplaces give positive impacts which can be benefited to employees and their family. Even though, well working environment can motivate and enables employee to produce their best contributions to business success which can positively impact on all stakeholders. Therefore, company need to invest on employee as the facts that they are one of the company assets which able to impose best positive return (Adamu & Wan Yusoff, 2016).

Human performance is said to be higher when people are emotionally and physically desire to work. Higher levels of human performance led to higher levels of productivity, which directly can cause increase in profits (Sing, et al, 2017). Accordingly, the third hypothesis for this study is:

H3: There is a significant relationship between expenditure on workplace with Islamic bank financial performance.

### ***Marketplace and Financial Performance***

Kantabura and Avery (2013) in their study stated that in less developed country, some companies had implemented voluntarily suppliers score card which encourages suppliers and services provider to disclose on how they measure the effort on reducing the greenhouse omission, grasses, water, and energy. Generally, marketplace in CSR context is known as the initiatives taken to focus more on the company's customer service target and how they manage suppliers and service providers. Within this context, company is expected to develop more green products, engage stakeholders, engage in ethical procurement, manage their supply chains, and develop vendors and social branding as well as paying attention to corporate governance. In other words, the marketplace aspect of CSR means favour business practice which are more equitable and fairer and rejecting business practices that are exploitative (Danbarner, 2019). Allouche and Larooche (2005) state that companies that can satisfy supply chain structure with product varieties will perform better. Since the purchasing power belongs to the customer, it is important for the companies to improve the quality of products as much as possible at acceptable prices. Kim, and Kwon (2017) validate that customer loyalty increasing due to the influential role of ethical standards. Consumers believe that company

which is committed to the CSR activities were had higher corporate ethical standards.

A study by Yusoff and Adamu (2016) discover the effective practices of marketplace activities can enhance the financial performance. This study supports the empirical study conducted by Allouche and Laroche (2005) which find the positive association with marketplace activities. However, study by Mahoney and Roberts discover a positive but insignificant impact towards product dimension on the financial performance among Canadian listed companies. The fourth hypothesis derived from this study is:

H4: There is a significant relationship between expenditure on marketplace with Islamic bank financial performance.

### **Research Method**

This study used secondary data which referring to data that had already been collected and used for reference or to gain knowledge. Secondary data is an effective technique of gathering a significant number of data, especially when field access is limited (Emma, 2008). Secondary data assists in making primary data collection more particular since it allows to identify gaps and shortcomings, as well as what extra information needs to be acquired. It helps to improve the understanding of the problem by provides a basis for comparison for the data that is collected. Disadvantages of secondary data are that data can be out of date and researcher does not control over quality of the data (Juneja, 2015). The sources of quantitative secondary data in this study gathered for 8 years starting from 2011 to 2018. The eight listed Islamic banks in Malaysia, banks are included in this study. The list of the Islamic banks selected based on the availability of the CSR data shown in their annual report which are Ambank Islamic Berhad,

Bank Islam Malaysia Berhad, Bank Rakyat Berhad, CIMB Islamic Bank Berhad, RHB Islamic Bank Berhad, Hong Leong Islamic Bank Berhad, Maybank Islamic Berhad, Public Bank Islamic Berhad. The data that had been collect had been estimated using EViews7 for the data interpretation of the results of the analysis to examine the relationship between dependent variables and independent variables. In details, researcher used panel data for this study. Panel data can be defined as the data that gathered dependent variable multiple entities and constructs by measured at multiple points in time while use of same sample. Panel data, as defined by Baltagi (2005), is a collection of observations from a diverse group of people, such as households, firms, and countries, collected over time. As a result, each individual in the sample provides multiples observations. It also allows for the control of variables that cannot be observed or measured across firms or over time but can be measured across entities.

### ***Empirical Model – Fixed Effect Model***

After running the panel data test which is Likelihood Test and Hausman Test shows that Fixed Effect Model (FEM) study the most. FEM assumed that there is correlation between unobservable individual effects and ROA determinants. Fixed effect explores the relationship between independent and outcome variable within an entity such as person, company, and country. Each entity has its own individual characteristics that may or not influence the predictor variables.

The model for the Fixed Effect Model examination is:

$$ROA_{it} = \alpha_{it} + \beta_1 ENV_{it} + \beta_2 COM_{it} + \beta_3 WOR_{it} + \beta_4 MAR_{it} + \epsilon_{it}$$

Where,

ROA = Return on Asset

ENV = Expenditure on Environment

COM = Expenditure on Community

WOR = Expenditure on Workplace

MAR = Expenditure on Marketplace

$\alpha$  = The intercept for equation

$\epsilon$  = Error Term

i = Cross-section unit

t = The time of observation.

**Table 1. Data Analysis and Discussion**

<b>DV=Return on Asset (ROA)</b>	
<b>Variable</b>	<b>Coefficient (p-value)</b>
ENV	0.019844 (0.0147**)
COM	0.016752 (0.0281**)
WOR	0.017077 (0.0378**)
MAR	0.016227 (0.0421**)
Constant	-0.455929



	(0.5457)
Adjusted R-squared	0.185077
F-statistic	2.186017
Probability	(0.045208**) <hr/>

Based on the table, the coefficient values of the all-CSR elements which are environment, community, workplace, and marketplace show positive magnitude with the coefficient values of 0.019844, 0.016752, 0.017077 and 0.016227, respectively. All the CSR elements which are environment, community, workplace, and marketplace have the probability value of 0.0147, 0.0281, 0.0378 and 0.0421, respectively. These variables are significant towards the Islamic banks' performances in which the probability values are lower than the significant value of  $\alpha=1\%$ , 5% and 10%. The coefficient values can be summarized that for 1% changes of expenditure on environment, 1% spent on community, 1% expenditure on the workplace and 1% expenditure spent on marketplace elements can impact Return on Assets (ROA) for 0.019%, 0.016%, 0.017% and 0.016% respectively.

To add, the F-statistic yield in the regression is 2.186017 with the probability value of 0.045208, where this value generated is less than the significant value of  $\alpha=1\%$ , 5% and 10% represented that the model is significant. It could be said that the regression model is appropriate, fit and match with the data sample. From the result, the adjusted R-squared produce is 0.185077. This implies that approximately 18.51% of the variation of Islamic banks' performances is explained by the element of CSR (independent variables) while another 81.49% is explained by the other factors.

### Result and Discussion

This study aims to fill the gap in the literature by empirically examining the effect of selected independent variables on the performances of Malaysian banks. The summary of finding as below:

**Table 2. Finding Summary**

	Dependent variable	Return on Asset (ROA)	
	Independent variable	Finding	Magnitude
CSR Expenditure (%)	Environment	Significant	Positive
	Community	Significant	Positive
	Workplace	Significant	Positive
	Marketplace	Significant	Positive

Based on the summary tabulation of the findings, this study has discussed on the variables tested with their impact on the banks' performance. It clearly shows that environment, community, workplace and marketplace variable give impact on the bank's performance. The significant variables are elaborated in the following discussion:

### ***Environment***

The result from this study found that the CSR expenditure have a positive association with ROA. This study rejects null hypothesis which discover that there is significant relationship between expenditure on environment with firm financial performance. This result supported the stakeholder's theory which says that every business in order to be successful it has to create value to its customers, supplies, employee, community and financiers. This finding also is supported by the research conducted by Kantabutra and Avery (2013) found positive association between environment sustainability with firm financial performance. Similarly, on the study by Yusoff and Adamu (2016) which found out that there is a positive relationship between firm which performing CSR through environment activities with the firm financial performance.

### ***Community***

Community expenditure is found out to have positive association with firm financial performance. The findings of this study reject null hypothesis as there is significant relationship between expenditure on society with bank financial performance. The findings from this study are similar with the research conducted by Rotolo and Wilson in 2006 which stated that business which that can sustain should actively engage in community activities. This in order to develop mutual understanding and enhance growth. This result is also supported by Yusoff and Adamu (2016) whereby the community activities which conducted by company have positive impacts on firm's performance. Therefore, this study shows that the company which participate in community activities can gain higher income. In others word the expenditure spend by the firm on the community can lead to better company financial performance. In another similar study carried by Roseland (2012), which concluded that to respond to growing community activities can impose considerable cost on companies. This is due to the competitive environment in relation to customers, resource and labour market with a changing trend that favours those companies with good community relationship.

### ***Workplace***

This study found that there is significant relationship between the expenditure spent by bank in Malaysia on workplace with the bank financial performance. Therefore, the finding from this study reject the null hypothesis and conclude that there is a significant relationship between expenses spend for better workplace with bank financial performance. This finding on the workplace activities in Malaysia is similar to studies conducted by Roelofsan (2002) and Baloch (2009) which found that workplace contentment decreases the job dissatisfaction and employee absenteeism and has higher linked with job satisfaction and also lead to higher productivity. Hence, more employees satisfied with the job the better he or she can contribute towards the company's subsequently profitability and productivity. Based on this fact it is right to conclude that adequate implementation of workplace activities associates with company financial performance because it is directly linked to human capital, portfolio value and operating expenses. CSR in Malaysia was designed to incorporate broader interest of all stakeholders.

### ***Marketplace***

This study found that there is significant relationship between the expenditure spent on marketplace activities with the bank financial performance. Therefore, the finding from this study failed to reject the null hypothesis as there is significant relationship between expenditure on marketplace with bank financial performance. It can be said that an expenditure spent on

the marketplace activities can enhance the bank financial performance. The finding is supported by research conducted by Allouche and Laroche (2005) which found that firm financial performance has positively associated with suitably matching supply chain strategy with that of product variety strategy. In line with Malaysia context, the study conducted by Kim et al., (2003) added that the marketplace improvement enhances firm's financial performance. This is achieved by enhancing the firm brand loyalty, perceived quality and brand image when establishing an explicit brand equity to customer. Hence, marketplace become one of the four essential elements in CSR framework in Malaysia. This in order to pursue firm's economic growth and to ensure business sustainability in Malaysia for years ahead.

### Conclusion

This study focuses on the relationship between Corporate Social Responsibility (CSR) and banks financial performance, specifically in Malaysia. The variable used to determine CSR are environment, community, and workplace and marketplace expenditure ratio. Meanwhile, to measure the financial bank performance, Return on Asset (ROA) is used in this study. In order to achieve the objectives of this study, the researcher had used panel data analysis which is Fixed Effect Method as the appropriate model for this study. Based on this model, it can be concluded that CSR elements which are environment, community, and marketplace have significant impact on bank's financial performance. This is consistent with Stakeholder Theory which states that the firm's financial performance is also determined by external stakeholder. Apart from CSR practice having its influence on company's financial performance, this study reveals the elements that are significant to enhance banks. This finding also supported by a vast number of previous studies. Therefore, bank should consider CSR for long term gain as CSR has become more and more common in business practices. In addition, it is important for a policy maker to create business-friendly environment with the suitable set of economic policies which can promote sustainable development. This will not only encourage domestic investment but also build confidence for foreign investors to explore new investment opportunities and extend their existing ventures in the country. The banks' strategy towards discharging activities which related to community responsibility has gain community trust. It shows bank accountability and transparency through a well design of corporate reporting practices which aid in improving bank's image and profitability. Besides that, this study discovered bank through the marketplace element in CSR able to sustain a good relationship with its customer through organizing various programs in different occasions. In this study, workplace which is another element of CSR show insignificant results toward the bank's financial performance. This may be due to high Islamic banks spending on training programs. However, generally based on this study, most CSR elements show significant result and can be deduced that most CSR elements or activities do have impact on bank's financial performance. The result is in line with the value-based intermediation (VBI) in propelling Islamic Finance which is proposed by Central Bank of Malaysia in 2017. Under VBI Islamic banks are encouraged to embody community empowerment and have best conduct besides focusing on the business activities. In deduction, the finding from this study also shows that the expenditure that Islamic bank spend on CSR have a significant impact on the organization financial performance. This is supported as majority of CSR elements measure under this study show significant result.

This current study contained certain limitation. The first limitation is on the data availability issues. Some of the variables are not disclosed in the bank's annual report in particular on the Corporate Social Responsibility section. Therefore, future study should employ other comprehensive methods of data collection such as interview with the Bank management and

finance staffs. The second limitation is that this study focuses on Malaysia only. Specifically, it focuses on the 8 banks. Therefore, the result could only apply within the Malaysian context. Future researchers may increase the sample size and examine a cross-country analysis. Finally, this study only focusses on one industry which is Islamic Bank in Malaysia. The future research may carry comparative study on Islamic Bank and conventional banking. The future researcher may also conduct the survey on different industry as well. This study briefly mentions CSR on Islamic perspectives due to limited sources. Future research suggested to dig deeper from this perspective to enhance their research.

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