

Social responsibility of Islamic banks in developing countries: Empirical evidence from Egypt

Elhassan Kotb Abdelrahman Radwan^{a*}, Nada Omar^b, and Khaled Hussainey^c

^aDepartment of Business and Economic Studies, University of Naples Parthenope, Napoli, Italy; ^bFaculty of Finance and Accountancy, Budapest Business School, Budapest, Hungary; ^cAccounting and Financial Management Department, Faculty of Business and Law, University of Portsmouth, UK

*Contact: elhassan.kotb@aun.edu.eg

Abstract

This study explores Islamic banks' role in Social Responsibility (SR) in developing countries by focusing on the Faisal Islamic Bank of Egypt (FIBE) as a case study. The paper provides a brief overview of the concept, dimensions, and areas of SR, nature of Islamic banks, the concept of Corporate Social Responsibility (CSR) in Islamic banks, also outlines how the Islamic banks support the social enterprises with some examples of such enterprises that supported by FIBE. The analysis shows that Islamic banks in general and FIBE, in particular, play an effective role in SR and enhance the development of social enterprises. *The study* concluded that FIBE has allocated huge funds for SR through participating in several social initiatives and activities, besides Qard-Hasan for needy citizens and its Zakat Fund.

Keywords: Islamic banks; social responsibility; social enterprises; Faisal Islamic Bank of Egypt.

1. Introduction

Nowadays, all interested parties need more high-transparency financial and non-financial information (Kim et al. 2012), thus, several companies have amended their attitudes regarding reporting to stakeholders; in a broad sense, these firms shifted their disclosure from just providing financial results to a whole other variety of topics (Eccles et al. 2001), Corporate Social

Responsibility⁽¹⁾ (CSR) is considered one of these topics. Thus, companies disclose more Social Responsibility⁽¹⁾ (SR) information to satisfy stakeholders' needs which assist them not only in evaluating the efficiency of the use and the preservation of economic resources but also in assessing to what extent these companies contribute in the environmental protection (Akhtaruddin 2005). CSR is the approach that includes the economic, legal, estimated, and ethical impacts and obligations for an enterprise towards society (Carroll 1979). Consistent with that, Islamic banks are one of the most important components of the financial system that have amended their attitudes regarding reporting and have issued a sustainability report that contains several topics such as CSR. SR is considered one of the most important areas in Islamic banks and has no less important than their economic responsibility, it assesses how these banks performing their duty towards society by participating in many social activities and initiatives.

It is worth mentioning that the debate on CSR has received increased interest from global corporations, academic scholars, and other concerned regulators and professional authorities, thus CSR literature is extensive. However, literature is still inconclusive and there is a distinct lack of research into investigating the role of Islamic banks in SR because the vast majority of prior studies that have been undertaken on CSR in Egyptian banks focused on exploring the practices, nature and the determinants of CSR reporting. To the best of the researchers' knowledge, prior SR studies in the Egyptian Islamic banking industry did not represent clear and reliable evidence about the social role of Islamic banks. Egypt has the highest population amongst the Arab countries and has third highest population in Africa after Nigeria and Ethiopia (Central Intelligence Agency (AIC)). So this work tries to fulfill this gap by answering the following main research question: **"What is the role of Islamic banks in social responsibility in the developing countries with focusing on Faisal Islamic Bank of Egypt as a case study?"**

The current paper explores the role of Islamic banks in SR in developing countries by focusing on the Faisal Islamic Bank of Egypt⁽¹⁾ (FIBE) as a case study. The paper provides a brief overview of the concept, dimensions, and areas of social responsibility, the concept, and nature of Islamic banks, the concept of CSR in the Islamic banking industry, and also outline how Islamic banks support social enterprises and as well as present examples of the social enterprises that supported by FIBE. The paper concluded that Islamic banks in general and Faisal Islamic Bank of Egypt in particular play a vital role in CSR and in enhancing and supporting the development of social enterprises. Further, our results reported that FIBE has allocated huge funds for SR through participating in many social initiatives and activities, in addition to Qard-Hasan for needy citizens and the Sharia banks of its Zakat Fund. The study contributes to the literature in a number of ways. It supports social responsibility literature with a significant contribution by undertaking one of the primary studies of its type in Egypt as a case of a developing country that will explore the role of the Islamic banks in CSR in several ways; first, because of the vast majority of studies that have been conducted in the context of CSR in the Egyptian Islamic banks have focused on the issues of social reporting to determine the levels, nature, volume, and extent of social disclosures in such banks. Thus, the contribution and role of Egyptian Islamic banks in CSR have not received that much attention. The current study provides an in-depth understanding of the effective role of Islamic banks in CSR. It also uses content analysis for an Islamic bank – as a case study - to answer the research question.

The research findings will benefit all the interested parties and stakeholders, such as; the managers and leaders of banks themselves, creditors, customers, financial analysts, policymakers, auditors, investors, and other users as well, through providing them the information about the role of Egyptian Islamic banks in CSR.

The rest of the paper is structured as follows. Section 2 discusses the theoretical background. Section 3 reviews relevant literature on CSR and Islamic banks. Section 4 discusses the sample, the method. Section 5 reports the main findings. Section 6 concludes the paper.

2. Theoretical background

2.1. Concept, dimensions, and areas of social responsibility

In the literature, there are many definitions of social responsibility but the most comprehensive one is presented by the World Business Council for Sustainable Development that defines CSR as the continuous commitment by business enterprises to act ethically and contribute to achieving economic development and work to improve the quality of living conditions for the workforce and their families, the local community, and society as a whole. Moreover, the European Commission has determined the dimensions of social responsibility through two main dimensions: the internal and external dimensions. The internal dimensions include human resource management and the social responsibility practices inside the bank such as providing a learning environment for employees forever, developing their capabilities, diversifying the workforce, sharing profits, and paying attention to employment and job security. The external dimensions are that represented by the bank's external environment, including local communities, suppliers, customers, competitors, and the protection of human rights (Al-Zyoud 2013). Jin et al. (2010) classified the areas of social responsibility as follows: (i) Corporate social responsibility towards employees: such as contributing to social insurance for workers, setting up health care and hospital treatment systems, providing training programs at home and abroad, etc. (ii) Social responsibility towards society: such as donations to foundations, charities, and non-governmental organizations, as well as donations to needy students. (iii) The corporation's social responsibility towards

preserving the environment: preventing pollution and preventing the leveling of lands and other sources of pollution.

2.2. Concept and nature of Islamic banks

Generally, the Egyptian legislator defined the bank in article NO. 19 of Law No. 57 for 1951 as a natural or a Legal person whose main job is to accept deposits from the public and pays them on demand or after a period for investment purposes (Radwan 2018). While the Islamic bank is any bank that operates according to the principles and provisions of the Islamic Shari'a in all transactions whether such products are investment deposits, investment certificates, or savings accounts; it is also subject, as a financial institution, to the supervision and control of the Central Bank (Al-Maghzom 2016). Based on the General Council for Islamic Banks and Financial Institutions in Bahrain, Islamic banking practices began in the '70s in Egypt, KSA, and UAE by 2003 (Radwan 2018). Overall, there are three main resources from which the operations of Islamic banks originate; namely, the Quran (the holy book of Muslims), Sunnah (the rules or the practices applied by the prophet Mohammed), Ijma' (the majority of agreeing with people on a specific point or a situation). In addition, an Islamic bank also meets the client's various financing needs by providing many options that were mentioned by Al-Maghzom (2016) and other Islamic banks academic writings and also can be summarized as follows:(i) Mudarabah (ii) Musharakah (iii) Murabahah (iv) Ijarah (leasing) (v) Qard Hasan (vi) Al-Istisna (vii) Salam (viii) Wakalah (Agency) (ix) Sukuk.

2.3. Concept of social responsibility in the Islamic banking industry

In general, social responsibility can be defined as a commitment to contribute to sustainable development by working with its employees and the local community to improve people's standard of living in a manner that serves both trade and development (World Bank 2005). While, in the context of Islamic banks, social responsibility can be defined as the commitment of the Islamic bank to participate in some activities, programs, and social ideas to meet the interests and social goals of all inside and outside parties, to satisfy God and working to achieve solidarity, cooperation, progress and social awareness of individuals, taking into account balance and fair interest in the interests of different groups (Al-Maghribi 2004; Ayyash 2010).

2.4. Islamic banks and social enterprises

Islamic finance plays a vital role to enhance the development of social enterprises because conventional (non-Islamic) banks refuse to lend social enterprises since these organizations do not have sufficient guarantees to approve their projects, in more details, there is a strong collaboration between Islamic banks and social enterprises, such cooperation leads to economic growth. Although financing of social enterprises by Islamic banks involves a certain level of risk because these banks follow the profit/loss sharing method in the financing based on the principles of triple sharing: sharing the risks of an entrepreneurial project, sharing the potential benefits raised, and sharing management responsibility, Islamic banks support these social organizations through developed, innovative, and sharia-compliant instruments like zakat, waqf, microfinance, and Sukuk (Islamic bonds) and also through providing financial techniques similar to traditional financing products such as participatory financing techniques such as Al Moucharaka or Al Modaraba to avoid exposure to risk and to become successful. The success of these enterprises is beneficial to both society and the economy, start with economy; it creates more jobs, generates additional income, and adds the value of new products or services to the market, while for society

it provides solutions to social problems, promotes social welfare, reduces poverty, enhancing financial inclusion, and maintaining sustainable growth (Tawfiqi, et al. 2018; Biancone, et al. 2019; Drissi, et al. 2017). Hence, there are several common threads between Islamic finance and social organizations, such common threads between the two concepts may constitute a new opportunity for Islamic finance that accepts risk-sharing with entrepreneurs in general and social in particular, which sets it apart from the traditional concept of finance.

3. Literature review and research Gap

Over the past decades the debate on corporate social responsibility has received increased interest from global corporations, academic scholars, and other concerned regulators and professional authorities, thus the literature on corporate social responsibility is extensive, and there are several studies in each of the areas of CSR and corporate social responsibility disclosure (CSR(1)) in the global Islamic banking industry in general, and in the Egyptian Islamic banks in particular, subsequently, the key literature of the areas of corporate social responsibility and corporate social responsibility disclosure can be presented as follows:

3.1. Corporate Social Responsibility (CSR)

According to Jusoh and Ibrahim (2016), the starting point of the CSR structure evolution was in the 1950s, then CSR definitions developed during the 1960s and multiplied during the 1970s, however, there were fewer new definitions in the 1980s, thus the efforts were directed to conduct more empirical research on CSR, as a result, alternative areas were included such as corporate social performance (CSP), stakeholder theory, and business ethics theory. Afterward, especially in the 1990s, CSR was established as a core construct (Carroll, 1999), finally, at the

beginning of the 21st century, then a comprehensive notion of CSR based on activities and results of CSR was introduced.

A large interest has been given to CSR in both the professional and academic fields. Several studies focused on reviewing the definitions, consequences, theories, and motives of CSR, to give an illustration, Huang and Watson (2015) analyzed the top accounting journals to review the research on CSR, they argued that there are a few confusions about how CSR should be defined. In the same context, the definitions of CSR were examined by Dahlsrud (2008). Moreover, Garriga and Melé (2004) classify the main theories of CSR into four groups; instrumental, political, integrative, and ethical theories, they suggested there is a significant necessity to develop a new theory on the association between business and society. Also, stakeholder theory and legitimacy theory do apply in CSR studies (for example, Fernando and Lawrence 2014).

3.2. *Corporate Social Responsibility Disclosure (CSR D)*

Another trend of CSR research has focused on studying the practices, motives, and determinants of CSR D. There are several studies that presented the CSR D practices (see, for instance, Galani et al. 2011; Griffin and Sun 2018; Gray et al. 1995a; Potluri et al. 2010; Gray et al. 1995b; Adams et al. 1998; Anas et al. 2015; Deegan and Gordon 1996; Unerman 2003; SierraGarcía et al. 2015; Golob and Bartlett 2007; Van Der Laan 2009; Akbas and Canikli 2014; Dienes et al. 2016; O'Dwyer et al. 2005; Tilt 2016; Huang and Watson 2015; Sadou 2017). Also, Gamble et al. 1996; Golob and Bartlett 2007; Silberhorn and Warren 2007, focused on analyses of the differences and similarities of CSR D practice models. An additional example, by using the questionnaire survey approach for 100 Malaysian companies, Teoh and Thong (1984) investigated the scope of corporate social responsibility disclosure. They find that most of the companies

interviewed state that they focus on social involvement, specifically relating to employees and products/services. Their results show that company size, country of origin, and corporate ownership have a significant impact on the extent of CSR. Last but not least, Verbeeten et al. 2016; Rahman et al. 2011; Said et al. 2009; Hussainey et al. 2011; Rouf 2011; Haniffa and Cooke 2005; Bayoud et al. 2012; Khan 2010; Gamerschlag et al. 2011; Tagesson et al. 2009; Ho and Taylor 2007, all employed the content analysis and develop their disclosure indexes to investigate the level of CSR disclosures, while observatory on corporate social responsibility was adopted by Reverte (2009), in addition, Giannarakis (2014) employed a proxy for the extent of CSR disclosure the environmental, social, and governance disclosure score calculated by Bloomberg. Furthermore, Aldrugi and Abdo (2016) examined the motives and the level of Environmental Disclosure (ED) in Libya's oil and gas firms. Similarly, Aldrugi and Abdo (2014) studied the motives behind (ED), the reputation and social pressures are the common motives in both foreign and local enterprises that encourage them to disclose environmental information.

3.3. The Consequences of Corporate social responsibility

There are many studies have been conducted on exploring the consequences of CSR. For example, according to Margolis and Walsh (2003), the first study that examined the relationship between corporate social responsibility and financial performance was published by Narver in 1971. Moreover, there are a large number of empirical studies that examined the relationship between CSR and CFP and reported that the correlation between CSR and CFP can be negative, positive, neutral, or non-significant. To give more illustration, a large body of scholars who have examined the relationship between CSR and CFP and documented a positive relationship between CSR and CFP (see, for instance, Van der Laan et al. 2008; Chen and Wang 2011; Wu 2006; Orlitzky et al. 2003; Ruff et al. 2001; Sun 2012; Maqbool and Zameer 2018, while, several scholars

have reported a negative relationship between CSR and CFP such as; Boyle et al.1997; Lopez et al. 2007; Cavaco and Crifo, 2014; Crisostomo et al. 2011; Wright and Ferris 1997. Further, some studies find no significant relationship between the two variables (CSR and CFP) (see Lee et al. 2013; Aras et al. 2010; Griffin and Mahon 1997; Aupperle et al.1985; Teoh et al.1999.

Another group of studies have focused on investigating the interrelationship between CSR and firm value such as Buchanan et al. 2018, and find that CSR has a positive effect on firm value. In the same vein, Faisal et al. (2020) reported that there is a positive relationship between the market values and corporate social and environmental responsibility disclosure (CSERD). While LEE (2020) stated that CSR activity has a negative impact on the market value of the firm for the concurrent period, but from one-period time lag and afterward, CSR activity has a strong positive impact on the market value and sustains its positive impact on the market value even for a two-period time lag. Furthermore, Brooks and Oikonomou (2018) summarized some of the crucial knowledge gaps in environmental, social, and governance disclosures and their effects on firm value. Furthermore Yook et al. (2020) provided empirical evidence that CSR enhances firm value in the capital market. Additionally, Agustinus (2020), pointed out that the market value added (MVA) has a positive relationship with CSR.

There are several studies in different countries that have focused on CSR and information asymmetry, for example, the studies of Cho et al. 2013; Cui et al. 2018, both highlighted that CSR performance is negatively related to information asymmetry and with reputational risk measure as well. Cheung (2016); Lu LY et al. (2016); Arouri and Pijourlet (2017), explored the relation between CSR and cash holdings; they concluded that CSR affects positively cash holdings.

Some studies of (CSR) disclosure, earnings management (EM), and earnings quality are, for example, Kim et al. 2012, stated that CSR related negatively with EM, while it correlated positively with earnings quality.

Literature also examines the relation between CSR and government (Moon and Knudsen 2018) and find that the definition of CSR as ‘voluntary’ is not accepted because of government intervention everywhere.

Aupperle et al. (1985) did not find any relationship between CSR and profitability, while the relationship between corporate social responsibility (CSR) performance and bank unsecured loans was investigated by Chen et al. (2020). They reported that firms with good CSR performance exhibit a preference for unsecured debt but decline to provide collateral for the debt.

Hamrouni (2019), examined how corporate social responsibility (CSR) reporting influences leverage ratios, the empirical results demonstrate that leverage ratios are positively related to CSR disclosure scores. In addition, the results show that the levels of long-term and short-term debt increase with the disclosure of ESG information. Within the context of a developing country, the effect of corporate governance and degree of multinational activities (DMAs) on corporate social responsibility disclosures (CSR) has been examined by (Coffie 2018). They pointed out that the degree of multinational activities DMA has a positive association with both quality and quantity of CSR; they also mentioned that certain corporate governance characteristics such as board size (quality and quantity) as well as the presence of a social responsibility sub-committee of the board (quality) have a positive relationship with CSR. Finally, Bannier et al, (2021) explored the impact of corporate sustainability on market efficiency,

and they indicated that a firm's Environmental, Social, and Governance (ESG) profile significantly affects valuation.

3.4. Corporate social responsibility in Islamic banks

Islamic banks are one of the most important components of financial systems. They play a vital and effective role in society; in more details, they fund and carry out a great number of community development plans (e.g. build schools and hospitals and also assist youth employment programs, especially in developing countries). Furthermore, they provide various aids for the national economy such as introducing new job opportunities and financing the social enterprises. There are several studies focused on CSR and CSRD in the context of the Islamic Banking sector, these prior studies can be classified into three main research areas.

To illustrate, the first group of studies has focused on the practices of CSR reporting by Islamic banks as pointed out by Jusoh and Ibrahim 2017; 2016. They used the interview technique as a research method to investigate the practices and arising issues of CSR of Islamic banks in Malaysia. They concluded that CSRD, CSR management, and CSR fund are the most vital issues that need to be taken into account to ensure applying CSR efficiently in the Malaysian Islamic banks. They found that Malaysian Islamic banks do not merely focus on zakat and charitable activities (e.g. Bank Islam Malaysia Berhad (BIMB)). Kamla and Rammal 2013; Hassan and Syafri Harahap 2010; Maali et al. 2006 used the content analysis method to measure the volume of social disclosure practices in Islamic banks. They found that the issues of CSR are not of major concern for the majority of Islamic banks, thus these banks have a lower than expected disclosure.

In addition, the found that social disclosures lack detailed information on the initiatives of reducing poverty and enhancing social justice. In the same vein, Aribi and Gao (2011) reported that the Islamic financial institutions (IFIs) allocate the largest proportion of their social reporting to the Shari'a supervisory board's reports, in addition, their disclosures on "Zakah", charity donation, free interest loan, and other Islamic information.

The second group of studies concerned the factors that influence (CSR) reporting. For example, Kustono and Nanggala (2019) analyzed the annual reports and CSR reports of a sample of 13 Indonesian sharia banks to investigate factors that influence (CSR) reporting information at these banks. The results showed that only firm size influences CSR reporting. Similarly, El-Halaby and Hussainey (2015) found that there is a positive association between the levels of CSR in Islamic Banks (IBs) and the firm size, accounting standards; auditor; and the Sharia auditing department's existence. The third category of studies investigated the interrelationship between corporate social responsibility disclosures (CSR) and the financial performance of the Islamic banking industry. For instance, in Pakistan, Rehman et al. 2020; across 13 countries Farag et al. 2014; Aribi and Gao 2011 in the Gulf region). All concluded that there is a positive relationship between the two variables.

3.5. Corporate social responsibility in Egypt

There is a large research on CSR issues has been conducted in the Egyptian environment in all financial and non-financial sectors, (see, for example, El-Bassiouny and Letmathe 2019; Rizk et al. 2008). They investigated the practices of CSR reporting of listed Egyptian firms and concluded that both political instability and industry type influence CSR disclosure practices of Egyptian corporations. Moreover, in their main study, based on in-depth interviews, Osman et al. (2021)

explored emancipatory and repressive actualities and potentialities of corporate social responsibility reporting. They introduced more insights in terms of critical understanding and praxis of CSR reporting implementation.

Furthermore, CSR aspects in the Egyptian banking industry have been discussed extensively by academic scholars. To illustrate, El Hawary and Arafa (2018) examined the practices of CSR disclosure provided by banks operating in Egypt. They concluded that there is a little improvement (almost non-existent especially for local banks) in the quality and level of CSR disclosure by the banking sector. Further, the consequences of was examined extensively; for example, Firstly, Racha El Moslemany Menan Etab (2017) indicated that there is an insignificant relationship between CSR and financial performance. Hussainey, et al. (2011) found that profitability is the main determinant for individual and aggregated CSR information in Egypt. In addition, the impact of ownership structure on CSR was examined by Soliman et al. 2013. The results concluded that CSR levels positively associated with ownership by institutions and foreign investors, and negatively associated with shareholding by top managers, so engagement of CSR depends on the kind of owners.

3.6. Corporate social responsibility in Egyptian Islamic banks

According to the Egyptian Central Bank, the Egyptian banking sector is currently composed of 39 banks that are categorized into four groups based on their shareholding and activities: public sector commercial banks (three banks), specialized banks (five banks), 24 private sector banks, and seven foreign branches. Accordingly, there are 14 listed banks in the Egyptian stock market. Much of the current literature on CSR pays particular attention to CSR practices in the Egyptian Islamic banking industry. In an abroad sense, in her major study, Abdel Megeid (2013)

investigated CSR implementation in the Egyptian Islamic and non-Islamic banks from point of view of the impact of bank's service quality on customers' satisfaction and improving financial performance. Scholars mentioned that the Egyptian traditional banks have a higher expenditure ability and commitment toward corporate social responsibility because the financial performance is better in these banks than Islamic ones. Another example is Osman (2019) who investigated the social reporting strategies employed by Egyptian Islamic banks (IBs) following two revolutions in Egypt to defend their social legitimacy following two uprisings. Scholar argued that the Egyptian IBs failed to legitimize themselves after the two uprisings; however, they used different communication strategies.

3.7. *Research gap*

Taking the above literature into consideration, however, there is an extensive amount of literature in each of the areas of CSR and CSRD in the global Islamic banking industry in general, and in the Egyptian Islamic banks in particular. Literature is still inconclusive. There is a distinct lack of research into investigating the role of Islamic banks in CSR because the vast majority of prior studies that have been undertaken on CSR in Egyptian banks focused on exploring the practices, nature, and determinants of CSR reporting. To the best of the researchers' knowledge, prior studies on social responsibility in the Egyptian Islamic banking industry did not represent clear and reliable evidence about the role of Islamic banks in CSR in Egypt.

4. Methodology and Data

To answer the research question and conduct an in-depth exploration of the Islamic banks' role in CSR, a qualitative case study methodology is employed. In more detail, the case study method has been used broadly in prior studies by researchers who are interested in qualitative

research and social science to investigate contemporary real-life situations. Additionally, the qualitative case study through various data sources helps in the exploration of a phenomenon within some particular context (Baskarada 2014; Baxter and Jack 2008). A case study research enables scholars to answer “how” and “why” type questions, also it is one of the frequently used qualitative research methodologies, as well as It enables the scholars to employ a variety of sources to collect and converge data, so it is an excellent opportunity to gain great insight into a case (Baxter and Jack 2008; Yazan 2015). In addition, when researchers cannot directly manipulate the behavior of participants, or when the context is important, or it’s not clear where the context of what they are studying ends, they can choose case study research, furthermore, there are also comparative case studies, which called multiple or collective case studies which are used to compare phenomena at multiple sites (Yin 2003). However, as case studies are usually always ‘in-depth’ due to the complex interplay they are studying, it is unusual to have more than a few different case study locations, especially as each may require months or years of study.

The current study focuses on Faisal Islamic Bank of Egypt (FIBE) for a number of reasons. First, it is the first Islamic bank established in Egypt in 1977. Second, based on the official website of the bank, Faisal Islamic Bank of Egypt has leadership within the Egyptian community in the field of social responsibility, since its establishment in 1977. Third, it was honored by the President of the Arab Republic of Egypt for its pioneering role in the field of social responsibility. Fourth, social responsibility is one of its main values and priorities. The data in this paper is collected from the annual reports of Faisal Islamic Bank of Egypt from 2015 to 2019, these periods were selected as the sample period for this study based on the reason that we used all published annual reports in a section of investors’ relations on the websites of FIBE, the annual reports are considered the main sources and documents of disseminating the information to all interested parties, they are

prepared under auditors and accountants control, further, they are widely available at any time and offer a consistent measure (Tilt 1994).

5. A case study of Faisal Islamic Bank of Egypt (FIBE)

5.1. About Faisal Islamic bank of Egypt

According to the official website of Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Egypt (FIBE) is the first Egyptian Islamic and commercial bank. The Bank has officially started its operations on 5th July 1979 but in fact, the beginning was more than five years before that date, when the Bank's founders met and agreed to establish a bank in Egypt operating following the Islamic Sharia to serve as a model for Islamic banking all over the world. The Bank was incorporated under Law no. 48 of 1977 which was then endorsed by the Egyptian Parliament and the Bank was licensed as an economic and social institution taking the form of an Egyptian Joint-Stock Company operating in compliance with Islamic Sharia principles. The Articles of incorporation were amended under law no. 142 of 1981 and were amended for the second time under law No. 97 of 1996. Nowadays, His Royal Highness Prince Amr Mohammed Al-Faisal Aal-Saoud is the Chairman of the Board of Directors, the bank provides all retail and corporate banking services and investment activities in the Arab Republic of Egypt and abroad, through 36 branches and its head office located at 3, 26th July st. Cairo.

5.2. Contributions of Faisal Islamic Bank of Egypt in the field of social responsibility

Faisal Islamic Bank of Egypt has the leadership within the Egyptian community in the field of social responsibility, since its establishment in 1977, it has given this matter a top priority through the legitimate banks of its Zakat Fund and its contributions to social activities and initiatives for eligible individuals, charities and institutions (Faisal Islamic Bank of Egypt website). The total value of the bank's social contributions through Zakat Fund, its social activities, and initiatives within the last five years (from 2015 to 2019) can be presented as follows⁽²⁾:

In 2015, FIBE Participated with about 17 million EGP in many social initiatives such as; supporting the Egyptian economy, and social solidarity, in addition to the activities of its Zakat Fund, total resources amounted to 260 million EGP, which were distributed to all legitimate banks, the actual total amount disbursed was about 16.7 million EGP, distributed as shown in Table 1.

Table 1. Actual disbursed amount of Zakat fund resources in 2015 (value is in thousands of EGP).

Objects of expenditure	Individuals	Students	Mosques	Medical bodies and Well-known associations	Administrative expenses	Total
Amount	11.156	1.542	265	3.519	262	16.744

Source: **Own calculation based on** the bank's annual report of 2015.

In 2016, the total amounts spent in the framework of social responsibility by FIBE until the end of 2016 amounted to about 500 million Egyptian pounds, while the actual total amount disbursed was about 36.7 million EGP, distributed as shown in Table 2.

Table 2. Actual disbursed amount of Zakat fund resources in 2016 (value is in thousands of EGP).

Objects of expenditure	Individuals	Students	Mosques	Medical bodies and Well-known associations	Administrative expenses	Total
Amount	21.143	294	45	14.927	295	36.704

Source: **Own calculation based on** the bank's annual report of 2016.

In 2017, Faisal Islamic Bank of Egypt spent in the framework of social responsibility until the end of 2017 amounted about 500 million Egyptian pounds, while the actual total amount disbursed was about 49.6 million EGP, distributed as shown in Table 3.

Table 3. Actual disbursed amount of Zakat fund resources in 2017 (value is in thousands of EGP).

Objects of expenditure	Individuals	Students	Mosques	Medical bodies and Well-known associations	Administrative expenses	Total
Amount	28.988	1400	420	18.483	296	49.587

Source: **Own calculation based on** the bank's annual report of 2017.

Within 2018, FIBE Participated in many social initiatives such as “Misr without Garmin”, “Developing the most penniless Egyptian villages”, and “limiting the phenomenon of homeless children”, its total initiatives reached 74 million EGP, in addition to the activities of the Zakat Fund, total resources amounted to 386 million EGP, while the actual total amount disbursed was about 63.5 million EGP, distributed as shown in Table 4.

Table 4. Actual disbursed amount of Zakat fund resources in 2018 (value is in thousands of EGP).

Objects of expenditure	Individuals	Students	Mosques	medical bodies and Well-known associations	Administrative expenses	Total
Amount	35.299	997	126	26.888	263	63.573

Source: **Own calculation based on** the bank's annual report of 2018.

Finally, in 2019, the bank participated in many social initiatives, where the total of its initiatives reached more than 65 million EGP, in addition to the activities of the Zakat Fund, total resources amounted to 500 million Egyptian pounds, which were distributed to all legitimate banks, which include, for example, cash and non-cash Zakat For unable Egyptian students, health care for patients, cash and non-cash zakat for eligible Egyptian citizens, and housing, the total amount disbursed was 90.97 million EGP, which distributed as shown in Table 5.

Table 5. Actual disbursed amount of Zakat fund resources in 2019 (value is in thousands of EGP).

Objects of expenditure	Individuals	Students	Mosques	Medical bodies and Well-known associations	Administrative expenses	Total
Amount	62.267	3.067	1.467	23.849	0.329	90.979

Source: **Own calculation based on** the bank's annual report of 2019.

Moreover, the following table presents the total value of the bank's social contributions through its Zakat Fund and social activities and initiatives within the last five ended years (from 2015 to 2019):

We can note from Table 6 that there was a continuous increase in the total value of the bank's social contributions through its Zakat Fund and social activities and initiatives within the last five ended years (from 2015 to 2019), which started with 17 million Egyptian pounds for social activities and 260 million Egyptian pounds by Zakat Fund in 2015 till reached 65 million Egyptian pounds for social activities and 500 million Egyptian pounds by Zakat Fund in 2019.

Table 6. Total amounts spent on social responsibility from 2015 to 2019 (value is in thousands of EGP).

Year	Total amounts spent in the context of social responsibility
2015	17 million Egyptian pounds (social activities) + 260 million Egyptian pounds (Zakat Fund)
2016	500 million Egyptian pounds
2017	500 million Egyptian pounds
2018	74 million Egyptian pounds (social activities) + 386 million Egyptian pounds (Zakat Fund)
2019	65 million Egyptian pounds (social activities) + 500 million Egyptian pounds (Zakat Fund)

Source: **Own calculation based on** the annual reports of the bank for the period from 2015 to 2019.

Table 7 showed that donates for individual recorded the highest disbursed amount of the actual disbursed total amounts in all years (11 million and 156 thousands of EGP in 2015, 21 million and 143 thousands of EGP in 2016, 28 million and 988 thousands of EGP in 2017, 35 million and 299

thousands of EGP in 2018, and in 2019 was 62million and 267 thousands of EGP, respectively), while the lowest amount was allocated for Administrative expenses in 2015, 2017 and 2019 (262; 296 and 329 thousands of EGP, respectively), and for mosques in 2016 (45 thousands of EGP) and 2018 (126 thousands of EGP). According to the table, as well as we can note that, there was a continuous increase in the total of actual disbursed amount from Zakat Fund resources on its activities from 2015 to 2019, which started with 16million and 744 thousand of EGP in 2015 till reached 90 million and 979 thousand of EGP in 2019.

Table 7. Total actual disbursed Amount of Zakat Fund Resources from 2015 to 2019 (value is in thousands of EGP).

Objects of expenditure / Year	Individuals	Students	Mosques	Medical bodies and Well-known associations	Administrative expenses	Total
2015	11.156	1.542	265	3.519	262	16.744
2016	21.143	294	45	14.927	295	36.704
2017	28.988	1400	420	18.483	296	49.587
2018	35.299	997	126	26.888	263	63.573
2019	62.267	3.067	1.467	23.849	329	90.979
Total	158.853	7.300	2.728	87.666	1445	257.587

Source: **Own calculation based on** the annual reports of the bank from 2015 to 2019.

5.3. Social enterprises supported by Faisal Islamic bank of Egypt.

In Egypt, there are several types and examples of social enterprises such as; Promote women's Health Association, Young Man Muslim Association, Future Generation Association, Resala Association for Charitable Activities, Orman Charitable Society, Egyptian Food Bank, Egypt Good Foundation, and Magdy Yacoub Foundation for Heart Research. Abdel Hamid Abu Moussa, the bank's governor, indicated that the bank plays a pioneering role in the field of social responsibility and the development of the Egyptian community through its support for the Tahya Misr Fund, as its contributions that the bank granted to the fund amounted to more than 65 million

pounds and distributed as follows: Hospitals, oncology institutes and campaigns to eradicate virus

C. Social service funds Martyrs Honoring Funds Social housing projects. Furthermore, The Zakat Fund established an orphanage at Al-Mokkatam district, Cairo at an investment cost of EGP 5.3 million. Total charity accounts with returns directed to the orphanage amount to EGP 2 million. The orphanage started its activity in January 2006, it is especially, located on plot 83, 9 St., next to the total petrol station, Al-Mokkatam, Cairo., Egypt.

6. Conclusion

In this work, we reviewed the core literature on Islamic banks and social responsibility. At first, the scholars illustrated the concept, dimensions, and areas of social responsibility, then we recapitulated the dimensions of social responsibility into two main dimensions; the internal and external dimension, in addition to determining the areas of social responsibility into three main areas; corporate social responsibility towards employees, society, and preserving the environment. Afterward, we define the Islamic bank and its nature, also he explained the concept of CSR in the Islamic bank's context. Furthermore, based on the literature that was reviewed and the objectives of this paper, the scholars provided a brief overview of the role of Islamic banks in supporting social enterprises. Then, the relevant literature was reviewed critically. In the last section, the empirical part was undertaken by adopting a qualitative case study methodology on the Faisal Islamic Bank of Egypt and presenting examples of the social enterprises supported by FIBE. It was confirmed that Islamic banks play a vital role in CSR and in enhancing the development of social enterprises. For instance, Faisal Islamic Bank of Egypt FIBE has played an effective role in CSR, it has allocated huge funds for the social responsibility through participating in many social initiatives such as supporting the Egyptian economy initiative, social solidarity initiative; “Misr without Garmin”, “Developing the most needy Egyptian villages”, and “limiting the phenomenon

of homeless children” as well as in several social activities as; donations for hospitals, development of slums and public constructions in many governorates, in addition to Qard-Hasan available to individuals with emergency conditions and needs, and the Sharia banks for the Zakat Fund, the payment of debtors ‘debts , summer training for university students, education, care for orphan children, through the "orphan house of the bank", and zakat in cash and non-cash for Egyptian students who are unable, health care for the needy patients, zakat in cash and non-cash for eligible Egyptian citizens, housing, poverty alleviation, virus C treatment, mosque reconstruction, and the Holy Quran competitions. Moreover, the findings of this paper have practical implications for managers of the global Islamic banks, in general, and the Egyptian Islamic banks, in specific, to multiple and increase their contributions in social responsibility that may improve their marketing practices in the world that may result in attracting new audiences and increasing the existing customers' confidence. Finally, there are a number of important limitations that need to be considered. First, the environment of implementation; is conducted in Egypt. Second, Its aim; the current study focuses on exploring the social roles of Islamic banks, not their social reporting. Third, the small size of the investigated sample; the current study focuses on only one Islamic bank in Egypt. Fourth, the population of this study consists of one component of the banking industry that is a main component of the financial institutions. In the future, the sample size can be increased. In addition, future studies can also be conducted in other developing countries. Moreover, studies may be designed to compare findings of different developing countries and other non-Islamic banks. Lastly, based on these results and findings, it can be said that the research question was answered, and the objectives of the study were as well achieved.

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Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

- (1) Abbreviations and Acronyms: Social Responsibility (SR); Corporate Social Responsibility (CSR); Corporate Social Responsibility Disclosure (CSRSD); Faisal Islamic Bank of Egypt (FIBE).
- (2) All tables were constructed based on the data of the FIBE's annual reports from 2015 to 2019.

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