Corporate Social Responsibility Disclosure in the Southeast Asia (SEA) and Gulf Cooperation Council (GCC) Regions: The Case of Takaful Companies

Fahru Azwa Mohd Zain* & Wan Amalina Wan Abdullah @ Wan Muda
Faculty of Economic and Management Science, Universiti Sultan Zainal Abidin (UniSZA)

Abstract: Corporate Social Responsibility (CSR) refers to a company’s voluntary contribution to sustainable development which goes beyond legal requirements. Currently, companies apply excessive distribution of effort on CSR disclosures. CSR disclosure relates to the provision of information on companies’ environmental and social performance. This research aims to identify the CSR disclosure by Islamic insurance (takaful) companies in the Southeast Asia (SEA) and Gulf Cooperation Council (GCC) regions. This study examines whether there is a difference between the SEA and GCC regions, in relation to the voluntary disclosure of the GSIFI No 7: the Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions. The primary objective for this standard is to ensure that CSR activities and compliance of IFIs are communicated in a truthful, transparent and comprehensible manner to relevant stakeholders. This study uses a sample of 55 takaful companies in the SEA and the GCC regions. Content analysis is used to extract disclosure items from the year 2014 annual reports of takaful companies. The results show that there is a significant difference in the extent of CSR disclosure between takaful companies in the SEA and the GCC region. The findings reveal that takaful companies in the GCC region disclose more compared to the SEA region.

Keywords: CSR Disclosure; AAOIFI, Takaful Companies

INTRODUCTION

CSR disclosure is the provision of financial and non-financial information relating to an organisation’s interaction with its physical and social environment (Dagiliene, 2015; Dhaliwal, Li, Tsang & Yang, 2011). It is “the process of communicating the social and environmental effects of an organisation’s economic action to particular interest grouping within society and to the society at large” (Platnova, Asutay, Dixon & Mohammad, 2016). CSR disclosure has played a significant role in business, through enhancing corporate transparency, developing corporate image and providing useful information for investment decision (Mallin, Farag & Ow-Yong, 2014; Esa & Zahari, 2016). According to Lewis (2001), the concept of CSR is related to the principle of full disclosure. It is argued that the concept of corporate social disclosure in the annual reports of IFIs requires a somewhat different set of requirements from the conventional Western design (Harahap, 2003). Social disclosure has a primary position in Islamic business culture, which emphasises the disclosure of truth (financial and non-financial information) and forbids the withholding thereof (Askary & Clarke, 1997). In Islam, the main objective of CSR is to show compliance with Shari’ah principle, i.e. to demonstrate accountability to Allah S.W.T (Hanifia, 2002). It is claimed that although the framework for the Islamic corporate social responsibility has a predominantly conventional flavour, social disclosure should comply with the Shari’ah Islamiyyah principles (Baydoun & Willett, 2000; Hanifia, 2002; Harahap, 2003), as well as being supported by the axiom of tawhid in Islam. Disclosure from an Islamic perspective of accounting means disclosing information that would aid economics as well as religious decision-making, and thus, such disclosure should have the qualities of being relevant, objective and material (Hanifia, Hudaib & Mirza, 2004).

Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), is an Islamic international autonomous non-for-profit corporate body which prepare and promulgate accounting, auditing and governance standards based on the Shari’ah precepts (AAOIFI, 2010). AAOIFI has been recognised and mandated to develop accounting, auditing, governance and ethical standards that are in line with Shari’ah in
order to promote comparable and reliable accounting information by IFIs (AAOIFI, 2010; Karim, 2001). A number of standards (88) are issued by the AAOIFI, out of which 48 standards are on *Shari‘ah* standards, 26 are on accounting standards, five on auditing standards, seven standards on governance and two standards on codes of ethics (AAOIFI, 2010). The adoption of AAOIFI standards in any country is intended to increase foreign investment as well as investors’ confidence (Sarea & Hanefah, 2013). These standards are set up to produce financial statements that are transparent in their preparation and easily interpretable by users (Karim, 2001). In promulgating their standards, AAOIFI has started with objectives which are already established in contemporary accounting thought. These objectives are then tested against the *Shari‘ah* principles. AAOIFI accepts those that are consistent with *Shari‘ah* principles and rejects those objectives that are not consistent with *Shari‘ah* principles (Maurer, 2010).

**LITERATURE REVIEW ON CSR DISCLOSURE**

Myanmar Recently, many scholars have taken great interest in research on corporate social responsibility (CSR). A significant body of evidence across business research disciplines examines questions such as which types of company involve in CSR, and how CSR forms company decisions and outcomes. CSR may be represented as company efforts to exceed compliance by voluntarily engaging in “actions that seem to further some social good, beyond the interests of the company which that is needed by regulation” (McWilliams & Siegel, 2001, 2006, p. 1). This definition suggests the incorporation of economic, legal, ethical, and humanity responsibilities into company decision making (Carroll, 1979). Apart from that, CSR represents a possible departure from shareholder theory, in which companies attempt to maximise shareholder wealth within legal constraints and basic social standards (Friedman, 1970). Shareholder theory has been a principal assumption throughout analysis in economics, finance, and accounting. CSR theory suggests that companies are motivated to make decisions that are not always obviously shareholder-wealth-maximising. Under the stakeholder theory suggested by some CSR scholars, companies should strike a balance between shareholder interests and the interests of different stakeholders (Carroll, 1991). This tension generates important questions that accounting researchers have a voice in answering about shareholder interest.

A number of studies have investigated the level of CSR disclosure and there are several studies have been investigated the CSR disclosure according to *Shari‘ah* principle (Darus, Yusoff, Zain & Amran, 2016; Di Bella & Fayouni, 2016; Esa & Zahari, 2016; Farook, Hassan & Lanis, 2011; Haniffa & Hudaib, 2007; Nobanee, & Ellili, 2016; Turk, 2016). Haniffa and Hudaib (2007) conduct a longitudinal survey study of the annual reports of seven IFIs in four Arabian Gulf region countries from the period 2002 to 2004. Using content analysis to examine the effectiveness of Islamic banks in communicating of their ethical identity, they investigate the discrepancy between the communicated information (based on information disclosed in the annual reports) and “ideal” disclosure (i.e. disclosure of information deemed vital based on the Islamic ethical business framework). The annual reports across the 3 year period suggest that the communication by IFIs is very much minimal. They believe this was mainly due to the lack of pressure from stakeholders and also the prevailing secretive culture in the region.

Similar to Haniffa and Hudaib (2007), Maali, Casson, and Napier, (2006) are among the earlier researchers who study disclosure items included in the annual reports by Islamic banks. Maali et al. (2006), argue that Islamic bank is expected to disclose all the detailed information with regards to the unlawful or *haram* transactions, the amount of revenue or expenditure involved and how the revenue had been disposed. Similar to Haniffa and Hudaib (2007), the authors also suggest that the lack of pressure from stakeholders of Islamic banks and a secretive culture are major contributions to the low levels of disclosure. Similar to Maali et al. (2006), Hassan and Harahap (2010) found that there is no significant difference in CSR disclosure between Islamic banks which implement AAOIFI and only two of the seven banks studied claim to follow AAOIFI standards. The issues of CSR are not of major concern for most Islamic banks.

Farook et al. (2011) investigated the specific factors that influence CSR disclosures. They found that SSB characteristics have a positive and significant association with CSR disclosure. Islamic banks also require the support of the Muslim society and in turn, must show their compliance with the *Shari‘ah* to garner the Muslim population support. Islamic banks located in countries with political and civil freedom also provide more CSR information due to the increase in the role played by special interest bodies in disciplining the companies conduct. Alamer, Salamon, Qureshi, & Rasli, (2015) have compare between the current literatures reviews of CSR in Islamic banks and the current criticisms of social impacts on the society from Islamic banking operations. Based on the study, the new perspective should be as new dimension and new contribution to measure CSR in Islamic banking. In Islam, the business process can never be alone pace from the rest social responsibilities and rights of all stakeholders.

Di Bella and Fayouni, (2016) conduct a longitudinal study to explore the various perceptions of stakeholders on CSR of Islamic banks in Jordan. The data of their study is collected from multiple
stakeholder groups of two Islamic banks in particular: Jordan Islamic Bank for Finance and Investment and Islamic International Arab Bank. The results indicate that stakeholders have expressed a positive attitude toward the concept of CSR. Platonova et al., (2016) examine the relationship between CSR and financial performance for Islamic banks in the GCC region between the periods 2000 to 2014 by generating CSR-related data through disclosure analysis of the annual reports of the sampled banks. The results show that there are positive and significant relationship between corporate social performance and future financial performance.

Similar study by the Platonova et al., (2016), Mallin et al., 2014 compared CSR and financial performance of 90 Islamic banks across 13 countries. Their result shows that, there are positives and significant association between financial performance and CSR dimensions except for the environment dimension. Using the CSR disclosure index, their findings suggest that Islamic banks engage across the range of social activities, on both individual and geographical group levels. But they seem to be paying less attention to environmental aspects while exhibiting more commitment to the vision and mission, the board and top management, and the financial product/services dimensions.

Nobanee and Ellili (2016) measure the degree of the corporate sustainability disclosure using annual data for listed banks in the UAE financial markets during the period 2003 to 2013. In this study, the results show that the overall level of sustainability disclosure for banks listed in the UAE financial markets is at a low level. The results also show that the degree of the corporate sustainability disclosure in the conventional banks is higher than the Islamic banks. Mostafa and ElSaah (2016) studied about the mechanism of consumer in responding to CSR activities of Islamic banks in Bahrain. This study proposes and tests a conceptual framework of the mechanisms of customer response toward CSR initiatives of Islamic banks. A survey was completed by 203 customers of Islamic banks in Bahrain. The result show that Islamic ethics fit partially mediates the relationship between CSR initiatives and consumer-bank identification which in turn contributes positively to customer advocacy. These findings emphasize the importance of CSR practices compliance with Islamic ethics principles for customers to identify with or advocate against Islamic bank.

In 2016, Esa and Zahari demonstrated that whether ownership structures and board characteristics have significant influence on CSR disclosure as well as the effect of board compensations disclosure as a mediating role on CSR disclosure in Malaysia listed companies. The result shows that the board compensations disclosure as a mediating role has a significant relationship with the CSR disclosure which indicate that the companies that disclosed their board compensation also has higher awareness to disclose more CSR information in their company annual report. Darus et al., (2016) study offers an Islamic corporate social responsibility conceptual framework that will provide a holistic guidance for Islamic organisations to formulate, monitor and enforce their CSR policies and practices and prioritise them in accordance with Shari'a. CSR information by the full-fledged Islamic banks revealed an increasing trend for all banks in Malaysia and Indonesia over the five-year period, from 2007-2011. The results also revealed that the Islamic banks in Malaysia, Indonesia and Middle-Eastern countries including Pakistan focusing on similar CSR dimensions, with high emphasis on information related to the workplace and community dimensions.

Alsaadi, Jaafar and Ebrahim, (2016) study about the effect of two potential sources of ethical principles on earnings quality of the CSR and membership in a Shari’ah index of firms in ten European Union countries for the period from 2003 to 2013. The empirical results show that firms with a high degree of CSR are less likely to manage earnings. In contrast, membership in a Shari’ah index leads to earnings manipulation. Besides that, results indicate that highly rated CSR firms that are not Shari’ah compliant are less likely to engage in earnings manipulation.

However, this study focuses on the takaful implications of CSR. A growing number of takaful institutions in the world have been influenced by the concept of CSR disclosure, bringing about a change in their operating structure and their impact on society. The idea of including social responsibility within financial and economic decisions has thus launched a whole movement on socially responsible finance in the takaful sectors.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

For this study, three theories (agency theory, stakeholder theory and political economy theory) are argued to support the CSR disclosure by takaful companies. Figure 1 shows the application of agency theory, stakeholder theory and political theory in the framework of the study.
Agency theory is used to explain the agency relationship deriving from the separation between ownership and control for companies. Agency theory also helps to explain the actions of the various interest groups in the CG debate (Bell, Filatotchev & Aguilera, 2014). The second theory used is the stakeholder theory. The basis for stakeholder theory is that companies are so large and their impact on society is so pervasive that they should discharge their accountability too many more sectors of society rather than solely to their shareholders. The political theory is also used to explain the hypotheses in this study. According to Jackson, (1982) as cited in Williams, (1999. p. 231), political economy theory is defined as “the interplay of power, the goals of power wielders and the productive exchange system”. Political economy also considers the role of government in protecting the interest of individuals seeking to achieve their objectives.

The Nature and Extent of Corporate Social Responsibility Disclosure

The SEA region and the GCC region are amongst the first regions to establish IFIS, thus making them among the most progressive regions in Islamic finance. Organisations such as the Islamic Development Bank, the Islamic Financial Services Board (IFSB), the AAOIFI standards, the Liquidity Management Centre, the International Islamic Financial Market, the Islamic International Rating Agency and the Hawkamah, the Institute for Corporate Governance, are established within these two regions in order to support the development of Islamic finance (Matoussi & Grassa, 2012). There is difference between disclosure of IFIs in SEA and GCC regions because there are mainly four schools of thought in Islamic jurisprudence for example, Hanafi, Shafi‘i, Hanba, and Maliki, amongst others. Each school of thought has its own set of opinions on Islamic financial issue which, more often than not, creates conflict and ambiguity in decisions on the veracity of a transaction in terms of its compliance with the Shari‘ah (Hakim, 2013). Based on the statement above, it can be conclude that there is difference between disclosure of IFIs in SEA and GCC regions. For the hypotheses development, this study adopts similar methodology to that of Wan Abdullah et al. (2015), using a particular extended disclosure scores based on AAOIFI standards in SEA and GCC regions. The following hypothesis is tested:

H1: There is significant difference in the extent of CSR disclosure between takaful companies in the SEA and the GCC region.

RESEARCH METHOD

To examine the CSR disclosure by takaful companies, the content analysis method will be used. Bryman and Bell (2003) define content analysis as a method that involved a process of analysing documents and texts to quantify the content in terms of predetermined categories in a systematic and replicable manner. This method is deemed to be appropriate since most of the previous studies on disclosures by IFIs have adopted this method (Harahap, 2003; Maali, et al., 2006; Haniffa and Hudaib, 2007). Mandatory disclosure in this study is defined as information that must be disclosed by companies as stipulated by standards, rules and guidelines.
Hence, any disclosure over and above what is mandatorily required is considered as voluntary disclosure (Williams, 1999; Al-Baluchi, 2006; Hidayat & Abdulrahman, 2014). The predetermined categories are based on the disclosure requirements by the AAOIFI in governance standard i.e. GSIFI No 7: the Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions.

**RESEARCH DESIGN**

**Population and the Sample of the Study**

The population of this study consists of 102 *takaful* companies located in the SEA regions i.e. Malaysia, Indonesia, Brunei, Thailand, and the GCC region i.e. Bahrain, Saudi Arabian, Kuwait, Oman, Qatar, and the United Arab Emirates. According to the International Cooperative and Mutual Insurance Federation website, there are 102 *takaful* companies in the SEA and GCC regions. However, after reviewing all the main website of *takaful* companies, we find that there are only 55 *takaful* companies that have uploaded their annual reports in their website.

The SEA and the GCC regions are selected because they are among the most progressive in Islamic finance. These regions are also among the first to establish IFIs. AAOIFI standards has been adopted, adapted or recommended in many countries in the SEA and the GCC regions. A cross-sectional analysis study is applied on the disclosure data from the annual reports of *takaful* companies in the SEA and the GCC region in 2014. The selection of the year 2014 is because of the recent rapid growth of *takaful* companies. Due to the time and cost constraints, only annual reports published in English version and available in their websites are selected as the sample of the study.

**Description of Dependent, Independent and Control Variables Used in this Study**

Dependent variable in this study is CSR disclosure which is date is gathered from the annual reports. Four (4) independent variables are being examined. They are: (i) CG strength; (ii) SSB strength; (iii) Political rights and civil liberties, and lastly (v) the legal system. Size of the *takaful* companies is regarded as a control variable.

**RESULTS AND DISCUSSION**

**The Nature and Extent of Corporate Social Responsibility Disclosure in the *Takaful* Companies**

Table 1 reports the nature and extent of CSR disclosure for the full sample in the two regions and for each country. Panel A shows that, the mean CSR disclosure for all the *takaful* companies in the study is 66.48 per cent. Panel B reveals that, the minimum disclosure level in the SEA *takaful* companies similar to the GCC region (57.00 per cent). The maximum levels of the extent of CSR disclosure in the SEA and the GCC regions are also the same (73.00 per cent). However, the mean disclosure for the SEA region is slightly lower (63.33 per cent) than the GCC region (67.89 per cent).

Panels C and D report the disclosure levels for each country in the two regions. Bahrain and Oman have the highest mean of disclosure at 70.00 per cent. The higher disclosure relative to other *takaful* companies in other nations might be due to the fact that Bahrain, Qatar and Oman are more familiar with the AAOIFI standards although they are only mandated to follow the AAOIFI standards only in relations to the *Shari'ah* standards and accounting standards (AAOIFI, 2015). Auditing and governance as well as the codes of ethics standards are not a part of the mandatory regulatory requirement for IFIs in these countries. Nevertheless, these standards are used voluntarily by leading IFIs across all major of Islamic finance jurisdictions (AAOIFI, 2015).

CSR disclosure index has been established based on the Governance Standard for Islamic Financial Institutions (GSIFI) No 7: Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions. Brunei, with only one *takaful* company, has the lowest level of CSR mean disclosure at 56.67 per cent. The result shows that the society in Brunei is not very much exposed to the CSR movement that has swept the more developed parts of the world (Hamdan, 2014). Many businesses are still in a comfort zone and away from added responsibilities and accountability to the public (Mohd Suria, 2008). These results are consistent with the results on voluntary disclosure of the AAOIFI accounting standards.
Table 1: The nature and extent of CSR disclosure

Panel A: All countries (in Percentage)

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standards deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>All countries</td>
<td>57.00</td>
<td>73.00</td>
<td>66.48</td>
<td>0.05267</td>
</tr>
</tbody>
</table>

Panel B: Regions

<table>
<thead>
<tr>
<th></th>
<th>SEA (N=17)</th>
<th>GCC (N=38)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>57.00</td>
<td>57.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>73.00</td>
<td>73.00</td>
</tr>
<tr>
<td>Mean disclosure</td>
<td>63.33</td>
<td>67.89</td>
</tr>
</tbody>
</table>

Panel C: SEA

<table>
<thead>
<tr>
<th></th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Brunei</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>57.00</td>
<td>60.00</td>
<td>57.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>73.00</td>
<td>60.00</td>
<td>57.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Mean disclosure</td>
<td>65.28</td>
<td>60.00</td>
<td>56.67</td>
<td>58.33</td>
</tr>
</tbody>
</table>

Panel D: GCC

<table>
<thead>
<tr>
<th></th>
<th>Bahrain</th>
<th>Kuwait</th>
<th>Oman</th>
<th>Qatar</th>
<th>Saudi Arabia</th>
<th>UAE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>67.00</td>
<td>67.00</td>
<td>67.00</td>
<td>57.00</td>
<td>60.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Maximum</td>
<td>73.00</td>
<td>70.00</td>
<td>73.00</td>
<td>70.00</td>
<td>73.00</td>
<td>73.00</td>
</tr>
<tr>
<td>Mean disclosure</td>
<td>70.00</td>
<td>69.26</td>
<td>70.00</td>
<td>63.33</td>
<td>66.97</td>
<td>68.10</td>
</tr>
</tbody>
</table>

Table 2 below reports the nature and extent of CSR disclosure for each category for the full sample and also for the two regions. The “Disclosure of policy for employee welfare has the highest mean disclosure among all the categories (91.67 per cent). The high disclosure is expected because it only comprise of one item only. On the other hand, the “Disclosure of policy for waqf management.” has the lowest mean disclosure at 12.50 per cent. The low results might be due to the fact that the takaful operator does not distribute any surpluses to the participants on the waqf basis that a donation is unconditional as under the waqf model which is participant can receive the surplus but because of the unconditional, the surplus is donated to charity (Jaffer, Ismail, Noor, Unwin & Ajayi, 2010). The results of the SEA and GCC region by category are quite different because of the country regulations on each CSR disclosure item. The disclosure on CSR in the GCC is higher might be due to the fact that takaful companies in the GCC regions is more familiar with the AAOIFI standards since the standards are made mandatory in three countries (Bahrain, Qatar and Oman) in the GCC region.

Table 2: Extent of CSR disclosure by GSIFI no 7 (Category Classification)

<table>
<thead>
<tr>
<th>Scope</th>
<th>Full sample</th>
<th>Mean (%)</th>
<th>GCC region</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full sample</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disclosure of policy for screening clients</td>
<td>83.33</td>
<td>68.18</td>
<td>89.11</td>
</tr>
<tr>
<td>Disclosure of policy for dealing with clients</td>
<td>81.11</td>
<td>65.91</td>
<td>72.91</td>
</tr>
<tr>
<td>Disclosure of earnings and expenditure prohibited by Shari’ah.</td>
<td>16.11</td>
<td>10.61</td>
<td>19.30</td>
</tr>
<tr>
<td>Disclosure of policy for employee welfare</td>
<td>91.67</td>
<td>77.27</td>
<td>83.07</td>
</tr>
<tr>
<td>Disclosure of policy for Zakat</td>
<td>55.67</td>
<td>35.45</td>
<td>67.37</td>
</tr>
<tr>
<td>Disclosure of policy for social, development and environment based investment quotas</td>
<td>90.00</td>
<td>77.27</td>
<td>83.37</td>
</tr>
<tr>
<td>Disclosure of policy for par excellence customer service</td>
<td>62.22</td>
<td>53.03</td>
<td>67.54</td>
</tr>
<tr>
<td>Disclosure of policy for micro and small business and social savings and investments</td>
<td>21.67</td>
<td>27.27</td>
<td>18.42</td>
</tr>
<tr>
<td>Disclosure of policy for Qard Hasan</td>
<td>80.42</td>
<td>67.05</td>
<td>81.16</td>
</tr>
<tr>
<td>Disclosure of policy for charitable activities</td>
<td>72.50</td>
<td>61.36</td>
<td>78.95</td>
</tr>
<tr>
<td>Disclosure of policy for Waqf management.</td>
<td>12.50</td>
<td>16.09</td>
<td>19.74</td>
</tr>
</tbody>
</table>

Table 3 reports the descriptive statistics for the independent variables used in the CSR disclosure model. In this study, the total all takaful companies (N=55) are selected because all countries are not mandated to follow the AAOIFI standard for Governance Standards for Islamic Financial Institutions (GSIFI) No 7: Corporate Social Responsibility Conduct and Disclosure for Islamic Financial Institutions
The mean CG_STRENGTH is 3.40, with a minimum of one and a maximum of six. Average board size is 7 members while the average AC size is 3 members. On average, only 61 per cent of board members and 65 per cent of the AC members are independent non-executive directors. The mean of AC members having skills in accounting, banking, economics or finance is low at 42 per cent. All the takaful companies separate the roles of CEO and board chair. To oversee the Shari’ah compliance, the takaful companies are supported by the SSB with an average size of 3 members. Fifty seven per cent of SSB members hold SSB positions in other financial institutions. The mean of the SSB members who have expertise in accounting, banking, economics or finance is only 33 per cent. Most of the takaful companies in this study are located in countries with a low level of political and civil repression (average score of 10.63) and are located in code law countries (56.36 per cent).

Table 3: Descriptive Statistics for the entire variable in this study

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
<td>CG_STRENGTH</td>
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<td>1.0</td>
<td>6.00</td>
<td>3.40</td>
<td>1.37</td>
</tr>
<tr>
<td>BODSIZE</td>
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<td>14.00</td>
<td>7.52</td>
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<td>BODIND</td>
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<td>0</td>
<td>0.90</td>
<td>0.61</td>
<td>0.27</td>
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<tr>
<td>ACSIZE</td>
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<td>3.12</td>
<td>1.63</td>
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<td>ACEXP</td>
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<td>1.00</td>
<td>0.42</td>
<td>0.25</td>
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<tr>
<td>ACIND</td>
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<td>0.65</td>
<td>0.34</td>
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<tr>
<td>SSB_STRENGTH</td>
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<td>3.00</td>
<td>1.21</td>
<td>0.97</td>
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<td>SSBSIZE</td>
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<td>7.00</td>
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<td>1.80</td>
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<td>SSBEXP</td>
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<td>0.31</td>
<td>0.24</td>
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<td>SSBCRMEMB</td>
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<td>1.00</td>
<td>0.57</td>
<td>0.42</td>
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<tr>
<td>SIZE (USD)</td>
<td>55</td>
<td>1,575,848.77</td>
<td>58,815,975,764.00</td>
<td>2,634,365,877.00</td>
<td>8,873,164,901.00</td>
</tr>
<tr>
<td>POLICIV</td>
<td>55</td>
<td>6.00</td>
<td>14.00</td>
<td>10.63</td>
<td>2.58</td>
</tr>
</tbody>
</table>

Table 4: Univariate Testing - Mann-Whitney test analysis of the CSR disclosure between the SEA and the GCC regions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Regions</th>
<th>N</th>
<th>Mean Rank</th>
<th>Sum of Rank</th>
<th>U</th>
<th>Z</th>
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</tr>
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<tbody>
<tr>
<td>Corporate social responsibility disclosure</td>
<td>SEA</td>
<td>17</td>
<td>18.74</td>
<td>318.50</td>
<td>165.50</td>
<td>-2.944</td>
<td>0.003**</td>
</tr>
<tr>
<td></td>
<td>GCC</td>
<td>38</td>
<td>32.14</td>
<td>1221.50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:
** Significant at 1 per cent level (two-tailed)
CONCLUDING COMMENTS

The rapid development of takaful companies could not be catered by the research on the financial reporting of the institutions. In order to understand CSR disclosure, it is important to study not only the present extent and quality of disclosure to determine best practice, but also the factors influencing corporate social accountability and reporting, since the primary objective of Islamic economics is social and economic justice, equitable distribution of wealth, and the elimination of exploitation in business activities by banning all sources of unfair enrichment. Hence, several studies have attempted to link Islam with CSR disclosure. However, there is notable lack of studies pertaining to management perception of takaful institutions and attitude towards CSR disclosure. There is an absence of studies which empirically examine the motivation for CSR disclosure in takaful companies. In addition, there is a lack of a comprehensive study comparing the practices of CSR disclosure in takaful companies with its conventional counterpart. Such a comparison would provide a better understanding of the nature of CSR disclosure from an Islamic perspective with the governance standards disclosure.

This study has made a preliminary step in measuring the CSR disclosure of takaful companies with the GSIFI no 7 of the AAOIFI governance standards. The sample takaful companies in this study are selected from the SEA and GCC regions. To date, the AAOIFI has issued a substantial number of reporting and governance standards. Therefore, a disclosure benchmark was developed based on items considered important for users of Islamic corporate reports.

Future research of similar study could be conducted across other jurisdictions (for instance, Africa, Europe, North and South America, Middle East and South Asia) which could generate stronger results and enable additional factors or theories to be explored. Apart from that, longitudinal study could be undertaken, which would provide evidence of changes in levels and patterns of AAOIFI governance disclosures in takaful companies. Further research could also take into account account perceptions of Shari‘ah committee members and firm auditors. Research on auditing, governance, ethics and other Shari‘ah standards issued by other regulators, such as the IFSB could also be considered.

REFERENCES


