Corporate Social Responsibility and Related Social Reporting: The Case of Saudi Arabian Islamic Banks

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Abstract

Islamic banking is understood to have an ethical identity that is concerned about social welfare and justice. However, IBs have been facing major criticism in regard to their social impact and ethics in practice and any related social reporting. Several commentators have labelled this phenomenon as the social failure of IBs. This research aims critically to assess corporate social responsibility (CSR) and the related reporting practices by employing two qualitative methods. The focus is on assessing the reflection of the Islamic worldview, or the absence thereof, by IBs, with specific reference to the dual-banking sector of Saudi Arabia. The thesis adopts a postcolonial perspective to study the phenomenon in a context that has never experienced physical colonialism. A qualitative content analysis was applied to IBs' reports, which suggests a deviation from a potentially Islamic-driven reporting practice. Further, a total of 27 interviews were conducted with relevant, key individuals. The thesis finds that the perception of CSR is largely influenced by Western conceptualisation and manifestation. Further, the thesis identifies several factors related to globalisation and the dual-banking system, which seem to influence IBs and their CSR. Those factors seem to be obstacles to potentially authentic conduct. Yet, the thesis found that, although globalisation is sometimes seen as a restrictive force, the participants neither rejected nor opposed globalisation, as they attribute positive notions to it, such as 'the way to development'. Furthermore, the thesis found that the Sharia supervisory boards (SSBs) are tasked with Islamising Western banking conduct, which results in the SSBs completely overlooking any non-financial issues, including CSR. This research contributes to the critical field of Islamic, economic-related studies and Islamic accounting, which appears to suffer from a dearth of studies (Kamla, 2009; Kuran, 2004). By incorporating several aspects that are largely neglected in the literature, such as the dual-banking system, globalisation and SSBs with reference to CSR, the research provides rich insights into a context that is characterised by Islam and an openness to the globe.

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List of Acronyms

IBs	Islamic banks
CBs	Conventional banks
AAOIFI	Accounting and Auditing Organisation for Islamic Financial Institutions
CCS	Compulsory Cleaning Scheme
NCB	National Commercial Bank
BAJ	AlJazira Bank
CSR	Corporate Social Responsibility
SSB	Sharia Supervisory Board
DIB	Dubai Islamic Bank
SAMA	Saudi Central Bank
BCL	Banking Control Law
PLS	Profit and loss sharing
IASs	International Accounting Standards
IFRS	International Financial Reporting Standard
WTO	World Trade Organisation
WB	World Bank
IMF	International Monetary Fund
GCC	Gulf Cooperation Council
SOCPA	Saudi Organization for Certified Public Accountants

Dedication

To my grandparents: Heela, Mofareh, and Obaid.

To my parents: Badriyah and Abdullah.

To my wife: Afaf.

To my sisters: Reem, Asma, Maram, Ghala and Kadi.

To two souls I lost during my overseas postgraduate studies: my grandmother Sarra and my sister Ebtisam, may Allah grant rest to their souls.

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Declaration

I, Faisal Alotaibi, confirm that the Thesis is my own work. I am aware of the University's Guidance on the Use of Unfair Means (www.sheffield.ac.uk/ssid/unfair-means). This work has not previously been presented for an award at this, or any other, university.

1. Chapter One: Introduction

A lack of ethical consideration in the conventional financial markets appeared prevalent prior to the financial crisis of 2008 (Warde, 2013, cited in Belal et al., 2015). Chapra (2008a) maintains that one of the reasons of the 2008 financial crisis was “excessive and imprudent lending by banks” (p. 2). He argues that conventional banks (CBs), nevertheless, cannot be solely blamed because they operate in an environment where profit maximisation is considered the highest degree of human achievement. Following the 2008 crisis, the ethical orientation of the conventional financial system was widely debated, which brought attention to Islamic banking as a possible ethical financial system (Wilson, 2013). Islamic banks (IBs) are those which operate in accordance with Sharia law[1], which pays due attention to social and ethical considerations (Haniffa and Hudaib, 2007). However, IBs face major criticism with regard to their social impact and ethics in practice and any related social reporting. This research aims to explore this issue via adopting a postcolonial perspective and employing qualitative methods. This Introduction Chapter is organised as follows: background about the research; the research context; the rationale for conducting this research; the research aims and objectives; introduction to the research’s theory and methodology; and the structure of the thesis.

1.1. Research Background

[1] Sharia is “the Islamic law of human conduct, which has formulated comprehensive rules and principles that regulate all aspects of life for Muslim individuals and societies” (Vejzagic, 2012, p. 2).

Islamic organisations, in this case IBs, are expected to implement the Islamic worldview because they are committed to Sharia (Dusuki, 2008). Applying the Islamic worldview would facilitate socially responsible practices with reference to society, the environment and ethics because this worldview emphasises social welfare and justice (see Haniffa and Hudaib, 2007; Maali et al., 2006). Central to the Islamic worldview is the concept of trusteeship (Chapra, 1992). Trusteeship implies that God is the ultimate owner of everything and, as such, has appointed humans as his vicegerents and entrusted them with the stewardship of what He owns (Maali et al., 2006). Trusteeship gives rise to an Islamic accountability concept, which extends human societies (Baydoun and Willett, 1997, cited in Maali et al., 2006). Accountability from an Islamic perspective entails being accountable to God for the use of the entrusted resources on the Earth and, therefore, aligning one's conduct with God's commands. Further, trusteeship gives rise to a wider approach to the environment, where one should be concerned about the environment with all its components of 'flora and fauna,' regardless of whether one will benefit or not from this preservation (Kamla et al., 2006).

In addition to trusteeship, justice is another concept that is central to the Islamic worldview (Chapra, 1992). The Islamic promotion of Zakah and Qard Hassan, combined with the Islamic prohibition of Riba, are argued to create a fair, just society (Maali et a., 2006). Also, justice adds another dimension to the concept of profit maximisation (Ali et al., 2013), in comparison to the classical economic perspective, where profit maximisation is deemed a healthy goal for society (cited in Carroll and Shabana, 2010). Chapra (1996) argues that profit maximisation can lead to practices that damage society at large. In other words, profit maximisation may be inconsistent with the ultimate goal of serving society and eliminating exploitation (Ali et al., 2013). Therefore, reasonable profits are encouraged by Islam, provided that they do not lead to exploitation and wrongdoing (Ali et al., 2013).

A reflection of this worldview is the prohibition of *Riba* and *Gharar*. *Riba* is an Arabic word that means increase (Abu Zayd, 2004, p. 33). In its simplest forms *Riba* can be equated with today's loan interests and the 'late fees' imposed on borrowers due to their failure to repay their loans or settle their credit card bills on time. *Riba* is prohibited due to three ethical issues; namely, fairness, exploitation, and unproductivity (Warde, 2000). *Riba* violates the values of social justice because it allows lenders to make profits without making efforts or taking risks, which is discouraged by Islam (Mirza and Baydoun, 2000). Furthermore, *Riba* creates an unfair distribution of wealth in favour of lenders, since they are guaranteed a return on their capital without taking any risks (Aribi and Arun, 2015). Thus, wealth would circulate only among the hands of the rich (ibid). Finally, a *Riba*-based system is inherently biased towards the solvency of borrowers over a project's viability. Alhussein (2004) argues that this leads to a situation where the funds go to the least needy markets, which are the markets that are able to repay this debt, irrespective of the success or failure of such projects. The neediest markets, on the other hand, are denied such funds due to doubt about the borrower's ability to repay the debt if the project fails. This occurs regardless of how useful such projects might be to society and, therefore, economic development, from an Islamic perspective, might be disrupted (Alhussein, 2004). *Gharar*, on the other hand, is an Arabic word that means cheating or causing uncertainty (Lewis, 2001). *Gharar* is "the sale of probable items whose existence or characteristics are not certain, due to the risky nature which makes the trade similar to gambling" (cited in El-Gamal 2000, p. 7). Lewis (2001) provides an example of *Gharar* that is relevant to today's business activities. When a business fails to define an essential part of a contract, this may lead to conflict with regard to measuring an object, which could eventually result in speculation.

In addition, the profit and loss sharing (PLS) financing method is a reflection of the Islamic worldview and, therefore, IBs, from a theoretical perspective, should implement it due to their Islamic commitment (Alhussein, 2004; Chapra, 1985; Farook, 2008). The proponents of PLS argue that PLS contributes to Islamic socio-economic justice (e.g., see Chapra, 1985). Due to its nature, PLS facilitates the achievement of one of the core principles of Islam (wealth redistribution) by sharing the profit and loss between the financier and lender (Chapra, 1985; Alhussein, 2004). Moreover, it is argued that PLS contributes to the improvement and well-being of society (Farook, 2008, as cited in Mallin et al., 2014) because those capital providers rely on the success of the funded projects to make profits. Therefore, the viability of projects would be prioritised over creditworthiness or solvency (Chapra, 1985; Alhussein, 2004). This would facilitate, Alhussein (2004) argues, the direction of finance to the markets that need it the most (i.e., viable projects which may have low solvency), which would facilitate development that is consistent with the Islamic worldview.

Thus, the Islamic worldview and its corresponding products are expected to produce socially responsible practices in the Islamic banking field. For example, the elimination of Riba and promotion of PLS is expected to create a fairer society, within which wealth is constantly redistributed.

1.2. Research Context

Corporate social responsibility (CSR) has become a major interest for corporations and other constituencies as well as academics. Because IBs are committed to Sharia, they are obliged to apply Islamic principles, which already pay due attention to social, environmental and ethical issues through emphasising social welfare and justice (e.g., see Haniffa and Hudaib, 2007; Maali et al., 2006). This Sharia commitment implies, commentators argue, that IBs are expected to make social, environmental and ethical considerations that are consistent with Sharia. By addressing these issues, IBs are socially responsible in these terms. For Dusuki (2008), Sharia-compliant businesses, IBs in this case, are socially responsible by default if Sharia law is comprehensively being put into practice. It has been commonly believed that CSR cannot be isolated from the objectives of IBs.

The movement of Islamic banking can be traced back prior to the formal establishment of the first IB, Dubai Islamic Bank (DIB), in 1975 (Haniffa and Hudaib, 2010, Maali and Napier, 2010). However, DIB can be considered the first successful IB in the world (Wilson, 2013). The success of DIB has paved the way for the establishment of a series of new IBs in neighbouring countries (Chachi, 2005). Several commentators, nevertheless, have criticised this development (e.g., see Haniffa and Hudaib, 2010; Kahf, 2004; Kamla, 2009; Kamla and Haque, 2019). IBs emerged within the region in political, economic and legislative settings that are notably influenced by European colonisation (Hniffa and Hudaib, 2010). Further, this movement was mostly driven by the Muslim bourgeoisie (Haniffa and Hudaid, 2010), who aligned themselves with Sharia scholars to attract several groups of clients who never used banking solutions, because they wished to avoid Riba (Kahf, 2004). This movement further "attracted a new creed of Muslim capitalist and financers who sensed major new opportunities" (Kamla and Haque, 2019, p. 6).

Haniffa and Hudaib (2010) maintain that globalisation and the emergence of the new global rules aggravated the situation for IBs. That is, the initial sacred intentions of Islamic banking were “slowly suppressed and secular goals promoted and the process intensified in the neo-colonial global economic and debt-peonage era” (p. 89). Further, IBs, similar to any other type of bank, operate in an environment that is shaped by a capitalist ideology (Cebeci, 2012; Kamla, 2009; Kamla and Haque 2019). Cebeci (2012) argues that this capitalist environment might construct structural barriers for IBs to develop and execute social projects. Further, this environment influences the orientation of IBs to consider competition and profit maximisation as their ultimate priorities, similar to CBs. Thus, observers maintain that the current function of IBs cannot go beyond what CBs can offer (e.g., see El-Gamal 2006; Kamla and Haque, 2019; Khan, 2010; Kuran, 2004). In other words, IBs tend to create products and services that are formally Sharia-compliant but that mimic and have a similar economic substance to conventional products and services (cited in Belal et al., 2015). In CSR terms, this form of Islamic banking appears to be dissatisfactory (e.g., see Abdul-Baki and Uthman, 2017; Asutay, 2007, 2008, 2012; Cebeci, 2012; El-Gamal 2006; Khan, 2010; Kuran, 2004).

Social reporting is a way for IBs to express their social responsibility to society. Enormous efforts have been dedicated to studying IBs’ social responsibility through their social reporting, as reflected in several studies (e.g., Aribi and Arun, 2015; Aribi and Gao, 2010; Belal et al., 2015; Haniffa and Hudaib, 2007; Harun et al., 2020; Hassan and Harahap, 2010; Kamla and Rammal, 2013; Khan 2013; Maali et al., 2006; Migdad 2017; Zubairu et al., 2012). Most of these studies have found that the social reporting of IBs is poor. This resembles the notion that IBs seem to be socially dissatisfactory – a factor which this research aims to explore in detail.

The context of this research is the globalised Saudi banking sector. Saudi Arabia has embraced globalisation in order to benefit from its economic opportunities (Ramady and Mansour, 2006). Further, the backbone of the Saudi economy (i.e., oil) requires some connection and openness regarding the rest of the world. In the age of globalisation, the integration of the markets (financial and otherwise) has become possible and, therefore, might facilitate a competitive global environment that is shaped by faster economic growth for less developed nations (cited in Hopper et al., 2017). On the other hand, other commentators argue that globalisation might facilitate the spread to and imposition on other nations of Anglo-American economic practices (Gallhofer et al., 2011; Kamla, 2007, 2009; Kamla and Haque 2019).

An implication of such openness to the globe is that the Saudi banking sector is dual in nature. That is, Saudi IBs and CBs (which almost always have Islamic windows) operate side by side. This is despite the local culture of Saudi Arabia being characterised as Islamic. Nevertheless, when the first Saudi IB was established in 1987, there were eight CBs operating within Saudi Arabia, the first of which was established in the 1920s. Further, Saudi CBs are far older and outnumber IBs in Saudi Arabia (with five listed IBs and seven listed CBs). It could be argued that, when IBs emerged in Saudi Arabia, the banking sector was already conventional, which might have impacted on such emergence. To overcome the issues associated with the conventional banking sector, IBs assemble a Sharia supervisory board (SSB) that is responsible for managing their respective bank's Islamic compliance, which highlights the huge importance of the SSBs.

1.3. Research Rationale

This research aims to explore CSR and related reporting of Saudi IBs, incorporating a postcolonial perspective. There have been enormous efforts dedicated to studying IBs' social responsibility and related reporting (e.g., Abdul-Baki and Uthman, 2017; Alziyadat, 2018; Aribi and Arun, 2015; Aribi and Gao, 2010; Aribi and Gao, 2011; Asutay, 2007, 2008, 2012; Belal et al., 2015; Cebeci, 2012; Dusuki, 2008; Haniffa and Hudaib, 2007; Harun et al., 2020; Hassan and Harahap, 2010; Kamla and Rammal, 2013; Maali et al., 2006; Migdad, 2017; Mohammed, 2013). As discussed earlier, IBs have been facing major criticism in this regard. Several commentators have labelled this phenomenon the social failure of IBs (e.g., Abdul-Baki and Uthman, 2017; Asutay, 2007, 2008, 2012). Overall, the literature can be divided into studies that are concerned with Islamic CSR and those that are concerned with Islamic social reporting. In terms of the latter, the majority of the previous studies were of a quantitative nature and compared the ideal and actual social reporting practices of IBs through this lens. Although these studies have contributed to the literature, several weaknesses can be identified.

The vast majority of previous studies have relied entirely on the content analysis of secondary data. Although such an approach has its advantages, it might not help us to "ascertain the answers to 'Why?' questions" (Bryman and Bell, 2015). A 'why?' question is central to this research, as will be specified later in the aim and objectives section. Further, the quantitative content analysis method might be restricted to inductive reasoning where new themes and concepts are included in the analysis (Schreier, 2014). This research aims to advance the prior studies by employing qualitative content analysis, where the analysis is not restricted to an existing research instrument. In terms of the studies that were concerned with Islamic CSR, they have enormously influenced the construction of this current research. Yet, they share several weaknesses, which this research aims to overcome. The majority of the previous studies were of a theoretical nature and so lacked empirical data. This current research wishes to advance those studies by assessing primary data drawn from semi-structured interviews. Further, those studies seem to be relatively better developed theoretically. Yet, an explicit postcolonial perspective has not been adopted (with the exception of Kamla's work, which rarely covers the context of Saudi Arabia). This current research adopts an orientalist postcolonial theory developed by Said (1978).

A common factor combining those two categories is that the SSB factor seems to be entirely overlooked. The SSB concept is a distinctive factor of Islamic banking. The SSB serves as a mechanism for ensuring that IBs' operations comply with Sharia law with regard to the formation of their policies and strategies (Aribi et al., 2019). Most prior studies on the SSB focus on its governance aspect (e.g., Alkhamees, 2013; Grais and Pellegrini, 2006) or search for regularities between the SSB and several aspects, such as IBs' performance or disclosure levels (e.g., Noordin and Kassim, 2019). However, there has been a dearth of research that explores the social role of the SSB. This research aims to incorporate the SSB concept into the CSR and related social reporting discussion due to the substantial role of the SSB within IBs.

The vast majority of the studies mentioned earlier were conducted in a non-Saudi context. This research is conducted in the Saudi context, which appears interesting for several reasons. First, Saudi Arabia is the birthplace of Islam. The first article of the Basic Law of Governance, which serves as the Saudi constitution, explicitly acknowledges that the religion of the Kingdom is Islam. Further, the Kingdom hosts the holy sites of the Islamic religion, which millions of Muslims from around the world visit every year. Second, and in relation to the research theory, Saudi Arabia has never been formally colonised by Western powers (Cooper and Yue, 2008). Prior studies with a postcolonial emphasis have focused on former colonies (e.g., Gallhofer et al., 2011; Kamla, 2007). Third, the CSR literature in Saudi Arabia is limited (Murphy et al., 2019). This is especially true with regard to critical research on the Saudi financial sector. Jamali and Karam (2018) suggest that CSR studies in a non-Western context tend to adopt a similar theoretical position to those in the West, with the institutional and stakeholder theories dominating. They promote the adoption of "macro-level theories derived from various disciplines" and specifically mention postcolonial theory as an example (p. 43). They maintain that such theories tend to be sensitive to the context and direct attention to various institutional complicities. This research, therefore, adopts a postcolonial perspective to explore CSR and the related reporting in the Saudi banking context.

1.4. Research Aim and Objectives

Considering the research background, rationale, and context, this research aims critically to assess CSR and the related reporting practices of Saudi IBs. The Islamic dimension of CSR and related reporting is fundamental in this research. In other words, the focus of the research is on whether the Islamic worldview is reflected by Saudi IBs when exercising their CSR and related reporting. As discussed earlier in the background section, the adoption of the Islamic worldview by IBs, in theory, might yield more socially responsible practices. However, the vast majority of previous studies suggest that IBs are far from being socially responsible. The central enquiry of this research is to explore the divergence between the ideal and current socially and environmentally dissatisfactory form of Islamic banking, and shed light on the possible barriers to conducting Islamic banking that is reflective of the Islamic worldview. By doing this, the research will be able to provide an explanation for this divergence as well as demonstrate how it occurs. Evolving from the main research enquiry, the research has four objectives. First, to understand this deviation from the proposed, Islamic-reflective banking conduct, it might be fundamental to understand the participants' perceptions of this phenomenon. This is especially important considering that the literature on the CSR attitude in Saudi Arabia is in its nascent stage (Murphy et al., 2019). Further, the settings of the Saudi banking sector are unique, with IBs and CBs operating side by side (Mimoun, 2019). The exploration of this unique setting is important, as it might shed light on this divergence, especially considering that the dual banking system has received insufficient attention in previous studies. As a result of the dual-banking system and other relevant factors, the existence of the SSBs is vital to ensure Islamic compliance. Further, for the Islamic worldview to be incorporated into IBs, the SSB members must play a major role since they are the group with the most Sharia-related knowledge within IBs.

As such, the research objectives are as follows:

1- To explore the perception and practice of CSR by Saudi IBs embedded within the context.
2- To explore the social reporting practices of Saudi IBs embedded within the context.
3- To explore the influence of globalisation and the dual-banking system on IBs and, consequently, their CSR practices.
4- To explore the role of SSBs in relation to CSR.

The second objective will be exclusively handled through the application of the content analysis method. As for the other three objectives, they will be mainly handled through using the semi-structured interview method. Nevertheless, the content analysis might touch upon certain aspects related to those objectives.

1.5. Introduction to the Research Theory and Methodology

As discussed earlier, this research adopts an orientalism postcolonial perspective to explore CSR and the related reporting practices of Saudi IBs. Postcolonial theory is concerned with topics such as the practices that enable the West to maintain a hegemonic relationship with the non-West (e.g., Said 1979). Following the decolonisation of the Muslim world, a new type of relationship with the West has emerged. Said (1993) argues that, although many nations have freed themselves from physical colonisation, they remain ideologically, morally and intellectually driven by the colonisers. Said (1993) emphasises knowledge (i.e., accounting, in this case) as a software powerful tool that facilitated (and continues to facilitate) imperialism. The development of the accounting profession in the ex-colonies was notably influenced by European colonisation (e.g., see Alnesafi, 2018; Bowrin, 2007; Davie, 2005; Neu, 2000). Globalisation has also been linked to postcolonial perspectives. Globalisation critics argue that it is merely an extension of the former imperialism. That is, globalisation is built to spread and impose a single economic system that is claimed to suit all nations (e.g., see Ali, 2010). The wide adoption of International Accounting Standards (IASs) and International Financial Reporting Standard (IFRS), which are Eurocentric in nature (Kamla, 2007), is indicative of the spread of Western ideas and systems to non-Western nations.

In terms of the methodology, this is a critical qualitative study (Merriam, 2015). Contextualising, historicising and theorising are three interrelated analytical acts that characterise critical accounting resesrch in comprarison to other research approaches (Alawattage et al., 2017). The research adopts a subjectivist perspective on ontology and epistemology. The research assumes that CSR is s a socially-constructed phenomenon that is a product of individuals' consciousness (Bryman and Bell, 2015; Saunders et al., 2009). Further, the research assumes that CSR in the Saudi banking context is far too complex to be seen in terms of definite laws that can be validated through scientific approaches and a search for regularities (Saunders et al., 2009). Instead, CSR is a social phenomenon that requires a different reasoning (Bryman and Bell, 2015). That is, CSR can be recognised by interacting with and understanding the views of individuals who are directly involved.

The research, accordingly, utilises two methods; namely, qualitative content analysis and semi-structured interviews. The qualitative content analysis was applied to Saudi IBs' reports covering a five-year period (i.e., from 2015 to 2019). This five-year time horizon will provide the research with richness and make it possible to track any changes in the reporting patterns. A total of 32 reports were included in the analysis (25 annual reports, five CSR reports, and two integrated reports). The semi-structured interview method was employed to allow a further in-depth investigation of the CSR and related reporting of Saudi IBs. The semi-structured interview method allows the collection of rich, deep data at the meaning level (Saunders et al., 2009), which corresponds with the nature of this research. All Saudi IBs were formally contacted to gain access to potential interviewees. A total of 27 interviews were conducted with CSR officials, Sharia officials, members of the top management, and governmental officials.

1.6. Structure of the Thesis

This thesis consists of nine chapters. Chapter one introduces the thesis. Chapter Two presents the literature review, which discusses previous studies and highlights their strengths and weaknesses in order to locate and further justify this current research. The chapter begins by introducing key aspects of the research, such as Islamic banking, Riba and Gharar, before introducing CSR and outlining is emergence. Then, the concept of CSR within the Islamic context is discussed. The chapter proceeds by highlighting relevant debates about the notion of Islamic CSR. It also reviews the concept of SSBs in relation to CSR. Further, a review of the previous criticism of Islamic banking is provided. The chapter then reviews prior studies in relation to the social reporting of IBs. The chapter concludes by reviewing relevant CSR vis-à-vis the postcolonial literature.

Chapter Three presents the theoretical basis of this research. This research adopts an orientalism postcolonial perspective. The chapter begins by defining key aspects of postcolonial theory. Then, the chapter introduces Orientalism as the lens through which the phenomenon is explored. In addition, globalisation is introduced as a potential neo-imperialist force that might impose Anglo-American practices on non-Western nations. The chapter proceeds by discussing the field of accounting and other relevant economic aspects related to imperialism and globalisation. The chapter concludes with an account of the emergence of Islamic banking from a postcolonial perspective.

Chapter Four presents the research methodology. The chapter starts by clarifying the philosophical choices made by the research. It will be argued that this is a qualitative critical research that adopts an interpretive approach to data analysis. Then, the chapter highlights several theoretical and methodological changes that were made by the researcher as the research evolved. The chapter concludes by presenting a detailed account of the processes of both methods (i.e., qualitative content analysis and semi-structured interviews).

Chapter Five is concerned with the context. All relevant contextual factors are discussed. Such discussion is informed by postcolonial theory. The chapter begins by highlighting the political, social and economic environment of Saudi Arabia. Then, the chapter turns to a discussion of the emergence of the accounting profession (along with the economic environment) within the Kingdom. Further, the chapter highlights the emergence of Saudi CBs and IBs based on postcolonial theory. Finally, the chapter concludes with a discussion of Vision 2030 and its potential implications regarding the phenomenon being researched.

Chapter Six is the first 'findings chapter' of this thesis. This chapter presents the content analysis findings, which responds to the second objective of the research: 'to explore the social reporting practices of Saudi IBs embedded within the context'. The chapter is divided into two main sections, the first of which presents the findings according to the designed coding frame, while the second discusses the results in the light of postcolonial theory. The content analysis chapter paves the way for a thorough analysis of the phenomenon via the interview analysis. Therefore, several aspects which emerged in Chapter Six will be picked up for further exploration in Chapter Seven.

Chapter Seven presents the findings of the interview analysis. The chapter responds to the other three objectives, exploring the perception and practice of CSR by Saudi IBs embedded within the context. It also explores the influence of globalisation and the dual-banking system on IBs and, consequently, their CSR practices together with the role that SSBs play in relation to CSR. The chapter is divided into three main sections according to the three objectives. In other words, each section of the chapter attempts to respond to the corresponding research objective.

Chapter Eight discusses the findings of the research in relation to the literature and also from a postcolonial perspective. The chapter is divided into three main sections, each of which contains multiple subsections. The first section discusses the settings of the Saudi banking sector, which have huge implications for Saudi IBs. The second section focuses on IBs' practices in light of the settings of the Saudi banking sector. The third section discusses CSR and the related reporting.

Chapter Nine concludes the thesis. The chapter begins by providing a summary of the research objectives. The findings related to each objective are summarised in a separate section. Then, the chapter highlights the contribution of this study to knowledge. The chapter then concludes the thesis by listing the limitations of the study and recommendations for future research.

2. Chapter Two: Literature Review

2.1. Introduction

This chapter reviews prior studies within the field of CSR and Islamic banking and finance. The literature review chapter is divided into six main sections. The first two sections highlights prior studies that endeavoured to draw a distinction between Islamic banking and conventional banking to establish the divergence between them from a literature viewpoint. The following sections attempt to address this divergence from multiple angles. First, however, the chapter introduces the concept of CSR and highlights its underpinning theories. Then, the chapter moves on to discuss prior studies that assessed the relationship between Islam and CSR. This section, further, introduces SSBs as a vital notion within Islamic banking and questions their social position. Then, the chapter provides a critique of the social role of Islamic banking, to identify some key points regarding the divergence. The chapter, then, reviews the field of CSR disclosure (social reporting), which is further divided into two subsections to shed more light on the divergence with reference to reporting. The first one reviews prior studies that attempted to theorise the social reporting of IBs and prescribe ideal frameworks. The second subsection reviews prior studies that assessed the social reporting of IBs based on those frameworks. The last main section of the chapter reviews prior studies that discuss CSR and relevant aspects with reference to postcolonial theory. This section will help to establish the main concepts for the next chapter, which is the theoretical framework. Throughout each section of the chapter, several paragraphs will be dedicated to distinguishing this study from prior ones.

2.2. A Proposed Islamic-Reflective Banking

In general terms, IBs are those which operate in accordance with Islam. Several authors have proposed definitions that distinguish IBs from other types of banks. All of those definitions emanate from the stance that IBs are built on the Islamic principles, which are consistent with the Islamic worldview. In this section, two prominent definitions will be presented. El-Hawary et al. (2004) argue that Islamic banking should be identified by four key aspects; namely, risk, material finality, fairness, and a general adherence to Sharia law (p. 5). The first aspect suggests that IBs' financial model should be built upon risk. The complete eradication of risk from IBs' financial methods would violate the first factor and, therefore, raise questions about IBs' Islamic status. Second, all IBs' financial transactions must be either directly or indirectly linked to the real economy. This is what El-Hawary et al. (2004) call 'material finality'; unlike in the case of conventional banking, where money itself is used as a commodity. Third, IBs' transactions should reflect the Islamic principle of fairness, which implies that exploitation should be eliminated from all IBs' transactions. Fourth, IBs must avoid any other Sharia violation that is not of a financial nature, such as financing alcohol- or pork-related firms.

Another definition is provided by Alhussein (2001), which his work seems to be less cited in the literature, possibly because he writes in Arabic. He argues that the main motive for IBs to exist is to eliminate Riba from Muslim society. Those IBs, which are expected to achieve this aim, should be characterised by four factors (Alhussein, 2001). Those factors are: (1) IBs should be considered an alternative to CBs, with a totally different philosophy and operational mechanism; (2) IBs should meet the three Quranic principles in regard to money; (3) IBs should facilitate a suitable investment environment in Muslim society; and (4) IBs should facilitate economic growth. Alhussein (2001) argues that the philosophy upon which

IBs are built is utilising finance to facilitate development. Such a philosophy eliminates financing activities that do not facilitate development, regardless of how profitable they may be. In other words, money (or finance) should not be the core product of IBs but, rather, a tool that should be utilised to advance societies. Further, IBs are expected to uphold the three Quranic principles regarding money. The first principle is that money is a means of substance, which should be spent to satisfy the production, marketing and consumption needs of society, rather than being spent on financial speculations which eventually lead to economic instability. The second Quranic principle revolves around wealth redistribution, which cannot be upheld with a Riba-based system where lenders are guaranteed a return on their capitals. The third Quranic principle indicates that all financial transactions must be fair to all parties and any injustice must be removed (Alhussein, 2001).

The third factor provided by Alhussein (2001) is that IBs are expected to play a major role in facilitating a suitable, Riba-free investment environment in Muslim society, as the majority of investment opportunities in the Muslim world are attached to Riba (Alhussein, 2001). This might be because of the current financial system, which is promoted as global and 'one size fits all' (Ali, 2010). Finally, IBs are expected to facilitate economic growth that is aligned with the Islamic view. The current system, which relies heavily on interest rates, can cause some economic instability due to either fluctuation in the interest rate or other debt drawbacks. IBs are expected to play a major role in distancing the financial environment within the Muslim world from debt to partnership to ensure economic stability and, therefore, economic growth (Alhussein, 2001). Although the classifications of El-Hawary et al. (2004) and Alhussein (2001) appear to be ostensibly different, they all revolve around one idea. This idea is to create a Sharia-driven financial system that is less reliant on debt and fair to Muslim society.

2.3. The Divergence

IBs seem to struggle to uphold those differentiating factors, which raises questions about the actual function of IBs and the reasons for such divergence. Khan (2010) explores the practices of the ten largest IBs in the world in light of El-Hawary et al.'s (2004) four-element classification. Khan (2010) argues that the IBs have failed to implement the risk-sharing element in a meaningful sense. Rather, the IBs' products lack relevant risks because they mimic those of conventional banking. Moreover, Khan (2010) highlights that several financial transactions of Saudi and Malaysian IBs, at times, fail to fulfil the material finality requirement. In terms of the third element, Khan (2010) highlights some of the IBs' products that are exploitative in nature and highlights several serious doubts regarding the Islamic legitimacy of those products as well as their higher, exploitative fees. Finally, Khan (2010) reports two occasions when two different IBs engaged in creative accounting to conceal their non-Islamic activities. Khan (2010) argues that the gap between IBs' ideal and actual function is huge. Thus, he concludes that IBs are functionally indistinguishable from CBs.

Alhussein (2001) critically analyses the actual practices of IBs in light of the other four fundamental principles upon which IBs are supposed to be built. First, Alhussein (2001) argues that some might consider Islamic banking as an alternative to conventional banking simply because both systems operate side by side. However, this is mostly because Islamic banking appears attractive to Muslims who wish to avoid *Riba* (*ibid*). Alhussein (2001) argues that the Islamic banking journey has achieved very little success in terms of differentiating its core from that of conventional banking; in other words, the philosophy of ‘utilising finance to facilitate development’ is not being implemented in practice. Instead, IBs’ resources are mobilised to lend money to customers on the basis that those customers will repay their loan plus an extra amount (similar to the interest-based loans utilised by CBs), regardless of other aspects (Alhussein, 2001). This is the backbone of IBs’ operations, without which this current form of IB could collapse (*ibid*). Second, Alhussein (2001) provides some evidence to support his claim that IBs’ current function violates the three Quranic principles of money. Third, Alhussein (2001) argues that the current IBs seem unable to create an investment environment that is free of debt drawbacks. This is because IBs’ financing model, which produces Western reverse-engineered products, is similar to that of the West. Fourth, Alhussein (2001) suggests that this has made IBs unable to advance economic growth that is consistent with the Islamic worldview. Alhussein (2001), therefore, concludes that IBs have failed to establish themselves in a manner that is consistent with the Islamic worldview.

2.4. Corporate Social Responsibility (CSR)

2.4.1. Background

Although some might argue that the notion of CSR emerged in the 1950s, it can be traced back to the very emergence of capitalism (Alziyadat, 2018). According to Daniel A. Wren, “CSR is as old as the 1800s industrial revolution in Great Britain and America where several concerns about women and children’s employment, slums, and poverty were raised with the emergence of the factory system” (cited in Alziyadat, 2018, p. 13). However, the 1950s is the era where CSR started to take its modern shape. The publication of Bowen’s book, ‘Social

Responsibilities of the Businessman', in 1953, is argued to mark the milestone for modern CSR (Carroll, 2008; Garriga and Melé, 2004). Bowen built his argument on the basis that the actions taken by businesses impact people and that, therefore, businesspeople should consider this component in their decision-making process (cited in Carroll, 2008). On the contrary, other Western authors have argued that the proposed CSR could disrupt the system, the economy, and possibly democracy. One example is Theodore Levitt, who argued in his book, entitled 'The Dangers of Social Responsibility', published in 1958, that the job of the government should not be confused with the job of businesses (McWilliams, 2006). In addition, Milton Friedman is a recent example of this school of thought, who argued that businesses' only responsibility is to maximise the shareholders' wealth within the legal boundaries (cited in Alamer et al., 2015). During the early days of CSR, the understandings of what constitutes responsible behaviour might have varied from one school of thought to another. According to Votaw (1972), CSR:

> "means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of responsible for, in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy, in the context of belonging or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large". (p. 25)

Since the 1950s, the concept of CSR has been subjected to various theorisations, from which many definitions have emerged. The European Commission's (2002) definition of CSR is widely-cited in the literature, where it is defined as:

> "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

Dahlsrud (2008) analyses 37 definitions of CSR, which were proposed between 1980 and 2003. He concludes that the lack of a universally-accepted definition of CSR seems to be less problematic because these definitions consistently refer to five dimensions; namely, the stakeholder, social, economic, voluntariness, and environmental dimensions (Dahlsrud, 2008, p. 5). These definitions seem to have been comprehensively developed in the West, except for one, which derives from India. The Islamic understanding of CSR, which might yield different views about it[2], seems to be excluded from this analysis.

The 1980s and 1990s was an important era for the development of CSR. It is suggested that Carroll (1979) is the first author to provide a model for corporate social performance (Alamer et al., 2015). Carroll (1979) opposes the classical economic view, in which the responsibility of a business is to maximise its profits within the legal boundaries. Instead, Carroll (1979, 1991) argues that the responsibility of corporations exceeds their purely economic and the legal obligations. Carroll (1991), therefore, designed ‘The Pyramid of Corporate Social Responsibility’, in which he divides the responsibility of businesses into four main dimensions; namely, their economic, legal, ethical and philanthropic responsibilities.

2.4.2. Underpinning Theories of CSR Research

The development of the CSR construct was underpinned by various theoretical groundings. Garriga and Melé (2004) provide a ‘territory map’ that classifies this development into four

[2] Section ‘2.3 CSR in the Islamic context’ discusses the concept from an Islamic perspective.

main theoretical groundings; namely, instrumental, political, integrative and ethical theories. Instrumental theories lean towards the classical economic school of thought, which suggests that businesses exist for a single reason, which is to maximise the profits within a legal framework. As a result, corporations tap into CSR to achieve economic benefits. In other words, CSR is used as a mere tool for profit maximisation. Political theories, on the other hand, assume that corporations have power which, therefore, should be used responsibly. A classic example of this school is Davis (1960) and his investigation of the social impact of the power of corporations (Garriga and Melé, 2004). Davis (1960) opposed the economic school of thought, arguing that corporations possess power and, therefore, can influence the market. The social responsibility of those corporations arises from the social power that they possess. Integrative theories are based on the belief that businesses would not exist without society (Garriga and Melé, 2004). Therefore, corporations 'integrate' the social demands into their operations to legitimise their existence and better harmonise with society. A classic approach to the integrative theories is the corporate social performance of Carroll (1979), which facilitates corporations' search for social legitimacy. In contrast, the final group of theories is ethical theories, which are more closely associated with morals. Such a position emanates from the belief that corporations should strive to 'do the right thing' (Garriga and Melé, 2004). A classic approach to the ethical theories is Freeman's (1984) normative stakeholder theory, which suggests that the relationship between managers and stakeholders should be of a 'fiduciary' nature.

Some (i.e., critical schools) would argue, however, that much of the CSR theorising might fall under the middle-ground method (Tinker et al., 1991), in which CSR is assumed to be associated with the corporate image and a social contract (Gray et al., 1988). The CSR movement has had a notable impact on the evolution of accounting, as it triggered critical questions about the relationship between business and society and the effect of the former on the latter (Kamla, 2007). This has facilitated calls for critical accounting that challenges and extends the conventional understanding of accounting (Gallhofer and Haslam, 2003). That is, accounting is seen as an "asocial and apolitical practice", the scope of which is reduced to technical aspects, such as establishing financial standards and reporting corporations' financial performance (*ibid,* p.1). Critical accounting takes very diverse theoretical perspectives in comparison to 'traditional mainstream' accounting and involves three overlapping, interrelated analytical acts: contextualising, historicising and theorising (Alawattage et al., 2017).

The critical school proponents argue that the middle-ground theorising (Kamla, 2007) tends to fail to address the fundamentals upon which society is built (Owen et al., 1997). Instead, it tends to be limited to the treatment of technical issues, such as measuring social and environmental disclosure (*ibid*). Therefore, the middle-ground theorising is committed to capitalism by overlooking critical issues, such as oppression and exploitation within society (Tinker et al., 1991). The critical theorising of CSR challenges the middle-ground theorising and its tendency to maintain the *status quo* (Tinker et al., 1991). The critical approach, therefore, advances an emancipatory version of accounting and CSR, that challenges the notion that CSR is a public relations opportunity into which corporations can tap (Gallhofer and Haslam, 2003; Kamla, 2007).

2.5. CSR in the Islamic Context

The Islamic CSR body of literature has recently gained momentum. Most of the papers on the field have, either implicitly or explicitly, appreciated the Islamic worldview when constructing an Islamic CSR notion. The Islamic worldview is characterized by two concepts; namely, *Khalifa* (trusteeship) and *Adl* (justice) (Chapra, 1992). Trusteeship, which is derived from the core concept of *Tawheed*[3], implies that God created the Earth and appointed humans as his trustees. In other words, God is the ultimate owner of everything and, therefore, humans have been entrusted with the stewardship of God's possessions (i.e., Earth) (Maali et al., 2006). The resources available on earth take the form of a trust from which humans may benefit responsibly (*ibid*). Trusteeship does not deny private ownership (Chapra, 1992) because everyone is entitled to have ownership of property. However, the key difference between Islamic and conventional ownership is that Islamic ownership is not absolute (Maali at. al, 2006). That is, a person might hold ownership of a property in the form of a trust and, therefore, this ownership should be exercised in accordance with the will of God (*ibid*). This property can be utilised in a private manner, provided that two conditions are met. First, it must be owned in a Sharia-approved way. Second, this property cannot be disposed of or utilised in a manner that would disrupt the well-being of others (Chapra, 1992).

The trusteeship concept, further, implies that the benefits of society prevail over those of the self, if a conflict arises (Bassiouni, 1985). In addition, a person is not the only vicegerent of God, as there are billions of people (vicegerents) on Earth. This adds another dimension to

[3] *Tawheed* is central to the Islamic belief, which means that God is one and unique, and the creator of everything (Chapra, 1992). The *Tawheed* concept "implies total submission to God's will and following the religious requirements in all aspects of life" (Maali et al., 2006).

the concept of trusteeship, which is that all humans are the trustees of God. Therefore, they all enjoy equal access to utilising those resources in the form of a trust, in which God's resources must be utilised for the benefit of all, not just a few people (Chapra, 1992). Also, the trusteeship concept adds another dimension to accountability (Maali et al., 2006). From a Western perspective, corporations are accountable to their stakeholders (*ibid*). However, Baydoun and Willett (1997) argue that accountability from an Islamic perspective extends human society (cited in Maali et al. 2006). That is, individuals or corporations are accountable to God from the Islamic perspective. Therefore, they must align their conduct (i.e., their utilisation of God's resources) with Islam (*ibid*). Private ownership is respected as long as the utilisation of those resources are both consistent with the religious requirements and respectful of society's interests (Maali et al., 2006). Furthermore, the concept of trusteeship adds a further dimension to the preservation of the natural environment. Kamla et al. (2006) argue that the trusteeship concept has expanded the Islamic approach to include a concern about the environment with all its components. They suggest that the Islamic approach covers all "flora and fauna", regardless of how humans may benefit from this preservation.

On the other hand, justice is the ingredient without which the ideal Islamic society cannot be established (Chapra, 1992). Imam Al Gazali suggested that "justice demands that a person should not act against the interest of a fellow Muslim" (cited in Alziydat, 2018). The concept of brotherhood is central to the establishment of a just society. Islam stresses the concept of brotherhood, whereby all Muslims are brothers and sisters, which implies that cheating and exploitation are prohibited (Maali et al., 2006). The Islamic promotion of *Zakah*[4] and *Qard Hassan*[5] and the Islamic prohibition of *Riba* are argued to create a fair, just society (*ibid*). Several scholars argue that the core of the Quranic injunctions revolves around justice (Ahmad, 1999). Chapra (1992), in this regard, noted that there are at least 100 verses in the Quran that embody the term "justice" or its Arabic synonyms. Furthermore, there are more than 200 admonitions against injustice in the Quran (Chapra, 1992).

> "Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded." (The Quran, 16:90)

2.5.1. Debates on the Islamic CSR Construct

Recently, notable efforts have been made to theorise CSR from an Islamic perspective, but such theorising is far from consolidated yet (Zafar and Sulaiman, 2019). In light of the Islamic worldview discussed in the previous section, there are two schools of thought regarding theorising the Islamic CSR construct (Alziyadat, 2016). The first school of thought is embraced by authors who theorise the construct based on a pre-existing conventional (Western) CSR theoretical grounding (Alziyadat, 2016) (e.g., Khan and Karim, 2010; Khurshid et al., 2014; Franzoni and Allali, 2018; Turker, 2016; Ullah and Jamali, 2010). In other words, they accommodate the Islamic worldview within a pre-existing Western

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[4] Zakah is the third pillar of Islam. It requires Muslims to give 2.5% of their qualifying wealth to needy people.
[5] Qard Hassan is an interest-free loan, which aims to help those in society who cannot afford other types of financing (Aribi and Arun, 2015).

theoretical perspective (e.g., normative stakeholder theory). The second school of thought consists of authors who argue that the Islamic and Western worldviews differ, which may exert a considerable influence on the construct of an Islamic CSR. Therefore, Islamic CSR is built purely on the Islamic worldview. This group of thought endeavours to establish a stand-alone Islamic CSR construct (e.g. Alziyadat, 2018; Duduki, 2008; Dusuki and Abdullah, 2007; Farook 2008, Mohammed, 2013).

2.5.1.1. The First School of Thought

This approach accommodates several relevant Islamic principles within the pre-existing Western theorising of CSR (Alziyadat, 2016). It is argued that, although the philosophy of the Islamic economy may differ from that of the West, some Islamic values in regard to CSR resemble those of the West (Khan and Karim, 2010). Therefore, those authors endeavour to tap into these common values in order to construct an Islamic CSR concept that is both compatible with the current system and consistent with Islamic values. Khurshid et al. (2014) is a classic example of the first school of thought. They built an Islamic CSR model based on that of Carroll (1979, 1991). Khurshid et al. (2014) refer, at first, to the distinction between the two branches of Sharia; namely, Sharia *Ibadat* (Sharia rulings regarding worship) and Sharia *Muamalat* (Sharia rulings regarding people's activities). Then, they merge the Islamic principles derived from Sharia *Muamalat* with the pyramid of Carroll (1991). Khurshid et al. (2014) propose an Islamic CSR model, similar to Carroll (1991), containing four pillars. The economic responsibility under Islamic CSR entails making a profit that is legal from the Sharia perspective without harming other members or groups in society (Khurshid et al., 2014, p. 269). The other three pillars of the model contain some Islamic considerations as well. Similarly, Turker (2016) discusses the concept of Islamic CSR, based on Carroll's

(1979) model. She suggests several CSR practices that are relevant to Islamic culture, according to Carroll’s (1979) pyramid.

Ullah and Jamali (2010) explore the Islamic CSR construct in relation to institutional investors. They start by referring to three Islamic principles; namely, unity, justice, and trusteeship. Then, they accommodate those principles in Freeman’s (1984) stakeholder theory. Ullah and Jamali (2010) argue that Freeman’s (1984) stakeholder theory is consistent with the Islamic justice system (p. 623). However, they suggest that stakeholders, from an Islamic perspective, are divided into three groups, based on the degree of how severely these groups are affected by the corporation. Ullah and Jamali (2010, p. 628) conclude that “both Islam and CSR have humanitarian underpinnings, and the linking of the two concepts will no doubt result in positive synergies”. Further, Khan and Karim (2010) build their study on both Ullah and Jamali (2010) and Dusuki and Dar’s (2007) papers. Khan and Karim (2010) compare the conventional thought of CSR to the Islamic tenets. They conclude that integrating the aspects of conventional CSR with the Islamic principles of accountability, transparency, social justice, and trustworthiness can improve companies’ performance as they become able to attract more investments.

Franzoni and Allali (2018) investigate whether the Islamic and traditional (i.e., Western) views of CSR converge. They begin by laying the foundation of the Islamic economy, upon which Islamic CSR is supposed to be built[6]. Then, they discuss those principles in light of both AAOIFI[7] Standard No. 7 (2010) and the pyramid of corporate social responsibility of Carroll (1979). Franzoni and Allali (2018) conclude that the Islamic principles regarding CSR converge with those of the West, especially Carroll's (1979) pyramid. The only exception to that convergence, according to them, is that Islamic organisations must assume further responsibilities, which are of a religious nature.

All of the previous studies have made a notable contribution to the theoretical efforts to establish an Islamic CSR construct. Although not explicitly stated, this approach may be motivated by the fact that Islamic organisations (i.e., IBs) function within a capitalist environment, which is largely influenced by a Western worldview. This implies that constructing an Islamic CSR concept that is built purely on Islamic principles might result in a compatibility conflict. That is, the Islamic worldview seems to be less influential on Islamic organisations, which already function in a Western-driven environment. Accordingly, this approach taps into the similarities between the Islamic and Western worldviews. Nevertheless, if Western and Islamic CSR share common concerns regarding several aspects (as previous studies have argued), Western CSR sometimes neglects issues that are important to the Islamic context (e.g., *Riba* and its social impact). Furthermore, several Western CSR aspects

[6] Those foundations are: (1) the banning of *Riba*; (2) the banning of *Maysir* and *Gharar*; (3) avoiding impermissible activities; (4) PLS; and (5) the necessity of linking all financial activities with the real economy (Franzoni and Allali, 2018).

[7] AAOIFI (Accounting and Auditing Organisation for Islamic Financial Institutions) is based in Bahrain and aims to establish Sharia-driven accounting and auditing standards to promote Islamic banking and finance. However, the banking sector of Saudi Arabia is not required to apply AAOIFI standards and, therefore, are less relevant to the research focus.

may not be applicable in other contexts, especially in developing economies (Jamali et al., 2017). Thus, one should consider the context's specific socio-cultural and political environment (Belal and Momin, 2009).

2.5.1.2. The Second School of Thought

The second school of thought takes another approach to theorising the construct of CSR (Alziyadat, 2016). The proponents of this school of thought provide critiques of the pre-existing Western CSR theories, in either an implicit or explicit manner, to arrive at an Islamic understanding of CSR. They imply that the Islamic worldview should be appreciated when constructing CSR in order to reach any potential beyond the dominant, current CSR practices, which tend to be built in accordance with a Western worldview. Farook (2008) provides an Islamic CSR framework by drawing on Islamic principles. Specifically, Farook (2008) suggests that the Islamic financial institutions, including IBs, are fulfilling collective religious duties (an Islamic principle called *Fard Kifayah*) that must be performed by some members or groups within a society. This religious duty entails providing financial solutions that are in line with Sharia law. Farook (2008) argues that IBs' position, therefore, allows them to influence 'allocative justice'. By referring to the Islamic concepts of trusteeship, divine accountability, and enjoining good and forbidding evil, Farook (2008) proposes a CSR model composed of compulsory and recommended forms of Islamic CSR. Nevertheless, this framework seems to be what IBs have been actually practicing, which is heavily criticised by prior studies. For example, Dinar Standard and Dar Al Istithmar (2010) used Farook's (2008) framework to measure CSR in IBs. They conclude that IBs have a good start in respect of most aspects of social responsibility. However, a large volume of literature would oppose such a conclusion, as CSR and the related social reporting practices of IBs have faced major criticism from other authors in the field (e.g., Asutay 2007; Haniffa and Hudaib 2007; Hassan and Harahap 2010; Kamla and Rammal 2013; Maali et al., 2006, Zubairu et al., 2012).

Dusuki (2008) is another study in this category, which starts the construction of Islamic CSR by providing a critique of the Western CSR theories, such as social contract theory, legitimacy theory, and instrumental theory. Dusuki (2008) argues that the West generally views CSR from a materialistic rather than an ethical perspective (p. 12). Dusuki (2008) argues that CSR frameworks should integrate material well-being with moral and spiritual values to achieve advancement that is in accordance with Sharia law. Dusuki (2008), therefore, provides an Islamic CSR framework called the '*Taqwa* paradigm'[8]. It is a continuum that ranges from the state of being irresponsible to the optimal state of being *Taqwa*-centric. The *Taqwa*-centric state occurs when corporations "manifest their social responsibility based on the belief that a company should be socially responsible regardless of the financial consequences, positive or negative" (Dusuki, 2008, p. 21).

Dusuki and Abdullah (2007) provide an Islamic CSR framework that is built on *Maqasid* Sharia[9] and *Maslahah*[10]. The framework is called preventing harm, which provides guidance in instances when harm occurs in Muslim society. The framework provides seven Islamic maxims in relation to harm; namely, (1) harm should be repelled before it occurs; (2) harm

[8] *Taqwa* translates as 'fear of God'

[9] Maqassid is an Arabic term that translates as meanings, objectives, end results, or impacts (Al-Raysuni, 2010). Therefore, the concept of Maqassid Al Sharia translates into the impacts, end results, or objectives that Sharia law endeavours to achieve (Al-Raysuni, 2010; Allowaihiq, 2015).

[10] Maslahah is also another Arabic term, which means "seeking benefit and repelling harm" (Dusuki and Abdullah, 2007, p. 31-32).

must be ended when it occurs; (3) harm cannot be abolished by introducing a similar harm; (4) severe harm should be replaced by a lighter harm; (5) repelling a public harm prevails over repelling a private harm; (6) repelling harm prevails over attaining benefit; and (7) harm must not be sustained. Dusuki and Abdullah (2007) apply these Islamic maxims to CSR. For example, corporations must avoid harming the environment, such as dumping toxic waste, to maintain the first Islamic maxim in relation to harm. Further, IBs must avoid financing projects that harm society or the environment, regardless of how profitable such projects are, if they wish to uphold the sixth Islamic maxim. Dusuki and Abdullah (2007) conclude that applying the Islamic CSR framework suggests that IBs should not be solely profit-oriented. Instead, IBs should pursue other important objectives, such as the welfare of society.

Mohammed (2013) also endeavours to establish a stand-alone CSR construct. By drawing on *Tawheed*, equilibrium, free will and responsibility, which he argues shape the Islamic worldview, he proposes an Islamic CSR framework. He provides several applications of these four factors, which businesses are expected to maintain. Similarly, Alziyadat (2018) draws on the Islamic philosophy to propose an Islamic CSR construct. He provides an interesting analysis of the ontology and epistemology of the Islamic and neoclassical economics. He argues that, since the two philosophies differ, Islamic CSR should be built on corresponding views. Alziyadat (2018), based on his analysis, concluded that CSR can be understood from an Islamic perspective as:

> "Integrating socio-economic political objectives (macro maqasid) within companies' objectives (micro-objectives) and interacting in the market in compliance with Sharia interests to achieve social well-being and economic growth" (p. 22).

The studies in this category have contributed to the literature. Nevertheless, most of the studies in this category seem to be of a normative nature. Although the construct of CSR is fairly conceptualised, most papers fall short of providing practical frameworks that Islamic organisations can adopt to reflect the Islamic worldview of CSR. Further, IBs do not operate in a vacuum where those Islamic elements can be easily applied. Most of those papers tend to overlook the real conflicts encountered by IBs. That is, the political, economic and social environments within which IBs operate are characterised by conflict (Abdul-Baki and Uthman, 2017). Yet, it seems that constructing CSR and any related social reporting based on the Islamic perspective of socially responsible behaviour might be promising if IBs wish to make any potential social impact that is beyond the current conventional social impact of corporations. This approach, nevertheless, should consider the political, social, and economic conflicts encountered by IBs.

2.5.2. The Role of the Sharia Supervisory Boards (SSB) in Advancing CSR

For IBs to function in accordance with Islam, they appoint scholars who are knowledgeable about the Sharia law. Those scholars are called the Sharia Supervisory Board (SSB). This is another aspect that defines Islamic banking. According to the literature, many definitions of the SSB can be identified. Alkhalifi (2003) suggests that the SSB concept, in a nutshell, is about an agent contract between two parties; namely, the general assembly, representing the shareholders, and Sharia scholars. This contract authorises those Sharia scholars to act on behalf of the shareholders to protect the bank from violating Sharia law (Alkhalifi, 2003). Alkhamees (2013) provides a more comprehensive definition of SSBs:

> “Sharia supervision is a process of examination and analysis of activities, actions and processes undertaken by the institution to certify that they are in

> accordance with the provisions and principles of Islamic law. SSBs would use appropriate means to identify errors and suggest legitimate solutions to correct them, in addition to submitting a report that incorporates Sharia opinions and decisions, with recommendations for earning lawful income in the present and in the future". (p. 135)

Based on the literature, the role of the SSBs, although these may vary from one country to another and from one bank to another (Alkhamees, 2013), can be categorized into six main components. Those roles include: (1) issuing *Fatwas*[11] to certify financial products (an ex-ante Shariah audit); (2) auditing IBs' transactions to ensure Sharia compliance (an ex-post Shariah audit); (3) calculating *Zakah* (4); disposing of earnings that do not comply with Sharia law; (5) consulting on profit or loss among investment account holders; and (6) issuing a report that indicates whether the operations of those IBs comply with Sharia (Grais and Pellegrini, 2006). Although there is a notable number of studies within the literature that explore the SSBs' roles in general, those studies seem to lack a social perspective. In other words, the literature seems to focus excessively on the role of the SSBs in regard to financial issues, ignoring their role in social matters. In Grais and Pellegrini's (2006) study, for example, the SSBs' roles are exclusively focused on the financial side of IBs. Other aspects, such as the impact of IBs on society, seem to be missing from the responsibilities of the SSBs.

While financial transactions lie at the core of IBs' function and, therefore, should receive more attention, if the Islamic worldview with reference to CSR is ever to be incorporated into IBs, the SSBs are best qualified for this job. This is the SSB is the most Sharia

[11] A *fatwa* is a legal opinion about a matter from a Sharia viewpoint, usually issued by qualified jurists.

knowledgeable group within IBs (Aribi et al., 2019). Alkhalifi (2003) explains this excessive focus on financial transactions. First, he argues that the evolution of SSBs was due to a huge need for religious opinions regarding various financial contracts and transactions which were previously unclear to the IBs' management. This led the SSBs to focus intensively on financial contracts and activities to overcome such ambiguity. Second, the nature of financial contracts and transactions seem to change regularly, which needs to be continuously monitored by the SSBs. Therefore, IBs spend huge effort and time on those contracts and transactions, which prevents them from focusing on other aspects. Third, most of the SSB's members lack knowledge about other important disciplines, such as accounting and economics. This limits the SSB members' role to the topics that they understand (i.e., Sharia) (Alkhalifi, 2003, p.44).

The role of the SSBs should go beyond merely reviewing the financial side of those IBs (Alkhalifi, 2003). Alkhalifi (2003) provides three further roles; namely, (1) reviewing the general policies of IBs; (2) reviewing the internal codes and regulations; and (3) monitoring the IBs' code of ethics. Alkhalifi, (2003) argues that aligning the banks' operations with Islam should not be confined to financial contracts and agreements only. Instead, some policies of the bank may violate Sharia law and, therefore, the SSB is obliged to take action. For example, Alkhalifi, (2003) suggests that the investment policy of some IBs includes allocating 80% of their annual financial activities to the *Murabaha* financing model. He argues that such an allocation might harm Muslim communities because a huge percentage of Murabaha can disrupt the development of society, from an Islamic perspective. Therefore, Alkhalifi (2003) argues that the SSBs must step in to modify such a policy. Nevertheless, this does not seem to be the case, as the SSBs currently enable the manifestation of such a financing model (El-Gamal, 2006; Kuran, 2006). Further, Alkhalifi (2003) argues that IBs must operate within the framework of Islamic ethics, in which the SSBs play a major role in aligning and altering the IBs' behaviour. (Alkhalifi, 2003, p. 53). Beyond this study, which is written in Arabic, there has not been any study that highlight the SSB's roles in CSR, to the best of the researcher's knowledge. This study aims to broaden the SSB investigation to explore any potential social role of the SSBs.

2.5.3. Critique of Islamic Banking with Reference to CSR

The Islamic CSR body of literature is full of criticism of the IBs, especially with reference to their social role. This critique might have emanated from the gap between the ideal and the actual social roles of the IBs. That is, a fair number of studies prescribe (i.e., in a normative way) certain forms of Islamic banking based on an analysis of relevant Islamic texts. Much of this prescription tends to oppose the current Capitalist orientation, in which social and environmental issues are principally integrated. Those ideal forms are then compared with the actual forms, explored through empirical research. Many of those studies have concluded that the 'ideal-actual' comparison is largely disappointing. The following sub-section will discuss the ideal-actual social role of IBs.

2.5.3.1. Social Failure of Islamic Banking

As mentioned earlier, the literature has highlighted a notable gap between the ideal and actual social role of IBs. Several authors have labelled this phenomenon as the social failure of IBs (e.g., Abdul-Baki and Uthman, 2017; Asutay, 2007, 2008, 2012). Asutay (2007) argues that, in a theoretical sense, IBs are inherently socially responsible because they are built on the Islamic worldview. In practice, however, Asutay (2007) argues that, similar to

CBs, the paradigm upon which IBs are built is the neo-classical paradigm, which conflicts with the Islamic view of the economy. Therefore, IBs fail to achieve their potential social objectives. In a similar vein, Abdul-Baki and Uthman (2017) argue that, for a system to maintain its goals over time, all of its subsystems must be in alignment. However, the emergence of Islamic banking suggests that the relevant sub-systems contain serious contradictions (Abdul-Baki and Uthman, 2017). The economic, legal, social, and political systems had different objectives in comparison to the sacred objectives of the initial Islamic banking project (*ibid*). For example, the emergence of Islamic banking occurred via legal, political, and economic systems that were largely influenced by colonisation (Abdul-Baki and Uthman, 2017; Haniffa and Hudaib, 2010; Wilson, 2013). Similarly, Khan and Bhatti (2006) discuss the journey of Pakistan in eliminating interest from the economy, which eventually failed, resulted in a dual-banking sector in the country. Khan and Bhatti (2006) argue that such a transformation was achieved only in the economic field (i.e., a sub-system) rather than the whole system. In other words, other private and state institutions were not restructured in a manner that was consistent with such a transformation (Khan and Bhatti, 2006).

Cebeci (2012) discusses several factors (i.e., external and internal) that facilitated the divergence of IBs from their ideal social form. He argues that the external factors (i.e., the capitalist environment within which IBs operate) are shaped by the mindset of profit maximisation and self-interest. The internal factors, on the other hand, stem from the institutional structure of the IBs, which is, in the first place, built on a capitalist mindset (Cebeci, 2012). This institutional structure, which shapes the decision-making standards and recruitment and managerial controls, has also contributed to the divergence of the IBs' form (*ibid*). Cebeci (2012) concludes that the capitalist mindset of profit maximisation has been absorbed not only by the IBs, but also by their staff and clients (p. 170).

All of the papers within this category have contributed to the literature. This current research has been largely influenced by those studies. These papers raise major issues that have might have caused the IBs to diverge from their Islamic potential to assume their current form, which is characterised by a profit maximisation mindset. All of those studies are theoretical in nature, and lack empirical data. This research aims to advance those studies through the addition of primary data. Further, those studies seem to build on several theoretical groundings. Although postcolonial theory seems implicitly to inform some of the relevant arguments, none of them have fully implemented postcolonial theory, especially an orientalism lens as proposed by Said (1978). Instead, those papers refer to the past and current circumstances, which facilitated this divergence, in light of the colonial past of the region and capitalism. This research aims to advance those studies by implementing an orientalism postcolonial perspective to a country that has never been formally colonised (this will be further discussed in the theory chapter).

2.6. Social Reporting of Islamic Banks

Social reporting can be defined as "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" (Gray et al., 1987, p. 9, as cited in Aribi and Gao 2010). During the last two decades, notable efforts have been made to explore social reporting within the Islamic context (e.g., Aribi and Arun, 2015; Aribi and Gao, 2010; Aribi and Goa, 2011; Belal et al., 2015; Haniffa and Hudaib, 2007; Harun et al., 2020; Hassan and

Harahap, 2010; Kamla, 2007; Kamla and Rammal, 2013; Khan 2013; Maali et al., 2006; Migdad 2017; Zubairu et al., 2012). Some of those studies have theorised social reporting from an Islamic perspective, while others have explored the actual social reporting practices of IBs based on a prior Islamic or Western theorising.

2.6.1. Theorising Social Reporting from an Islamic Perspective

Maali et al. (2006) and Haniffa and Hudaib (2007) are among the first studies to theorise social reporting with regard to Islamic banking. Both studies established an Islamic-driven social reporting framework, upon which most of the remaining studies in the field have partially or completely conducted their work. According to Maali et al. (2006), Islamic social reporting takes place within a social relations framework. They argue that there exist three fundamental concepts of Islamic social reporting; namely, accountability, trusteeship, and justice, all of which are derived from the core Islamic concept of '*Tawheed*'[12]. Maali et al. (2006), therefore, provide an Islamic social reporting framework, which contains 30 items that are expected to be disclosed by IBs. Those items range across different dimensions, such as Sharia opinion, social activities, the environment, and employees. Hassan and Harahap (2010) extended Maali's (2006) framework based on the same concepts (i.e., accountability, trusteeship, and justice). The framework of Hassan and Harahap (2010) contains 78 items and seems to cover wider issues across eight dimensions. Both studies have added unique

[12] A comprehensive discussion of the three concepts is provided in section: '2.3 CSR in the Islamic Context'.

dimensions that are specific to the Islamic context, which are rarely seen in the conventional social reporting frameworks.

Haniffa and Hudaib (2007), on the other hand, established an ideal ethical identity framework in regard to IBs' social reporting. Haniffa and Hudaib (2007) developed the framework based on a belief that IBs possess special features that differentiate them from conventional banks; namely, IBs' philosophy, *Riba* prohibition, the restriction to Sharia-complaint deals, in-built social objectives, and the integration of the SSB. Haniffa and Hudaib (2007), therefore, argue that IBs' social reporting should reflect these special features. Khan (2013) also proposed a social reporting framework that is based on certain Islamic principles, such as socio-economics, brotherhood, and community welfare. The framework consists of seven dimensions; namely, Sharia governance, community-based banking, support of the poor, market efficiency, innovation, human resources and training. Khan (2013) argues that IBs should be '*Sharia*-cum-CSR oriented' organisations in order to secure community support and enjoy long-term success.

Belal et al. (2015) also contributed a framework to the Islamic social reporting field, which was designed to examine critically the ethical reporting practice of Islami Bank Bangladesh Limited (IBBL) from 1983 to 2010. The framework is based on two models; namely, a minimalist Sharia-complaint approach and a wider stakeholder approach. Belal et al. (2015) argue that the former approach implies that IBs aim to maximise their profit provided that this does not violate Sharia law by relying heavily on debt-based models and reducing the PLS models. Further, IBs aim to legitimise their existence by disclosing information that is targeted at the primary stakeholders (i.e., shareholders, depositors) to ensure that the IBs' operations are conducted in accordance with Sharia law, regardless of other, wider ethical issues. On the other hand, the wider stakeholder approach places great emphasis on social welfare, for example by promoting the PLS model (Chapra 1985) and, therefore, contributes to the Islamic socio-economic objectives (cited in Belal et al., 2015).

2.6.2. Actual Reporting Practices of the Islamic Banks

Most of the research in the field has employed a quantitative content analysis method to study the social reporting of the IBs. In doing so, the actual reporting practices are explored in light of a pre-existing (or developed) benchmark. These studies tend to present their findings in the form of a theme-style analysis. These themes will be discussed and then some of the unique papers will be identified for closer analysis.

The previous research on this field has identified several consistent dimensions (themes). In the Islamic context, it is argued that the main objective of social reporting is to assure the stakeholders that the IBs are Sharia-compliant (Baydoun and Willett, 1997 as cited in Maali et al., 2006). Therefore, Sharia compliance has been a consistent theme within the IBs' reports (Hassan and Harahap, 2010). Charity is also another consistent theme within the IBs' reports. Darus et al. (2014a) argue that many IBs' commitment to CSR is expressed through philanthropy or charitable giving. This is also consistent with Aribi and Arun (2015), who stated that all of the IB managers whom they interviewed, without exception, referred to Zakah, donations, or charity when discussing their CSR practices.

Another theme within IBs' reports is associated with social concerns. For Dusuki (2008), IBs should address social issues to improve the conditions in society without any expectation of direct financial gain because IBs are internally driven towards achieving God's satisfaction. Nevertheless, the societal disclosure of IBs seems rather disappointing. Haniffa and Hudaib

(2007) found that IBs tend to communicate less information in regard to their commitment to society. Further, IBs have been criticised for the non- or only slight disclosure of PLS, which is argued to have a positive social impact (Dar and Presley, 2000; Chong and Liu, 2009; Khan, 2013). Khan (2013) found that two banks in his sample did not make any use of the PLS financing model.

Environmental disclosure is another dimension which has been consistently assessed in the literature. Maali et al. (2006) and Aribi and Arun (2015) surprisingly found that none of their samples disclosed any type of environmental-related issues. In addition, Rahman et al. (2016) found that IBs only made 6.6% of the expected environmental disclosure. Furthermore, Kamla and Rammal (2013) argue that environmental issues are not on IBs' agenda at all, and so environmental protection is not a priority for IBs, regardless of the Sharia emphasis on the natural environment. Such low or nil disclosures could be due to IBs' management's belief that their operations do not affect the environment (Darus et al., 2014b; Aribi and Arun 2015).

In more recent studies, Brahim and Arab (2020) and Harun et al. (2020) have explored the social reporting of IBs based on benchmarks that were developed according to CSR standard No 7 of AAOIFI. Both studies suggest that the social reporting level among IBs remains low. Countries such as Bahian and Qatar, where the application of the AAOIFI standards is compulsory, are expected to display a relatively higher compliance with the AAOIFI standards. Nevertheless, Bahrain and Qatar have made relatively low CSR disclosure compared with other countries in the sample, where the application of the AAOIFI standards is not compulsory (Brahim and Arab, 2020). The majority of the commentators suggest that IBs' social reporting falls short of expectations. Most of the studies in this field adopt a quantitative approach, in which the ideal and actual social reporting of IBs are compared to each other. Furthermore, another similarity between the studies in this field is that most of them tend to adopt a descriptive approach when exploring IBs' social reporting. There are, however, some exceptions (e.g., Aribi and Arun, 2015; Belal et al., 2015; Kamla and Rammal 2013), which the following paragraphs explore.

Several sophisticated studies have employed a different theory or method to explore social reporting. Kamla and Rammal (2013) is one of the few studies to go beyond conventional content analysis, which compares the ideal and actual social reporting. They use qualitative content analysis, in which they search for meaning rather than the number of sentences, words, or level of discourse. Further, Kamla and Rammal (2013) apply an immanent critique to highlight the contradictions between IBs' proclaimed ideology and their actual social role, which is very rare in the Islamic social reporting field. By analysing the reports of ten IBs across different countries, Kamla and Rammal (2013) conclude that there exists a significant gap between IBs' theory and practice. Although Kamla and Rammal (2013) have made a notable contribution to the field, their study relies solely on secondary data in the form of the annual reports of the ten IBs. Further, the time-horizon of the study was only one year (i.e., 2008). A longitudinal study that incorporates multiple sources of data might yield further insights into the social reporting practices of IBs.

Aribi and Arun (2015) and Belal et al. (2015) are two studies that contributed to the literature through combining a quantitative content analysis of the reports with semi-structured interviews. Belal et al. (2015) have critically examined the ethical reporting practices of IBBL between 1983 and 2010. Based on their empirics, IBBL mainly focused on disclosure that satisfies the minimalist Sharia compliance approach. However, Belal et al. (2015) suggest that, during the last five-year period, IBBL has shifted towards the wider stakeholder approach, suggesting a change in the disclosure strategies. Nevertheless, they argue that “IBBL’s changes in disclosure strategy have not been borne by its current investment and financing practices” (Belal et al., 2015, p. 782). They suggest that this conclusion is evidenced by a drop in the PLS model from 15% in 1983 to less than 1% in 2010.

On the other hand, Aribi and Arun (2015) have based their study on seven Islamic financial institutions (IFIs) in Bahrain to explore the management perception of CSR through conducting 18 semi-structured interviews. Aribi and Arun (2015) suggest that Islam seems to be the main motive behind the recognition of CSR. Moreover, the empirics imply that IFIs’ executives share the view that IFIs are set up in a manner that makes them socially responsible simply because they are Sharia-compliant. The second part of Aribi and Arun’s (2015) study assessed IFIs’ disclosure to verify whether the practice of social reporting is consistent with the perception of those IFIs’ executives. The three-year analysis shows that those IFIs’ disclosure falls short on the designed index. Aribi and Arun (2015) conclude that, although IFIs managers have a thorough understanding of CSR, this has not been adequately translated into practice. The sequence of Aribi and Arun’s (2015) methods (i.e., starting with an interview analysis and then a reports’ analysis) is an effective way to examine critically whether the IFIs executives’ understanding of CSR is being reflected in the reporting. However, this sequence fails to explain why the gap between perception and practice, as their empirics suggest, exists. This current research aims to shed light on some of the factors that facilitated the emergence of such a gap between theory and practice.

Zubairu et al. (2012) examined the social reporting of four Saudi IBs through their annual reports for the years 2008 and 2009. Zubairu et al.’s (2012) paper is a replication of Haniffa and Hudaib's (2007) study. What differentiates these two papers, however, is their population, as the former is a Saudi IBs-specific sample, and a modification of the research instrument, as Zubairu et al. (2012) added a dimension related to the environment, adopted from Maali et al. (2006). The findings of Zubairu et al. (2012) suggest that the social responsibility disclosure practices of Saudi IBs are disappointing. Furthermore, the less frequently disclosed dimensions were the environment, community, and *Zakah* dimensions. They suggest that "Islamic banks in Saudi Arabia had poor disclosure practices for institutions that claim to be operating based on *Sharia* principles" (Zubairu et al., 2012, p. 45).

Zubairu et al. (2012) might be the only study in the social reporting literature to explore this phenomenon in the Saudi context. Zubairu et al. (2012, p. 44) claim that they chose only fully-fledged IBs as those banks are committed to adhering to Sharia law, unlike the CBs with Islamic windows, which do not necessarily possess an Islamic ethical identity. However, two of the banks in their sample are not fully-fledged IBs; namely, Riyad Bank and Saudi Hollandi Bank. The English versions of Riyad Bank and Saudi Hollandi Bank's annual reports show that both of these banks have Islamic windows along with the conventional settings. For example, Riyad Bank's annual report states:

> "in addition to the conventional banking, the Bank offers its customers certain non-special commission-based banking products, which are approved by its Shariah Board". (Riyad Bank annual report 2016, p. 99)

Similarly, Saudi Hollandi Bank's annual reports state the same sentence with a slightly different wording. Interestingly, the Arabic versions of these two banks' annual reports state this fact less explicitly.

2.7. CSR and Postcolonial Theory

Kamla (2007) is a unique study because it is one of few papers to explore critically the field of social accounting and reporting in Arab Middle Eastern countries. Kamla (2007) provides a comprehensive, critical contextual analysis, informed by both emancipatory accounting (Gallhofer and Haslam, 2003) and postcolonial theory (Said, 1978). She applied a content analysis to 68 companies across different sectors within nine Arab Middle Eastern countries utilising a research instrument that was specifically designed for that purpose. This research instrument contains four main dimensions; namely, economic, environmental, general social and cultural dimensions. Kamla (2007) suggests that the findings of the social reporting level, nature and quality of the 68 Arab Middle Eastern companies are similar to other research findings related to UK companies, although slight differences can be identified within the sub-categories, due to several contextual factors. Kamla (2007) argues that social accounting and reporting in Arab Middle Eastern countries have the potential to transcend repressive/counter radical accounting (Gallhofer and Haslam, 2003), through the incorporation of certain both Islamic and national considerations (Kamla, 2007). Nevertheless, this potential is not fulfilled because of the “voluntary and ad hoc nature” of the social reporting practices (Kamla, 2007, p.151). This is due to several factors, one of which is the prevalence of the Western accounting system in these Arab countries (Kamla, 2007). Further, the political and economic systems of these Arab counties are shaped by the colonial past, and so were mainly developed to suit Western interests. Therefore, the similarity between the social reporting of Arab Middle Eastern companies and UK companies is unsurprising (Kamla, 2007).

The contribution of Kamla (2007) to the literature is clear, as it is one of the earliest and rarest studies to incorporate such a critical perspective on the social accounting and reporting of Islamic organisations. This current research was influenced by Kamla (2007). Several differences, nevertheless, exist between the two studies. First, Kamla's (2007) population consists of 68 companies ranging across seven sectors, such as food and beverages, oil, telecoms, electricity and financial. On the other hand, this current research focuses on the Islamic banking sector. This difference can be of significance, considering several factors. First, the distinction between Islamic and non-Islamic companies within the oil or electricity sectors, at least from a philosophical perspective, can be blurred because the core product of the industry is not subject to any Sharia restrictions. However, Islamic and non-Islamic financial institutions fundamentally differ from each other. This is because the core product of the banking sector is 'finance', which receives special treatment in Islamic culture, unlike other products, such as oil, electricity and many types of food. This is clearly reflected in practice, as there exist both an Islamic and a conventional banking sector that are, at least ostensibly, distinct from each other. Such a difference is expected to have a considerable influence on the social reporting of IBs.

Second, Kamla (2007) relies solely on secondary data, as she analyses 68 annual company reports[13]. This research, on the other hand, utilises two methods, which are semi-structured interviews (primary data) and annual reports (secondary date). Third, although Arab Middle Eastern countries might share several similarities, there remain differences between them, which might play a major role in influencing their CSR and the related

[13] Kamla (2007) seems to be extracted from Kamla (2005). Kamla (2005) applies interview analysis to the Syrian context alone rather than to the other eight Arab Middle Eastern countries.

reporting. For example, while some Arab Middle Eastern countries embraced the Islamic banking movement in the 1970s, others were hostile towards it due to doubts about its ideology and political influence (Wilson, 2002). In addition, the economic conditions of the different Arab Middle Eastern countries vary. For example, the GCC[14] countries seem to be experiencing better economic conditions compared to other Arab Middle Easter countries. This might be important, as reporting in general tends to be influenced by the surrounding economic conditions. Further, and in terms of the colonial experience, different Arab Middle Eastern countries have had different experiences. For example, Syria was colonised by France while Egypt and many other Arab countries were colonised by Britain. Saudi Arabia, on the other hand, has never been colonised by Western powers. Therefore, the investigation of the Saudi Arabian banking sector is expected to yield interesting insights.

Alotaibi and Hariri (2020a and b) are (perhaps the only) two studies that explore the Saudi context with a critical perspective. They assess Sharia-compliant investment funds (SCIFs) in relation to social justice from a postcolonial, globalisation perspective. Alotaibi and Hariri (2020b) are concerned with analysing the terms and conditions within the SCIFs' documentation. They conclude that the terms and conditions of SCIFs are not linked to the Islamic principles. Alotaibi and Hariri (2020a), on the other hand, interview Sharia officials to understand globalisation's effect on the social justice orientation of SCIFs. They conclude that the Western economic orientation might explain the absence of social justice within

[14] The 'GCC' stands for the Gulf Cooperation Council, comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

SCIFs. Such a perspective is almost entirely absent in the Saudi field, which shows the contribution of both studies. This research differs from Alotaibi and Hariri (2020a and b) in several aspects. First, Alotaibi and Hariri (2020a and b) appear to focus exclusively on SCIFs. Therefore, much of their discussion concerns screening and related topics. SCIFs, although a financial tool, cannot cover other relevant issues that are associated with banking. This research focuses on Saudi IBs, which involves discussing their wider function within the banking field, such as deposits and loans. Further, some of Alotaibi and Hariri's (2020a) sample are investments fund that stem from conventional financial institutions that have an Islamic window. It becomes harder to question the Islamic orientation of an organisation that belongs to a CB. Further, two thirds of Alotaibi and Hariri's (2020a) participants were interviewed in 2012. In that year, the kingdom was experiencing different circumstances, with oil prices hitting an all-time high. This has profound implications for the Saudi economy and the related economic policies. Currently, the Kingdom is experiencing different conditions and making intense efforts to diversify its income. This might have implications for the Saudi financial sector.

2.8. Conclusion

This chapter presented a review of the prior studies on relevant fields. The main objective of this chapter was to locate and further justify this research. Throughout the five sections within this chapter, several paragraphs were dedicated to distinguishing this study from prior studies. The first section provided an overview on the most relevant concepts, and also discussed the differences between Islamic banking and conventional banking from both a theoretical and a practical perspective. The second section highlighted CSR and its underpinning theories, through which the critical perspective on CSR was reviewed. The third section introduced Islam into the discussion of CSR. The debate on the construction of the Islamic CSR concept was reviewed. Further, the SSB concept was introduced to the discussion with reference to CSR. The third section concluded by reviewing some of the major criticisms of Islamic banking with reference to CSR. The fourth section was dedicated to the social reporting of IBs. The main research instruments were discussed as well as the overall trends. The last section introduced postcolonial theory to the CSR discussion. Several studies on this field were discussed.

3. Chapter Three: Postcolonial theory

3.1. Introduction

This chapter presents the theoretical lens through which this research is conducted. This research adopts a postcolonial perspective to explore CSR and the related social reporting practices of IBs within Saudi Arabia. The field of postcolonial studies gained momentum in the 1970s, following the publication of Edward Said's book, 'Orientalism', in which he explores the Western body of knowledge about the 'Orient'. In general, postcolonial theory "involves a studied engagement with the experience of colonialism and its past and present effects, both at the level of ex-colonial societies as well as the level of more general global developments thought to be the aftereffects of empire" (Quayson, 2000, p. 2, cited in Frenkel and Shenhav, 2006). The field of postcolonial theory explores several issues, such as the methods whereby the West is able to exert control over the non-West (e.g., Said, 1978), the resistance of the colonised to such colonial power and the influence of the colonial experience on both the colonised and the coloniser (Kamla, 2007). Also, postcolonial studies explore new types of imperialism which are not necessarily accompanied by a physical conquest.

Postcolonial theory's scope can be confusing because "the prefix post implies an aftermath in two senses: temporal, as in coming after, and discursive, as in supplanting" (Alawattage and Fernando, 2017, p. 4). Nevertheless, the scope of postcolonial theory extends the 'temporal' aftermath meaning to include the period prior to the departure of the colonial rule (Gandhi, 1998) as well as countries that have never been formally colonised, such as Saudi Arabia[15]. Further, the postcolonial scope covers aspects that are related to neo-imperialism, whereby a country might be formally independent, but economically and culturally colonised (Said, 1993; Gandhi, 1998). Therefore, postcolonialism can be defined, according to Gandhi (1998), as the:

> "theoretical resistance to the mystifying amnesia of the colonial aftermath. It is a disciplinary project devoted to the academic task of revisiting, remembering and crucially, interrogating the colonial past" (Gandhi, 1998, p.4)

3.2. Imperialism and Colonialism

Central to the postcolonial theory are the concepts of imperialism and colonialism. While some use these terms interchangeably, Said (1993) emphasises a distinction between those two concepts. Imperialism is "the practice, the theory, and the attitudes of a dominating metropolitan centre ruling a distant territory" (p.8). Although imperialism approaches postcolonial theory from the perspective of the coloniser, this does not necessarily entail siding with them. Instead, imperialism sees the postcolonial field "as the institutional reconfiguration and expansion of the 'formal imperialism of rule' and the 'informal imperialism of influence" (Alawattage and Fernando, 2017, p 3). Colonialism, on the other hand, is "almost always the consequence of imperialism and is the implanting of settlements

[15] Saudi Arabia has never been colonised due to its lack of attraction to the European powers (Cooper and Yue, 2008). Nevertheless, as this thesis will illustrate, Saudi Arabia has not been unaffected by colonial influence.

on distant territory" (Said, 1993, p.8). Consistent with Said conceptualisation of colonialism, Gandhi (1998) suggests a distinction between two types of colonialism. The first represents the 'physical conquest of territory' which, despite its violent nature, is more "transparent in its self-interest, greed and rapacity" (Gandhi, 1998, p.15). The second type of colonialism, meanwhile, is a hidden conquest which she labels the 'conquest of minds, selves and cultures' (Gandhi, 1998, p.15). Nandy (1983) elaborates on the second type of colonialism as follows:

> "This colonialism colonises minds in addition to bodies and it releases forces within the colonised societies to alter their cultural priorities once for all. In the process, it helps generalize the concept of the modern West from a geographical and temporal entity to a psychological category. The West is now everywhere, within the West and outside; in structures and in minds" (As cited in Gandhi, 1998).

The second type of colonialism can be confusing because it was "pioneered by rationalist, modernist and liberals who argued that imperialism was really the messianic harbinger of civilisation to the uncivilised world" (Gandhi, 1998, p.15). This type of colonialism, although it may appear nonviolent, uses 'institutional coercion' to endure "hierarchies of subjects and knowledges – the coloniser and the colonised, the Occidental and the Oriental, the civilised and the primitive, the scientific and the superstitious, the developed and the developing" (Prakash 1995, p. 3, cited in Gandhi, 1998).

Several perspectives within the postcolonial theory have emerged, with Said's (1978) Orientalism pioneering. Orientalism is viewed critically as a moment developing a binary epistemology whereby a clear distinction between the West and 'Orient' exists. This research adopts an orientalism perspective, on which the following sections will shed more light.

3.2.1. Orientalism

The publication of Said's (1978) book, *'Orientalism'*, marked the beginning of a new area of postcolonial studies. In the widest sense, Said (1978) explores the Western body of knowledge in relation to the 'Orient', arguing that such knowledge is neither objective nor innocent, as it is the outcome of a process that reflects highly motivated interests. Said (1978) argues that the West views the Middle East (on an individual or national level) through a lens that does not accurately reflect the reality of these people and places, which he calls the lens of Orientalism**.** According to Said (1978), orientalism is:

> "the corporate institution for dealing with the Orient- dealing with it by making statements about it, settling it, ruling over it: in short, Orientalism as a Western style of dominating, restructuring, and having authority over the Orient" (p.3).

Orientalism concerns the discursive and textual construction of colonial meanings and, concomitantly, colonial hegemony (Gandhi, 1998). Further, Orientalism explores the historically imbalanced relationship between the 'Orient' and Western colonisation (Frenkel and Shenhav, 2006; Gandhi, 1998;). In specific, several aspects may be derived from Said's (1978) argumentation about Orientalism: namely, Orientalism is (1) a style of thinking, (2) an academic discipline, and (3) a corporate institution for dealing with the Orient (Postcolonial Literature, 2017). The first aspect emanates from a conceptual binary that divides the West from the East (Said, 1978). This binary perspective not only informed earlier texts, such as Rudyard Kipling's '*The Ballad of East and West*', but also informs daily dialogues where the term 'East' or 'Orient' indicates certain cultural values. For example, those terms are related to perceived food habits, dress codes, and moral behaviour. This binary perspective has created a world that is divided into two, mutually-exclusive categories whereby, if something is represented by the West, its exact opposite is represented by the 'Orient'. Highly-regarded characteristics, such as superiority, civilisation or maturity, are assigned to the West, whereas inferiority, barbarity or immaturity are assigned to the 'Orient' (Frenkel and Shenhav, 2006). Said (1978) argues that this has helped Europe to present an image of possessing a dynamic, innovative culture. This binary perspective played a major role in constituting Orientalism.

This discourse, which is highly influenced by this binary perspective, developed into an academic discipline in Europe following the European colonisation of the late 18^{th} century. Said (1978) argues that the European colonisation enabled Europe to turn the colonised territory into a field of systematic knowledge, in which the 'Orient' has become an object of inquiry. That is, Western scholars, on a large scale, were granted access to researching and publishing on various aspects of the 'Orient'. This enrichened the field of 'Oriental' studies, which was subsequently acknowledged to be a trustworthy, objective way of understanding the 'Orient'. Nevertheless, such a discipline is biased because it is built upon the binary perspective, which presents the 'Orient' as the uncivilised counterpart of the civilised Occident.

Said (1978) argues that colonialism facilitated the emergence of certain institutions, which later became important players in 'Orientalism'. Said (1978) relies on Michel Foucault's thesis regarding discourse to explain the prevalence of such a prejudiced discourse (i.e., Orientalism). Michel Foucault argues that the discourse that gains prevalence in society is that which is produced, circulated and approved by the institutions of power. Said (1978) argues that the colonialist institutions, such as colonial legislators, the colonial judiciary, and colonial educational systems, are those that produced, circulated and approved the discourse of 'Orientalism'. Therefore, such a discourse gained prevalence and was considered to reflect a true picture of the 'Orient', despites its prejudice. Further, the European colonisation of the 'Orient' was justified and considered morally correct, based on this discourse.

3.2.2. The aftermath of the European colonisation

Anti-colonial movements within colonised counties have resisted colonial power. After the end of the Second World War (WWII), many colonised countries gained their independence (Gandhi, 1998), hoping that decolonisation would result in a new, bright future for them. This failed to materialise, however, as Albert Memmi, a Tunisian anti-colonial activist and intellectual, explains:

> "and the day oppression ceases, the new man is supposed to emerge before our eyes immediately. Now, I do not like to say so, but I must, since decolonisation has demonstrated it; this is not the way it happens. The colonised lives for a long time before we see that really new man" (cited in Gandhi, 1998, p. 6).

This hope "underestimate[s] the psychologically tenacious hold of the colonial past on postcolonial present" (Gandhi, 1998, p. 6); that is, colonisation not only constituted a territorial occupation by the European powers, but also damaged the economic, political and cultural structure of the colonised nations (Said, 1993). The colonised nations, therefore, discovered that they failed to gain complete independence, even though the Western powers no longer occupy their land. Decolonisation might have ended the hardware colonisation, which is characterised by weapons and territorial occupation, but not the software colonisation, which is characterised by soft tools that sustain imperialism (Said, 1993).

3.2.3. Colonialism and accounting

Said (1993) emphasises that knowledge is a powerful software tool, that facilitated (and indeed continues to facilitate) colonialism (and imperialism). He notes the importance of knowledge in this process:

> “[Knowledge] is what makes their [the colonisers] management easy and profitable; knowledge gives power, more power requires more knowledge, and so on in an increasingly profitable dialectic of information and control” (p. 36).

Miller and Rose (1990) suggest that accounting, along with other disciplines, was an important factor within the European colonisation (cited in Neu, 2000). Several studies highlight the influence of the colonisers on accounting in the ex-colonised countries, such as that by Bowrin (2007), who discusses Britain’s influence on the accountancy profession of Trinidad and Tobago in terms of its ‘legislative framework and pronouncements’. He explains that, prior to independence, the British government sent accounting experts to the country to assist with financial and auditing matters. In addition, Trinidad and Tobago’s nationals were granted access to attend accounting training programs in Britain, which were designed especially for them in order to prepare for independence.

In a similar vein, Alnesafi (2018) explores the evolution of the accounting profession in Kuwait. He suggests that the accounting profession was controlled by Britain during the colonisation period. Unlike Trinidad and Tobago’s case, where nationals were trained as accountants, Alnesafi (2018) argues that, during the British Protectorate of Kuwait (1899-1961), neither the relevant British agents nor the Kuwaiti authorities supported the educating of locals, due to a fear that this might undermine the “Kuwaiti social structure” (p. 290). Similarly, Kamla (2007) explains how the European colonisation shaped the accounting profession in certain Arab countries. She states that, after these countries formally gained their independence, their companies’ law and accounting profession were based on the British model (in most cases) or the French model (in Syria). For example, as Kamla (2007) suggests, Egypt, after gaining its independence, applied the British model of accountants’ training, disclosure standards, and financial reporting practices (Kamla, 2007). This influence on Egypt was of particular importance to the Arab world, and Saudi Arabia in particular, as Egyptian professionals participated heavily in the construction of the Saudi economy (Al-Rehaily, 1992).

Uche (2010) discusses the emergence of the Nigerian accountancy profession. She argues that Nigerian company law was developed in accordance with the British perspective. In addition, the emergence of the Nigerian accounting profession was influenced by the colonial rule and its dominance over Nigeria's economic landscape (Uche, 2010). Similarly, Susela (2010) discusses Malaysia's accounting profession in light of colonisation. In particular, she investigates the emergence of the Malaysian Association of Certified Public Accountants (MACPA) and the Malaysian Institute of Accountants (MIA), which were founded one and ten years after independence, respectively. She suggests that, although Malaysia gained its independence, its leaders failed to foster localisation, as the country remained heavily dependent on British forces. For example, the first three MACPA presidents as well as the first MIA president were from Britain (Susela, 2010).

Such an influence by the colonial power on the accounting profession of the colonised nations kept imperial oppression and injustice a part of daily operations (Davie, 2005). In a paper that discusses the imperial role that accounting played during the Britain colonisation of Fiji, Davie (2005) concludes that:

> "Accounting measures of performance facilitated British imperial strategies of hierarchization and marginalization of its subjected population. Accounting provided a very practical way of measuring, monitoring and expressing in economic-monetary terms the institutional consequences of indirect rule. In addition, accounting provided calculations to compare and contrast the achievements and possibilities of alternative policy decisions. With an institutional structure in place, innovations through accounting

> provided a new way of controlling and coordinating the subjected population within imperial systems of government" (p. 77).

3.3. Neo-Imperialism

After the end of WWII, as discussed earlier, direct colonial occupation came to an end and a new type of global relations began to emerge. Although decolonisation was achieved by many colonised nations, imperialism persisted, in different forms. Said (1993) argues that, although the physical conquest of colonialism has ended, several countries remain ideologically, morally and intellectually driven by colonisers. That is, a core-periphery notion still dictates the relations between the 'developed West' and 'developing East' (Boussebaa, 2015). The outcomes of such relations, therefore, are hierarchy and dominance. Banerjee et al. (2010) define neo-imperialism as:

> "a continuation of direct Western colonialism without the traditional mechanism of expanding frontiers and territorial control, but with elements of political, economic and cultural control" (p.8).

Globalisation has recently emerged as a key theme. Although several accounting studies recently adopted a globalisation perspective, they rarely define globalisation (Hopper et al., 2017). The definition depends on the writer's perspective (i.e., political, economic, cultural, or otherwise). Hopper et al. (2017) offer the following definition:

> "Globalisation, broadly, as in economic geography, where it is associated with the growing mobility of goods, services, commodities, information, people and communications across national frontiers. It is most pronounced in banking and finance where information technology, global stock markets, futures, debt, derivatives, and interest rate swaps have accelerated the mobility of factors of production" (Hopper et al., 2017, p. 127).

The rapid advances in technology have facilitated globalisation, where the communication between nations, corporations and individuals has become increasingly easy (Volcker, 2000).

The integration of different markets within different counties, therefore, has become possible. Globalisation's advocates argue that such integration will create a competitive global environment, resulting in faster economic growth, which would notably increase the income of the 'developing' nations (cited in Hopper et al., 2017). On the other hand, globalisation's critics argue that such integration or the idea of 'one global economy' is simply an extension of the old-style imperialism. That is, globalisation facilitates the spread and imposition of an Anglo-American economic system on other nations (Gallhofer et al., 2011; Kamla, 2007, 2009; Kamla and Haque 2019).

It is this system that Ali (2010) calls evangelical capitalism, which is a mixture of mercantilism, Straussianism, and religious idealism. The abatement of the Cold War resulted in a unipolar world, with the USA being the most powerful country, which facilitated the emergence of evangelical capitalism. Such a system, Ali (2010) argues, is fiercely advocated to other nations, regardless of their cultural and economic conditions. This is because a unipolar world allows the most powerful country in the world to develop a hegemonic attitude that allows it to promote, advocate and impose certain policies on other nations. Evangelical capitalism promotes the uncompromising position that it is "the Saviour of humanity and that salvation is possible only through the selfish pursuit of goals" (p. 150). Thus, other nations, especially non-Western ones, are advised (or sometimes forced) to accept 'the system' and connect with the global economy, regardless of their cultural orientation and socio-economic condition.

An effective mechanism for ensuring the compliance of less-developed nations with this system is aid, provided in the form of loans to nations that are willing to adopt the corresponding reforms (Ali, 2010). Those loans are often offered by (or through) international organisations, such as the World Bank (WB). After WWII, the victorious nations endeavoured to manage and control the global economy (Hoogvelt,1997, cited in Kamla, 2007). Therefore, international institutions, such as the WB and the International Monetary Fund (IMF) were established, under the leadership of the USA, to accomplish this mission. The aid and development programs offered by the WB come at a price, which is the willingness of the 'developing' countries to undertake major reforms of their economic, political, or social spheres. It might be argued that these international organisations play an important role in persuading the 'developing' nations to adopt Western-driven, Anglo-American economic policies (cited in Held and McGrew, 2002b). That is, the indigenous elements of the economic, political or social systems of a country are considered "dysfunctional" and obstacles to development (*ibid*). Further, the 'developing' nations around the globe are encouraged to open up their markets to foreign capital, which might serve to weaken their economic sovereignty (Kamla, 2007).

In a case study of the Bangladesh Soap Company's privatisation journey, Uddin and Hopper (2001) show that such an economic transformation in less developed nations, which is encouraged (or sometimes forced) by those international institutions, can result in negative outcomes. Instead of becoming a vehicle for external accountability and transparency, Uddin and Hopper (2001) argue that the financial accounting system has degenerated into a private book-keeping system. They review several accounting aspects to show the actual changes that occurred in the company, which were in contrast to what WB and IMF envisioned. Uddin and Hopper (2001) conclude that the imposition of market-based policies on Bangladesh, without considering its own unique context, facilitated "crony capitalism rather than market capitalism" (p. 669). That is, the majority shareholders could run the company relatively unfettered, ignoring the statutory rules on auditing, annual reports, accountability to the shareholders, and taxation.

The international organisations (i.e., the WB, IMF and World Trade Organisation (WTO), which was established in 1995) have become key players in governing the global environment (i.e., global governance) (Held and McGrew, 2002a, 2002b). Several authors argue that globalisation is partly a product of these international organisations and their policies (Hopper et al., 2017). Despite the blurred demarcation between the functions of these international institutions (i.e., the WB: supporting development; the IMF: boosting financial stability; and the WTO: promoting international trade), they are dominated and driven by the powerful nations (Chang, 2007, cited in Hopper et al., 2017). Held and McGrew (2002b) explain the relationship between global governance (maintained by those international institutions) and imperialism as follows:

> "international governance, in key respects, is the contemporary equivalent of old-style imperialism in so far as it represents a distinctive political mechanism which entrenches a system of global domination of the weak by the strong" (p. 142).

Therefore, some argue that this global governance is nothing more than a US hegemony and Western imperialism (see Steans, 2002), in which a strictly one-way dialogue, that carries an overtone of imperialism, is established between powerful countries and other countries (Woods, 2002). Through globalisation, narrow Anglo-American capitalist goals are imposed on less-developed nations, regardless of these other nations' specific characteristics (Gallhofer et al., 2011). It is argued that multi-national corporations (MNCs) also contribute towards sustaining neo-imperialism (Boussebaa, 2015). Critics argue that international organisations, such as the WB, IMF, and WTO, primarily benefit big business, especially

MNCs (Woods, 2002), by persuading less-developed countries to relax their regulations and allow MNCs to enter their markets (Kamla, 2007). It is worth noting that the headquarters of the majority of the MNCs are based in former colonialist nations, such as the UK, France, and Germany, as well as the USA. In the meantime, these MNCs control an increasing number of subsidiaries in less-developed nations (i.e., the former colonies). The relationship between those nations, therefore, continues as former colonies provide their old colonisers with markets, labour, and materials (Boussebaa, 2015).

Nevertheless, it should be noted that these Western Anglo-American models are not merely imposed by external powers. In other words, locals can contribute to neo-imperialism and their own subjection (Annisette, 2000; Boussebaa, 2015), as there is a class among the neo-colonised nations (i.e., compradors) who function to sustain the core-periphery relationships. This class comprises "collections of people of different kinds at different levels who were drawn into collaboration as a result of the creation of European [Anglo-American] institutions within their societies" (Robinson, 1972, cited in Annisette, 2000) and functions in a manner that facilitates the implementation of 'Anglo-American ways'. In the accounting profession, for example, this class is represented by local professionals, who are educated and trained in accordance with the Anglo-American accounting perspective, which leads to the imposition of Anglo-American accounting practices within a non-Western context.

This class is not necessarily limited to those who possess a direct interest in sustaining imperialism. Sadiki (2003) explains that the Arab perception of the West was constructed in the 18th and 19th centuries through Orientalism and its related institutions (cited in Gallhofer et al., 2011). As discussed earlier, this biased discourse was built upon a binary perspective that divides the superior West from the inferior East (Said, 1978). This perception might result in Arabs importing and accepting ‘Western ways’ without critically evaluating them to assess whether or not they suit a non-Western context. Therefore, this perception and attitude can sustain neo-imperialism through the importing of Anglo-American practices due to their perceived superiority. Arabs, and non-Westerners in general, should “critically challenge Western practices and recognise, even while problematising, their own’s value” (Gallhofer et al., 2011, p. 378).

3.3.1. Accounting and neo-imperialism

As discussed earlier, globalisation has facilitated the integration of different markets into a single global economy. From an accounting perspective, the formation of the International Accounting Standards Board (IASB) and wide adoption of the International Financial Reporting Standards (IFRS) by many non-Western nations exemplify this phenomenon. International organisations, such as the WB, IMF and WTO, have been promoting the adoption of the IASs among less-developed nations (Annisette, 2004; Gallhofer and Halsam, 2006). Many non-Western nations have adopted the IASs for several reasons. Chand and White (2007) explain that such adoption might be “to reduce the cost of information and to facilitate capital flows particularly for multinational enterprises, with multiple stock exchange listings” (p. 607). Joshi and Ramadhan (2002) recommend that less-developed counties adopt the international standards in order to harmonise with the Western economy. In addition, Poudel et al. (2014) argue that Nepal’s decision to adopt the IFRS was influenced by the international organizations which provide foreign aid.

Many Arab countries have recently adopted the IASs, including Saudi Arabia[16]. Kamla (2007) reviewed Egypt's journey to adopting the international standards. She suggests that the policy of opening up the markets and the influence of certain programs promoted by the IMF and WB drove Egypt to adopt the IASs. Other Arab countries felt encouraged to follow suit, due to Egypt's influence in the region, particularly after the Arab Society of Certified Accountants (ASCA) publicly endorsed the use of international accounting standards (Kamla, 2007). Similarly, Jordan adopted the IASs following the implementation of the privatisation program approved by the IMF (*ibid*).

Although it is claimed that the IASs aim to create global financial harmonisation and convergence, a single accounting regulatory framework, which the IASB assumes will be appropriate for all countries, cannot meet the varying financial reporting needs of different societies. Chand and White (2007) argue that the notion of 'international convergence', as promoted by the IASB, supports the interests of multinational corporations and accounting firms. Additionally, in the process of convergence, private interests are promoted while the public interest is usually ignored (p. 608). Chand and White (2007) conclude that:

> "These organizations [accounting firms] and the accounting standards they employ serve to create and sustain … asymmetries and imbalances within and between countries. IFRSs, therefore, are implicated in the creation of and in sustaining these power imbalances and uneven distribution of wealth" (p. 617).

[16] Saudi Arabia was late in adopting IASs. This journey will be investigated in the context chapter.

Further, the imposition of the Anglo-American accounting-style globally might stunt the emergence of different accounting practices in non-Western contexts. That is, different cultures might produce different accounting practices that are most appropriate for them (Lehman, 2005). Further, the shareholder-orientation of the IASs might hinder the promotion of other, indigenous accounting practices, that might promote justice and lead to a more equal wealth distribution (Gallhofer et al., 2011). Nevertheless, the Anglo-American approach is imposed on less-developed nations, regardless of their culture (Rahman, 2005, cited in Gallhofer et al., 2011). Further, the promotion of IASs by the WB, IMF and MNCs raises questions about the imperial role that these organisations play (see Annisette, 2004).

Further, the standard-setting organisations, such as IASB, emanate almost without exception from ‘core’ rather than ‘periphery’ nations (Woods, 2002). That is, powerful nations still, if not directly through their governments, legislate for periphery industries, such as the accounting profession. Kamla (2007) argues that these ‘accounting principles’ were originally developed in the West to deliver capitalistic objectives. Thus, the adoption of those standards in a non-Western context requires considerable adjustments. In other words, certain local needs might remain unfulfilled while employing those international standards. For example. Sharairi (2020) discusses the adoption of IFRS by the UAE’s Islamic banks and suggests that local users might be prevented from achieving their objectives that are consistent with Sharia. He explains that the adoption of IFRS does not provide valid methods for dealing with specific Islamic particularities, such as *Zakah*, *Musharkah* and *Mudharaba* (Sharairi, 2020). This point is further echoed by Dr. Mohammed Alosaimi, a Saudi specialist in the Islamic economy, who argues that the adoption of IFRS in Saudi Arabia has changed corporations’ disclosure in such a way as to make it potentially impossible to obtain certain important Sharia information (Alosaimi, 2020). This is especially the case with disclosures regarding the nature of businesses, as IFRS stop short of specifying certain important aspects in relation to Sharia (*ibid*).

Kamla (2007) further explains that the Western accounting system is built on the assumption that the majority of economic activities are carried out by private companies, which are financed by private shareholders and listed on the stock market (Kamla, 2007). However, she argues that this is not the case in the majority of the Arab countries in the Middle East, where most of the economic activity is carried out by the public sector, and so different views about measurement and reporting may be required (Kamla, 2007).

Another theme within the field of accounting and neo-imperialism is related to professional service firms, such as the Big Four. Boussebaa (2015) argues that the globalisation of the Big Four is inherently related to Western imperialism in three aspects; namely, (1) these firms were established with the support of physical colonialism; (2) they reproduce core-periphery global relations; and (3) they promote a universalism that is Anglo-American in nature. The Big Four is closely associated with the Western accounting profession, which went hand in hand with European colonisation. In other words, accountants and their firms followed imperialism in almost every colonised nation (*ibid*), which reproduced Western accounting practices in non-Western contexts and prevented the emergence of indigenous accounting practices (Annisette, 2000). Further, while the Big Four portray themselves as stateless and detached from the Western powers, they are still strongly anchored in the USA and UK, as their top management is based in the US and, to a lesser extent, the UK (Boussebaa, 2015). Therefore, strategic decisions are often made and influenced by the US and UK offices rather than the periphery offices. In addition, the Big

Four played a role in internationalising the Anglo-American accounting practices at the professional level, since they exert a significant influence on IASB (Boussebaa, 2015), which has hindered the potential emergence of indigenous accounting practices (Annisette, 2000).

3.4. Islamic banking and imperialism

3.4.1. The emergence of Islamic banking and colonialism

The emergence of banking (both conventional and Islamic) in the Muslim world has not been immune to a notable colonial influence, similar to other political, economic and social areas. During the colonisation of the Muslim world, conventional Western banks were established in the region (Alhussein, 1991). For a long time, conventional banks operated in the region as the only banking choice due to the non-existence of an Islamic banking model. Sheikh Saleh Alhussein[17] calls this period an era of dilemma, as it represents one of the toughest intellectual conflicts that faced Sharia scholars. Muslims were forced either to commit *Riba* to finance their needs or be disadvantaged by declining such finance, and those already engaged with conventional banks for depositing reasons found it difficult to accept returns on their deposits because this would also entail them committing *Riba*. Further, they were unable simply to waive such returns to banks that represent the colonisers. Such a conflict, Alhussein, (1991) argues, led several Muslim intellectuals to legitimise certain forms of *Riba* from the Sharia perspective on the grounds of necessity, believing that there is no

[17] Sheikh Saleh Alhussien was a member of the Council of Senior Scholars in Saudi Arabia and president of the two holy mosques. He was a prominent Saudi intellectual who wrote extensively on Islamic banking and finance, although rarely cited in the literature. This might be because his writings are in Arabic.

alternative financial system to the Western capitalist one, of which interest is a key component (Alhussein, 1991). Consequently, this step towards legitimising bank interest affected the emergence of banking in the Muslim world.

When the colonisation of the Muslim world was nearing its end, the idea of an Islamic economy, represented by Islamic banks, emerged (Warde, 2000). It is argued that the first ‘Islamic banks’ to operate were the Farmers’ Credit Union, which was established in Pakistan in the 1950s (Maali and Napier, 2010), together with the Lembaga Tabung Haji and Mit Ghamr, which were established in 1963 in Malaysia and Egypt, respectively (Haniffa and Hudaib, 2010). The factor that unites all of these banks is that they were not commercial in nature (Haniffa and Hudaib, 2010; Maali and Napier, 2010). In other words, they were social banks, serving farmers and local citizens, and profit was not the main driver of their operations. It is striking that these banks have never explicitly classified themselves as Islamic. However, their financial conduct is in harmony with the Islamic philosophy of finance because they relied on PLS, which is rarely implemented by IBs today. However, such a model of banking has vanished quickly, as the political, social, and economic conditions of the area were in constant flux.

The establishment of Dubai Islamic Bank (DIB) in 1975 has dramatically shaped the nature of today’s Islamic banking, because all of the IBs which were established thereafter have adopted DIB’s successful business model (i.e., its institutional structure). DIB is argued to be the first IB to incorporate profit as a main driver of its operations, which make it the first ‘commercial’ Islamic bank (Wilson, 2013). This is an important aspect of the emergence of Islamic banking, where IBs have become a potentially profitable venture. During an interview, DIB’s founder argued that the establishment of conventional banks in the Muslim world was disturbing many Muslims (Almajd Channel, 2015), so he endeavoured to solve this problem due to his long experience in trade. He argued that his view was that there must be a way within the Sharia boundaries to satisfy the financial needs of Muslims without requiring them to commit *Riba*, and that "Islam has many solutions" (*ibid*). The success of DIB led to a series of establishment in most of Dubai's neighbouring countries (Chachi, 2005).

The successful establishment of IBs "attracted a new creed of Muslim capitalist and financers who sensed major new opportunities" (Kamla and Haque, 2019, p. 6). It is this group that Haniffa and Hudaib (2010) call the Muslim *bourgeoisie*. Further, the Islamic banking movement was also driven by bankers with experience of conventional banking and only a slight understanding of Sharia (Haniffa and Hudaib, 2010). To overcome this problem and ensure the prevalence of the *bourgeois'* banking ideas, those two groups showed they were able to establish relationships with certain Sharia scholars who were willing to endorse such ideas (Kahf, 2004). Through their argumentation, they were able to expand Sharia's boundaries in regard to banking and finance (Haniffa and Hudaib, 2010).

This movement was warmly welcomed by Muslim societies, as a result of which many new IBs attracted large deposits from Muslims who were seeking to avoid committing *Riba*. Alhusein (2004) argues that IBs lacked suitable products for such huge deposits. Therefore, IBs' management and their respective SSBs created practical (i.e., Western-driven) solutions to this problem. The solution, which was to create debt-based products, was extracted from conventional banking but modified by the SSBs to make these Islamic in nature. This solution was thought to be temporary because such products might violate the Islamic philosophy of finance, but went on to become the model according to which IBs function

(Alhusein, 2004). Kamla and Haque (2019) argue that this alliance was key to creating the current Islamic banking sector; that is, Sharia scholars have become the "buffer between Western-style bankers and their Muslim constituents, providing the image and vocabulary to support such an image" (p. 7).

The establishment of IBs can, therefore, be seen as a reaction to the Western banking system that existed and still exists in the region. The founder of the first IB believed that Sharia was sufficiently broad to extract certain banking models that could actually work in relation to the economic conditions at that time. In the early years of DIB, it focused on providing finance through *Murabaha*[18]. Despite criticism of the nature of *Murabaha* and its similarity to the debt-based products provided by conventional banks, they "took off" in the region as more IBs were established (Wilson, 2013, p. 11). It could be argued that Islamic banking was crafted to perform like conventional banking without committing *Riba*. Therefore, it is fair to argue that the emergence of IBs was greatly influenced by Western colonialism and the existence of their financial arms, the conventional banks. IBs were established in a manner that was very similar to conventional banks, and so failed to go beyond what conventional banks can offer (Alhussein, 2004).

3.4.2. The emergence of IBs from a legislative perspective

[18] *Murabaha* is a "cost plus" financial transaction, in which the 'capital provider' purchases a product from the market and re-sells it to a customer at a pre-determined profit or a mark-up (Pollard and Samers, 2007).

The emergence of the new Islamic banking sector created a need for corresponding legislation. Various Muslim countries have chosen different paths in respect to legislating the Islamic banking sector. Many Muslim nations failed to introduce new acts for the new Islamic banking sector, and it is worth noting that most Muslim nations at that time had recently gained their independence from the colonial power; that is, the political, social and economic conditions were highly influenced by colonial legislation, and most of the newly-independent Muslim nations adopted British or French laws to regulate their economy (see Kamla, 2007).

Several Muslim countries, nevertheless, took unique steps to legislate the new Islamic banking sector. The Jordanian government assigned a committee, consisting of Sharia scholars and the founder of the first Jordanian IB[19], to produce an Islamic Banking Act (see Maali and Napier, 2010). The founder and Sharia scholars substantively disagreed on how the sector should be regulated, however, especially in regard to customers' deposit assurance[20]. Although the founder compromised, the regulations were later relaxed in favour of the founder's view when the Act was approved by the Prime Minister's office. Maali and Napier (2010) argue that the founder's philosophy in designing the Islamic banking legislation was to design an Act that allowed IBs both to compete with the Western conventional banks, which already existed in the region, and also to meet the Islamic requirements.

[19] Sami Hamoud founded the first Islamic bank in Jordan. He acquired long experience of working in conventional banks before establishing the Jordan Islamic bank (JIB).
[20] This might be due to Sami Hamoud's conventional bank background. He knew that the new IB would struggle to attract customers unless the bank guaranteed their deposits. However, the Sharia scholars argued that such assurance conflicted with Sharia principles (Maali and Napier, 2010), since it displaced risk-taking, which is fundamental, according to those Sharia scholars.

Other Muslim countries chose different paths. Kuwait, for example, emended their banking regulatory framework to reflect certain Islamic banking aspects, such as the SSB (Wilson, 2013). On the other hand, some Muslims countries neither introduced nor amended the regulatory framework, such as Saudi Arabia[21]. For Nouman et al. (2018), a sound regulatory framework (i.e., a judiciary system, property rights, and accounting and auditing standards) is key to a successful Islamic banking sector, that can rely on authentic financial products such as PLS. However, most of the IBs in the region were established within an economic environment that was influenced by European colonisation. This legislative framework seems to have influenced the emergence of IBs. Even those countries which introduced specific Acts designed to regulate the Islamic banking sector had to relax the purely Islamic guidelines to allow IBs to compete with CBs.

3.5. Conclusion

This chapter presented the postcolonial lens through which this study is conducted. It was highlighted that 'Orientalism', which was developed by Said (1979), is the theoretical lens employed for this study. Orientalism concerns exploring the historically imbalanced relationship between the 'Orient' and Western colonisation (Frenkel and Shenhav, 2006; Gandhi, 1998;). Said (1978) cites Michel Foucault's discourse thesis to explain the prevalence of such a prejudiced orientalism discourse. The chapter then moved on to highlight the relationship between imperialism and accounting. Further, it was argued that,

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[21] The banking regulatory framework of Saudi Arabia will be discussed in detail in the context chapter.

while decolonisation might have been achieved, imperialism persisted in different forms. Said (1993) argues that several countries remain ideologically, morally and intellectually driven by colonisers, despite having freed themselves from the physical conquest of colonialism. The chapter then moved on to highlight globalisation and its neo-imperialist nature. It was argued that globalisation facilitates the spread and imposition of an Anglo-American economic system in and on other countries (Gallhofer et al., 2011; Kamla, 2007, 2009; Kamla and Haque 2019). The chapter finally concluded with a discussion of the emergence of Islamic banking in light of the European colonisation. It was argued that the emergence of Islamic banking has not been immune to a notable colonial influence.

4. Chapter Four: Methodology

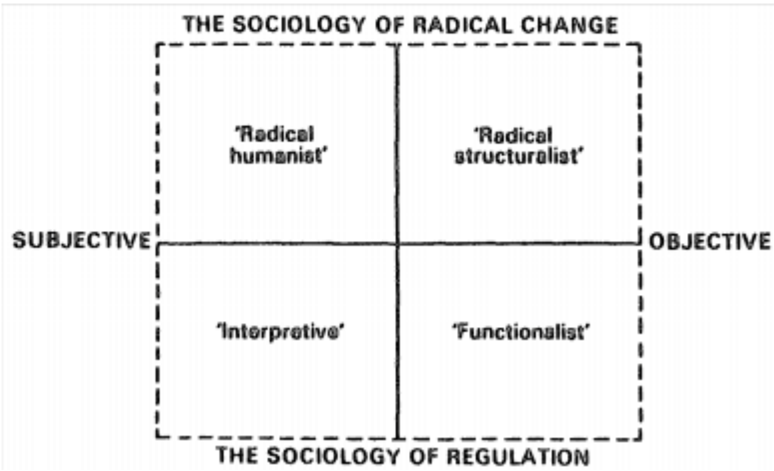
4.1. Introduction

This chapter provides an overview of the research methodology of the study and its underpinning philosophy. All research, whether it is implicitly or explicitly stated, is informed by the underpinning philosophy of the method (Gallhofer et al., 2013). Laughlin (1995) argues that reflecting on those philosophical underpinnings might result in improved, more rigorous research. Therefore, this chapter provides an overview of the philosophical and methodological choices made for this research. This research can be classified as critical qualitative research (Merriam, 2015). It employs two qualitative methods, which are a qualitative content analysis and semi-structured interviews. Qualitative research seeks to understand "the meaning people have constructed, that is, how people make sense of their world and the experiences they have in the world" (Merriam, 2015, p. 13). Critical qualitative research differs from other types of research as it seeks to critique the status quo and, therefore, change aspects of society (Merriam, 2015). This chapter is structured as follows: an overview of the philosophical and methodological traditions within the fields of social science and accounting; the research paradigm adopted by this study; the research evolution and some detours; the actual methods employed by the research and related procedures; and the conclusion.

4.2. Overview of the Methodology within the Fields of Social Science and Accounting

The classification of Burrell and Morgan (1979) appears to have influenced the research methodology employed within the field of social science, including notably in accounting and more general management research. Burrell and Morgan (1979) argue that, from a methodological perspective, organisational research can be categorised into four paradigms: namely, radical humanist, radical structuralist, interpretive, and functionalist. One's paradigm is decided based on one's positioning in relation to two dimensions that are seen as delineating different research approaches (see figure 4.1). In terms of the nature of social science, one can have a subjectivist or objectivist perspective, based on four relevant assumptions: ontology, epistemology, human nature, and methodology (Burrell and Morgan, 1979). On the other hand, one can have a perspective of regulation or radical change regarding the nature of society. The interplay between these positions (i.e., the subjectivist and objectivist - regulation and radical change) determines one's paradigm (Burrell and Morgan, 1979). The following subsections discuss these assumptions in more detail.

Figure 4.1: Four paradigms for the analysis of social theory



Source: Burrell and Morgan (1979, p.22)

4.2.1. Ontology

Ontology is concerned with the nature of being or existence (Gray, 2004). The key question that ontology investigates is whether social entities have a reality that is external to the human mind (Bryman and Bell, 2015). In other words, ontology is concerned with whether such a reality is constructed by social actors and a product of their perceptions, or whether it can exist without humans' perceptions. Under the objectivist approach, a realist ontology is assumed, in which reality exists independently and human mind's role is simply to discover it (Burrell and Morgan, 1979). In other words, social phenomena exist as external facts that lie beyond the research or influence of the human mind (Bryman and Bell, 2015). On the other hand, the subjectivist approach assumes a nominalist ontology, in which reality is structured by the artificial creation of "names, concepts, and labels which are used to" describe, understand and negotiate the external world (Burrell and Morgan, 1979, p. 4). In other words, social phenomena are the product of the human mind and in a continual state of revision (Bryman and Bell, 2015, p. 33).

4.2.2. Epistemology

While ontology is concerned with understanding "what is", epistemology is concerned with understanding what it means to know (Gray, 2004, p. 16). Epistemology seeks to address what constitutes acceptable knowledge in a particular discipline (Saunders et al., 2009; Bryman and Bell, 2015). Based on Burrell and Morgan's (1979) classification, epistemology can be positivist or anti-positivist. A positivist epistemology is associated with the objectivist approach, in which researchers seek to explain social phenomena by adopting natural science methods and searching for regularities and causal relationships (Burrell and Morgan, 1979, p. 5). Researchers who adopt a positivist epistemology "prefer working with an observable social reality…[in which]**…**the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists" (Saunders et al., 2009, p. 113). On the other hand, the subjectivist approach assumes an anti-positivist epistemology, in which a perspective beyond seeing underlying regularities is adopted (Burrell and Morgan, 1979, p. 5). Researchers who adopt an anti-positivist epistemology argue that understanding the social world can be enhanced by exploring the perspective of those who are directly involved in the phenomenon because the social world is relativistic (*ibid*).

4.2.3. Human Nature and Methodology

The third assumption regarding social science is concerned with human nature and the environment. Burrell and Morgan (1979) provide two views regarding human nature: determinism and voluntarism. Determinism assumes that humans and their activities are a product of the environment in which they live. Determinism is associated with the objectivist approach. On the other hand, voluntarism assumes that humans possess free-will and autonomy (Burrell and Morgan, 1979, p. 6). Volunteerism is associated with the subjectivist approach.

The fourth assumption about the nature of social science is concerned with methodology. The objectivist approach assumes a nomothetic methodology, in which a systematic protocol and techniques are pursued. Researchers who adopt a nomothetic methodology wish to test hypotheses and search for casual relationships. On the other hand, the subjectivist approach assumes an ideographic methodology, in which social phenomena are substantively understood through obtaining first-hand knowledge about them. In other words, the ideographic methodology places great emphasis on “getting close to one’s subject and exploring its detailed background and life history” (Burrell and Morgan, 1979, p. 6).

4.2.4. Regulation and Radical Change

The other dimension is related to the nature of society. Burrell and Morgan (1979) suggest two opposing approaches in this regard: the sociology of regulation and the sociology of radical change. The sociology of regulation stresses unity, stability, integration, and consensus. Researchers who adopt the sociology of regulation seek to explore actualities. Further, the sociology of regulation does not challenge the status quo but seeks to explain why society holds together. The sociology of change, on the other hand, stresses conflict, domination, and coercion. Researchers who adopt the sociology of radical change seek to explore potentiality rather than actuality. More details regarding the two dimensions are presented in table 4.1.

Table 4.1 The regulation – radical change dimension

The sociology of *Regulation* is concerned with:	The Sociology of *Radical Change* is concerned with:
(a) The status quo	(a) Radical change
(b) Social order	(b) Structural conflict
(c) Consensus	(c) Modes for domination
(d) Social integration and cohesion	(d) Contradiction
(e) Solidarity	(e) Emancipation
(f) Need satisfaction	(f) Deprivation
(g) Actuality	(g) Potentiality

Source: Burrell and Morgan (1979, p. 18)

4.2.5. The Four Paradigms

Based on those two opposing views (objectivism and subjectivism – regulation and radical change), the four paradigms can be determined. The interpretive and functionalist paradigms both assume that society is stable and regulated, in which the status quo is maintained (Burrell and Morgan, 1979). Nevertheless, those two paradigms differ significantly from each other in terms of their view on the nature of social science. The functionalist paradigm relies on an objectivist approach, in which a realist ontology, positivist epistemology, determinism, and a nomothetic methodology are assumed. In other words, the functionalist paradigm assumes that social phenomena exist independently of the human mind, so understanding such phenomena requires observations similar to the natural science methods. On the other hand, the interpretive paradigm relies on a subjectivist approach with a nominalist ontology, anti-positivist epistemology, voluntarism, and an ideographic methodology. The interpretive paradigm, therefore, assumes that social phenomena are the product of human consciousness and, therefore, can be understood by directly interacting with those individuals. Both paradigms, nevertheless, adopt a sociology of regulation rather than a sociology of radical change.

The radical structuralist and radical humanist paradigm both adopt a sociology of radical change, although their assumptions regarding the nature of social science differ (Burrell and Morgan, 1979). The radical structuralist, similar to the functionalist, assumes an objectivist view, in which a realist ontology, positivist epistemology, determinism and a nomothetic methodology are adopted. On the other hand, the radical humanist adopts a subjectivist view, similar to the interpretive paradigm, in which a nominalist ontology, anti-positivist epistemology, voluntarism and an ideographic methodology are assumed. Nevertheless, the radical humanist paradigm adopts a sociology of radical change, in which the status quo is challenged. Those four paradigms are mutually exclusive, whereby research can be located within only one paradigm at a time (Burrell and Morgan, 1979).

4.2.6. Beyond Burrell and Morgan's (1979) Classification

In the accounting discipline, Burrell and Morgan's (1979) classification has been criticised. Chua (1986) maintains that such a classification is problematic. The strict dichotomy treatment of relevant assumptions "fails to locate philosophical attempts to overcome such unsatisfactory dichotomies" (p. 626). Further, the differences between the radical structuralist and humanist seem dubious (Chua, 1986; Hopper and Powell, 1985). The separation of the two paradigms "does not adequately place work that seeks to integrate the structuralist and idealist facets of Marx's writings" (Chua, 1986, p. 627). As a result, Chua (1986) proposes three methodological schools of thought, based on assumptions regarding: (1) knowledge, (2) the empirical phenomenon under study, and (3) the relationship between theory and practice. Knowledge related to the epistemological and methodological choices made by the researcher. The second dimension of Chua (1986) consists of assumptions about ontology, human intention rationality, and social order and conflict. Finally, the third dimension is concerned with questions about the purpose of knowledge in the world. The key to Chua's (1986) classification is that approaches with their assumptions are not proposed in terms of a mutually-exclusive dichotomy in order "to encompass attempts to relate opposite ends of a spectrum of positions" (p. 605).

Hopper and Powell (1985) provided a classification for accounting research that combines the two radical paradigms of Burrell and Morgan (1979) into one. Hopper and Powell (1985), therefore, classify accounting research into three main categories: the functionalist, interpretive and radical paradigms (p. 432) The functionalist paradigm adopts an objectivist approach to social science and a regulated view of society. This paradigm represents the mainstream accounting research and is divided into objectivism, social system theory, and pluralism (Hopper and Powell, 1985). Such a paradigm seeks to understand accounting phenomena through observation, using natural science methods, the findings of which are mostly generalisable. The interpretive paradigm, on the other hand, adopts a subjectivist approach to social science and a regulated view of society. The interpretive paradigm focuses on meaning and individuals' perceptions of reality (i.e., accounting phenomena). Accounting phenomena are treated as the product of human consciousness and, therefore, should be understood from human perspectives. Therefore, different methods are employed, such as participant observation and in-depth interviews. Theory, under the interpretive paradigm, is utilised to provide explanations and is closely linked to the findings, based on which it can be accordingly developed. Although the interpretive paradigm questions the ontological and epistemological position of the functionalist paradigm, it does not attempt to challenge the status quo.

The critical paradigm extends the functionalist and interpretive paradigms by critiquing the status quo. That is, the radical paradigm adopts sociology of change and seeks to bring about reform in society. The radical paradigm views:

> "…society as being composed of contradictory elements and pervaded by systems of power that lead to inequalities and alienation in all aspects of life; they [critical researchers] are concerned with developing an understanding of the social and economic world that also forms a critique of the status quo" (Hopper and Powell, 1985, p. 450).

The radical paradigm assumes that every aspect of a society reflects and shapes the nature of that society (*ibid*). Accounting phenomena are intertwined with their wider social, economic, and political environment. Therefore, accounting phenomena cannot be isolated and studied independently. The critical paradigm of Hopper and Powell (1985) is equivalent to the radical structuralist and radical humanist paradigms of Burrell and Morgan (1979). Nevertheless, Hopper and Powell (1985) argue that the strict dichotomy treatment of the radical paradigm can be problematic, since:

> "…the mutually exclusive division of radical theories by Burrell and Morgan carries the danger that concerns of radical structural analysis are seen as incompatible or irreconcilable with those stressing consciousness, rather than seeing both as dialectical aspects of the same reality" (p. 451).

Laughlin (1995) is another influential paper in this field. Laughlin (1995) endeavours to promote a research approach underpinned by German critical theory, which can be rigorous and meaningful and also engender radical change (Gallhofer et al., 2013). Laughlin (1995) goes beyond Burrell and Morgan's (1979) two dimensions and provides three broad dimensions regarding accounting research: theory, methodology, and change[22] (Ryan et al., 2002). Research might be classified as lying on a continuum in terms of its degree (i.e., high, medium, or low) on those three dimensions. In other words, a research approach might be highly or lowly objectivist or could pursue a medium position (Gallhofer et al., 2013). For example, positivist research adopts, in terms of Laughlin's, 1995, framing, a high degree of

[22] Laughlin's (1995) theory is concerned with the ontological and epistemological assumptions. The methodology dimension focuses on the role of the observer in the research process and "the level of theoretical formality in defining the nature of the discovery methods" (p. 66). Finally, the change dimension is concerned with adopting a position on whether the status quo is challenged or maintained.

the theory and methodology dimensions as well as a low degree of change. This means that positivist research pursues: (1) a high level of prior theorising, where a material world is assumed, (2) a high level of methodological commitment, where the researcher is seen as independent and irrelevant, and (3) low level of attempting to change the *status quo*. Through this approach, Laughlin (1995) introduces a methodological school of thought, which he calls middle-range thinking. This school of thought recognises a material reality while maintaining that perspective bias influences understanding. Laughlin (1995) argues that middle-range thinking:

> "…recogni[s]es a material reality distinct from our interpretations while at the same time does not dismiss the inevitable perceptive bias in models of understanding. It also recognizes that generalizations about reality are possible, even though not guaranteed to exist, yet maintains that these will always be skeletal requiring empirical detail to make them meaningful" (p. 81).

Middle-range thinking adopts a medium approach to the three dimensions. Laughlin (1995) maintains that empirical data are vital for the process of fleshing out the skeletal theory. Further, the medium approach to methodology suggests that it is skeletal, in which the rules are specified but in a way that allows flexibility within the observation process. Finally, the medium approach to the change dimension suggests that change is important in certain circumstances, while remaining open to maintaining the status quo in certain circumstances.

4.3. Philosophical Underpinnings of this Research

After reviewing several of the major arguments in the field of accounting methodology, the following sections will describe the philosophical and methodological choices made by this research. First, it is important to state the research philosophy explicitly because such a task is argued to improve the research rigour (Laughlin, 1995). Bryman and Bell (2015) define a research paradigm as:

> "a cluster of beliefs and dictates which for scientists in a particular discipline influence what should be studied, how research should be done, [and] how results should be interpreted" (p. 35).

This research, as discussed earlier, aims to explore the CSR practices of Saudi IBs from a postcolonial perspective. This research adopts a subjectivist approach to ontology and epistemology. That is, CSR is assumed to be a socially-constructed phenomenon that is a product of relevant individuals' consciousness (Bryman and Bell, 2015; Saunders et al., 2009). In other words, the CSR practices of Saudi IBs do not have an external reality that is independent of the human mind. A subjectivist approach to ontology assumes that reality "is gained only through social constructions such as language, consciousness, shared meanings, documents, tools, and other artifacts" (Andrade, 2009, p. 43). The researcher's role becomes the vehicle through which this reality is achieved (*ibid*). This research, therefore, rejects the objectivist approach to ontology, partly because the researcher's values cannot be completely eradicated from the research, as they can appear at many stages of the research process, from formulating the research question to writing the conclusion (Bryman and Bell, 2015).

Similarly, this research adopts a subjectivist approach to epistemology. That is, the CSR practices of Saudi IBs are far too complex to be considered definite laws that can be verified through scientific methods and searching for regularities (Saunders et al., 2009). Rather, CSR is a social phenomenon that requires a different logic (Bryman and Bell, 2015). Therefore, CSR can be recognised by interacting with those individuals who are directly involved with it and understanding their perceptions. As will be illustrated later in this chapter, this research utilises methods that are consistent with the subjectivist approach to epistemology. The subjectivist nature of the ontology and epistemology adopted by this research led to the adoption of a methodology that is ideographic in nature (Burrell and Morgan, 1979). That is, the CSR practices of Saudi IBs are understood by studying them in their natural setting and obtaining first-hand knowledge about the phenomena. Therefore, this research rejects the adequacy here of a quantitative, measurement-oriented, strictly governed methodology because it is unable to deliver the research aim which revolves around perceptions and humans' interpretations. Further, such a rigid methodology tends to ignore the role of imperialism and globalisation in the construction of knowledge (Schneider and Kayseas, 2018).

Equally importantly, this research adopts a critical perspective for studying the CSR practices of Saudi IBs. Unlike interpretive qualitative research, which seeks to understand phenomena, critical qualitative research seeks to critique, challenge, change, and empower (Merriam, 2015). Critical qualitative research revolves around investigating the power within society (*ibid*). Accounting is a practice with social and political implications (Gallhofer and Haslam, 2003). This critical perspective extends the conventional understanding that accounting is a technical practice of recording and reporting facts that need to be recorded and reported (Gallhofer and Haslam, 2003). It is important to adopt a critical approach, as this allows the researcher to assess the power relations within the context. Further, this research adopts a postcolonial perspective, which signifies a stance against colonialism (Gandhi, 1998). The colonial experience has affected accounting as well as other aspects of society in the Middle East (Kamla, 2007; Gallhofer et al., 2011). Colonialism, as discussed in the theory chapter, is "the historical process whereby the West attempts systematically to cancel or negate the cultural differences and value of the non-West" (Gandhi, 1998, p.16). This perspective will help the researcher to challenge the Western assumptions about accounting and CSR by giving a voice to the indigenous people (Gallhofer et al., 2011). Thus, this research, according to Burrell and Morgan (1979), adopts a sociology of radical change through forming a critique of the status quo.

4.3.1. A Case Study Approach

This research adopts a case-study approach to studying CSR. A case study is a popular research approach, especially in business research (Bryman and Bell, 2015; Saunders et al., 2009), being:

> "an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009. P. 18).

The case study approach enables researchers to focus on a particular phenomenon within its specific context (Ryan et al., 2002). Further, it generates a rich understanding of the phenomenon being studied (Saunders et al., 2009). The phenomenon here is CSR practices and the related reporting of Saudi IBs. This case (i.e., CSR and the related social reporting of Saudi IBs) was chosen for several reasons. The focus of this research is on Islamic CSR and the related reporting, so an Islamic banking sector (or possibly more than one) should be selected. The Saudi Islamic banking sector was chosen specifically because it is characterised by unique factors. Saudi Arabia, as will be discussed in the context chapter, is the birthplace of Islam and has a special relationship with this religion, which is supposedly the source from which Islamic banking originated. Therefore, investigating this phenomenon within the context of Saudi Arabia and incorporating a postcolonial perspective might potentially lead to new insights. This is especially so considering that Saudi Arabia is the only country in the Middle East that has never been formally colonised by European powers (Cooper and Yue, 2008). Further, the Saudi banking sector is a dual one, whereby IBs and CBs operate side by side. The dual-banking system might have some implications for CSR and its reporting, which might be worth exploring.

One of the most important factors when assessing the applicability of the case study approach is whether the researcher is able to delimit the case (Merriam, 2015). That is, the researcher should consider whether the finiteness of the case is feasible and whether there is a limit to the number of potential relevant interviewees. The case study approach adopted by this research is limited to all IBs that were operating in the Saudi banking sector from 2015 to 2019 (this time horizon will be discussed further in the content analysis section). The rationale for choosing only fully-fledged IBs is because Saudi CBs cannot be held accountable for the poor CSR and social reporting that are embodied withing the Islamic traditions because they are simply not Sharia compliant. There are 12 banks in Saudi Arabia, four of which have been 'fully-fledged' IBs since their establishment: Al Rajhi Bank, Bank AlJazira, Bank AlBilad, and Ainma Bank. The other eight banks are conventional banks with Islamic windows, that serve those who desire to conduct their banking in accordance with Sharia law. However, in 2014, the National Commercial Bank (NCB), a conventional bank, pledged to become a fully-fledged Islamic bank within the ensuing five years (Marwa, 2014), which makes it reasonable to include NCB in the sample.

4.4. The Evolution of the Research from a Methodological Viewpoint

Qualitative research, compared with quantitative research, tends to be more flexible (Saunders et al., 2009; Bryman and Bell, 2015), whereby the theoretical and methodological choices can be reconsidered during the course of the research. This research experienced a detour after the primary data collection, which this section intends to highlight. The research initially started with a theoretical basis that was not directly derived from postcolonial theory. Nevertheless, the initial theoretical basis of this research, on the one hand, and postcolonial theory, on the other, appear to be aligned. The research began with Maali et al.'s (2006) conceptualisation of Islamic social reporting.[23] Maali et al.'s (2006) framework rests upon the notion that IBs substantially differ from CBs and, therefore, different social reporting practises should be pursued. Maali et al.'s (2006) framework is built upon the *Tawhhed* concept and its derivatives: accountability, trusteeship and social justice. Therefore, it can be argued that Maali et al.'s (2006) framework advocates that local practices, which suit the IBs' context, should be pursued. On the other hand, the scope of postcolonial theory includes issues regarding replacing local practices with Anglo-American ones (see Gallhofer and Haslam, 2007, Gallhofer et al., 2011; Kamla, 2007, 2009, Kamla and Haque 2019).

As the research evolved, especially after the primary data collection, its theoretical position developed and, therefore, several of the methodological choices were reviewed. Nevertheless, the research's philosophical position remained the same throughout the research process. In other words, the research has not moved from one philosophical paradigm to another; rather, the move was within a paradigm. In details, the first method employed by the research was a quantitative content analysis using Maali et al.'s (2006) research instrument. The quantitative content analysis enquiry took place between late 2018

[23] This aspect was discussed in detail in the literature review chapter in the section headed 'CSR in the Islamic Context'.

and early 2019. The focus of the quantitative content analysis was on understanding the IBs' social reporting. This quantitative content analysis method was conducted in a manner that is consistent with many of the published papers in this field (e.g., Maali et al., 2006; Haniffa and Hudaib 2007; Belal et al., 2015). That is, if an item is present in the IBs' reports, then that item receives a score of one whereas, if an item is missing from the IBs' reports, then that item receives a score of zero. The total social reporting score of the Saudi IBs for every year was calculated by dividing the total number of items disclosed each year by the total number of items that needed to be disclosed. The time horizon for the analysis was nine years (i.e., from 2009, the first financial year of the youngest Saudi IB, to 2017, which was the date of the most recent available report for all of the IBs for that period). The researcher aimed to make the content analysis enquiry as longitudinal as possible in order to enrich the findings.

The quantitative content analysis enquiry was finalised in the early months of 2019 and a new (and partial) content analysis enquiry was conducted. This new content analysis was qualitative in nature, in which the focus was on the narratives and meanings of the disclosures rather than their volume (Beck et al., 2010). This phase of the content analysis aimed to create a better understanding of IBs' social reporting practices and, more importantly, develop a coding frame as a basis for designing a meaningful interview guide. Further, the qualitative content analysis aimed to generate themes that would have been missing had we relied on quantitative content analysis alone. Due to the time limitation, as the field trip was imminent, this qualitative content analysis was only partial in nature. Only half of the reports (23 of the 45) were selected for the process of building a coding frame, yet these represented all IBs across different years. This qualitative content analysis was paused once an initial coding frame, comprising of both data- and theory-driven themes, had been produced. This coding frame was then used to develop the interview guide, which will be discussed later in the chapter.

The first phase of the primary data analysis marked a turning point in this research, in which postcolonial theory was introduced into the research. The interview transcripts were analysed in accordance with Braun and Clarke's (2006) technique, which will be discussed later in the chapter. Several recurring themes, such as the Western-driven institutional structure, globalisation's effects, and the inapplicability of indigenous practices, emerged and, therefore, led to postcolonial theory being introduced into the research. These persistent themes imposed themselves on the story, which could not have been meaningfully told without their inclusion. This step was taken after a report was submitted to the researcher's supervisors, outlining the themes arising from the transcripts. The postcolonial perspective was regarded as promising by the researcher and his supervisors, and so a new stage of thematic analysis was applied to the interview transcripts, now incorporating postcolonial theory.

As the research evolved, its theoretical basis became more clearly delineated and, therefore, the researcher saw relatively more value in employing qualitative methods. As a result, the findings of the quantitative content analysis (the first method) were disregarded. This is not to suggest that the quantitative content analysis was irrelevant. Indeed, the quantitative content analysis played an instrumental role in suggesting insights for the qualitative content analysis and interview analysis. Nevertheless, the more the research engaged with postcolonial theory and the new nature of the research, the more limited the results of the quantitative content analysis became. The qualitative content analysis and interviews were believed to be sufficient to achieve the research aim. We will now turn to a discussion of the actual methods that were utilised in the research.

4.5. Content Analysis

The first method employed by this research is content analysis. In the widest sense, the method seeks to convert raw, huge data (i.e., IBs' reports, in this case) into manageable, analysable information (Krippendorff, 2004). Content analysis facilitates the structuring of unstructured data in order to highlight aspects of texts that might otherwise be missed (Unerman, 1999, cited in Kamla 2007). Krippendorff (2004) defines content analysis as:

> "a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use" (p. 18).

Content analysis places narrative texts, images, and other forms of communication into categories in order to draw conclusions about the thematic content of such data (Unerman, 1999, cited in Kamla 2007). Content analysis is a widely-used method in the accounting field, especially with regard to social and environmental reporting and indeed the field of Islamic social reporting (e.g., Aribi and Gao, 2010; Aribi and Goa, 2011; Belal et al., 2015; Darus et al., 2014a; Darus et al., 2014b; Haniffa and Hudaib, 2007; Hassan and Harahap 2010; Khan, 2013; Maali et al., 2006; Zubairu et al., 2012). Content analysis, therefore, has been considered a suitable research method for assessing the social reporting of corporations (Unerman, 1999, cited in Kamla 2007).

4.5.1. The Content Analysis Procedure

4.5.1.1. Different Approaches to Content Analysis

A contrast is often drawn between the two types of content analysis: interpretive and mechanistic (Beck et al., 2010). Mechanistic (quantitative) content analysis aims to provide information about the reports' volume or frequency. Quantitative content analysis is typically captured by "word counts (e.g., Campbell, 2003), sentence counts (e.g., Buhr, 1998; Patten & Crampton, 2004; Perrini, 2005), (summed) page proportions (e.g., Gray, Kouhy, & Lavers, 1995b; Unerman, 2000), frequency of disclosure (e.g., Cowen, Ferreri, & Parker, 1987; Ness & Mirza, 1991), and high/low disclosure ratings (e.g., Patten, 1991)" (Beck et al., 2010, p. 208). On the other hand, interpretive (qualitative) content analysis typically captures the meaning of texts rather than their volume and frequency. Beck et al. (2010) argue that qualitative content analysis focuses on meaning "by disaggregating narrative into its constituent parts and then describing the contents of each disaggregated component" (p. 208). This type of content analysis, therefore, aims to gain a better understanding of reporting.

This research aims to explore CSR and the related reporting of Saudi IBs by employing a qualitative content analysis. The volume or frequency of Saudi IBs' reports seem relatively less useful considering the research nature. Rather, the research endeavours to explore the nature of such reports for several reasons. Although quantitative content analysis is able to capture what is being communicated in the reports, it tends to ignore the themes that go beyond the utilised research instrument. That is, a qualitative content analysis allows for some inductive reasoning, where new codes and themes can be extracted from the data (Schreier, 2014). The quantitative content analysis, on the other hand, does not allow for such reasoning, as the researcher is restricted to the themes that have already been established in the field. Further, the qualitative content analysis method has been rarely utilised in the

Islamic social reporting field in comparison to the quantitative content analysis method. This study aims to expand the use of such a method in the field.

4.5.1.2. Documentary Analysis and Time Horizon

Corporate reports, especially annual reports, are the main source of raw data employed to study social and environmental reporting in the field (Guthrie and Abeysekera, 2006). Gray et al. (1995) argue that annual reports are not only documents that are produced in order to comply with the regulatory requirements, but also important in shaping the corporation's external image. Such reports are considered standardised documents that are systematically published every year (Gray et al., 1995a; Unerman, 1999, cited in Kamla, 2007). Furthermore, such reports offer a snapshot of the management's mind-set throughout the preceding year (Neimark, 1992, cited in Hassan and Harahap, 2010) and allow researchers to draw comparisons between different years (Unerman, 1999, cited in Kamla, 2007). As discussed earlier, there are five fully-fledged IBs in Saudi Arabia: Alinma Bank, Al Rajhi Bank, Bank AlBilad, Bank AlJazira, and NCB. Only one of these IBs (Bank AlJazira) publishes stand-alone CSR reports, while the other four publish relevant CSR disclosure within their annual reports. Furthermore, two integrated reports of Al Rajhi Bank were found (i.e., for 2015 and 2017). The researcher aims to include any relevant reports in order to minimise the limitation arising from relying solely on annual reports. Thus, all of the available Saudi IBs' reports that fall within the time horizon chosen (i.e., annual and integrated reports) are included in the analysis.

The time horizon of the qualitative content analysis is five years, due to several factors. First, the limited number of IBs operating in Saudi Arabia means that the number of reports available is also small. A one-year, ‘cross-sectional’ content analysis would provide less richness than a longitudinal approach. Second, it is important to track changes in the reporting patterns in order to assess the effects of globalisation on IBs’ reporting throughout the years. The time horizon was reduced from nine to five years, due to two factors. The nature of qualitative content analysis differs from that of quantitative analysis (Bryman and Bell., 2015), with the former requiring considerably more time to conduct. More importantly, reducing the time horizon to five years still captured the major changes that occurred in the economic conditions in Saudi Arabia. As will be discussed in the context chapter, Vision 2030, introduced in April 2016, aims to reshape the nature of the Saudi economy. In addition, the application of the international accounting standards has been compulsory since 2018. Therefore, it was believed that a time horizon of five years (i.e., from 2015 to 2019) would capture an adequate overview of the conditions in Saudi Arabia and their influence on Saudi IBs’ social reporting. A longitudinal case study covering a five-year period seems sufficient to track the changes and development of IBs’ reporting, which can satisfy the research aim. The total number of reports, as a result, is 32 (25 annual reports, five CSR reports and two integrated reports). The following sub-section outlines the steps that were taken in the analysis process.

4.5.1.3. Reports Analysis

Qualitative content analysis, as discussed earlier, is a tool for systematically explaining the meaning of data (Mayring, 2000; Schreier, 2014). Qualitative content analysis involves “a searching-out of underlying themes” within raw data (Bryman and Bell, 2015, p. 869). As discussed in the research’s evolution section, an initial coding frame was produced through undertaking a qualitative content analysis before introducing postcolonial theory to the research. The primary data collection and analysis, as well as the introduction of postcolonial theory, made it necessary to revisit the coding frame. Therefore, ten new reports (covering the period from 2015 to 2019) were selected to assess the applicability of the coding frame to the new format of the research. It was clear that the coding frame needed major adjustments in order to bring it into line with the theory and primary data. Therefore, the coding frame was reconstructed.

The coding frame is the backbone of a qualitative content analysis and consists of themes and subthemes (Schreier, 2014). In order to rebuild the coding frame, several structuring and generating tasks were carried out. Structuring refers to the constructing main themes, while generating refers to constructing subthemes for the main themes (Schreier, 2014). Structuring and generating can be carried out in two different ways: namely, (1) the theory-driven approach and (2) the data-driven approach (Schreier, 2014; Braun and Clarke, 2006). The major studies in the field of Islamic social reporting (e.g., Belal et al., 2015; Maali et al., 2006; Hanifa and Hudaib 2007; Kamla, 2007; Kamla and Rammal 2013)[24] were reviewed in depth. Each of these studies has contributed to the field with a unique research instrument that was variously quantitative (e.g., Belal et al., 2015; Hanifa and Hudaib 2007; Maali et al., 2006) or qualitative (e.g., Kamla, 2007; Kamla and Rammal 2013). Five main themes were generated, driven by the theory (Schreier, 2014), in which the previous major studies in the field were

[24] The theoretical framing of Belal et al. (2015), Maali et al. (2006), and Hanifa and Hudaib (2007) were discussed in the literature review chapter in the section headed "Theorising Social Reporting from an Islamic Perspective". On the other hand, the theoretical framing of Kamla (2007) and Kamla and Rammal (2013) are discussed in the literature review in the section headed "Actual Reporting Practices of Islamic Banks".

the main driver. Although theory-driven themes tend to be coherent (Marks and Yardley, 2011), the literature suggests that such an approach might leave some parts of the data unaccounted for (Schreier, 2014), so it was decided that a data-driven approach should be adopted.

It is worth mentioning that coding cannot occur without some prior theoretical commitment (Braun and Clarke, 2006). Here, the data-driven coding procedure adopted by this research indicates the researcher's openness to the data, a preparedness to discover new concepts, and a preparedness to question some elements about the theory. Therefore, the reports were analysed with openness to refining the coding frame. Because the reports contained a large amount of data and to avoid "cognitive overload" (Schreier, 2014), a total of ten reports were selected to reconstruct the coding frame. Those ten reports, nevertheless, represent all five IBs across different years. In particular, the reports were equally divided between all five IBs, with two reports for each IB. Further, all five years (i.e., 2015-2019) were represented by these ten reports. A structural strategy was employed (Mayring, 2000), in which the IBs' reports were read until a relevant concept was encountered. If this concept were related to an existing theme, the concept would be mentally assigned to that specific theme (Schreier, 2014). Otherwise, a new theme would be created for this concept. The structural process continued until data saturation was reached (Mayring, 2000).

Each theme was clearly defined to facilitate coding (Schreier, 2014). Each theme was given a name as well as a description of its meaning. The last step in the qualitative content analysis was the main analysis phase (Schreier, 2014), where all of the relevant materials within the 45 reports were coded in accordance with the coding frame. During this phase, the remaining reports were read, and relevant information was coded under the appropriate theme.

As a result, the qualitative content analysis resulted in a research instrument comprising six themes. These six themes were comprised of multiple subthemes (see Appendix 1).

4.6. Semi-Structured Interviews

The content analysis method alone is clearly insufficient for achieving the research aim because the research requires rich primary data in order to achieve its aim and objectives. Therefore, primary data drawn from the semi-structured interviews are employed to allow for an in-depth investigation of the CSR and related reporting of Saudi IBs. In general terms, interviews are “purposeful discussions between two or more people” (Saunders et al., 2009). Interviews are probably the most widely-utilised method in qualitative research (Bryman and Bell, 2015) and are employed by this research for several specific reasons. The key driver in choosing interviews, as opposed to any other research method, is the philosophy of the research. As discussed in the research paradigm, this research adopts a subjectivist approach to ontology (multiple realities exist) and epistemology (interpretivism). Since the CSR practices of Saudi IBs are considered a social phenomenon that is a product of humans’ consciousness, these humans are key to understanding this phenomenon (Saunders et al., 2009). Further, the nature of the research objectives means that rich, deep data is required at the ‘meanings’ level (Saunders et al., 2009). In other words, the participants’ perceptions, interpretations and views of CSR practices are key to the achievement of the research objectives. Further, the types of information sought from the participants are complex in nature. This requires a research method that allows complex questions to be asked and complex information to be collected. Therefore, the face-to-face interview method is suitable for such purposes (Bryman and Bell, 2015)

There are three types of interviews commonly discussed in the research literature: namely, structured, semi-structured, and unstructured interviews (Bryman and Bell, 2015; Saunders et al., 2009). Structured interviews might be incompatible with this research because they use a pre-determined set of questions and produce pre-coded answers (Saunders et al., 2009). This research, rather, aims to allow more autonomy for the participants to express their views, perceptions, experiences, and feelings in order to achieve the research aim. Unstructured interviews, on the other hand, are often used in situations where there is no set of questions to ask (Bryman and Bell, 2015), which is not the case with this research. Semi-structured interviews are employed because they are the most consistent method that can facilitate the achievement of the research aim and objectives. Bryman and Bell (2015) suggest that semi-structured interviews are suitable when:

> "the researcher has a list of questions on fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions may not follow on exactly in the way outlined on the schedule. Questions that are not included in the guide may be asked as the interviewer picks up on things said by interviewees. But, by and large, all the questions will be asked and a similar wording will be used from interviewee to interviewee" (p. 481).

Semi-structured interviews also allow the interviewer to probe into and build on the initial answers of the interviewees (Saunders et al., 2009). Further, semi-structured interviews allow the interviewees to uncover related aspects that the interviewer may not have considered before[25], which might lead the researcher to reformulate the interview guide to cover these

[25] This situation was experienced in this particular research as some related aspects emerged during the first few interviews which had not been included in the research guide. For example, the compulsory cleaning scheme

aspects (Saunders et al., 2009). The following sections discuss the procedures that were followed when conducting the semi-structured interviews.

4.6.1. The Interview Guide

Having an interview guide is not necessarily equivalent to having a structured interview. Rather, an interview guide is a list of the aspects or questions that the researcher aims to explore (Bryman and Bell, 2015). The interview guide was designed to cover all of the related aspects and was driven by several sources. The literature played a key role in forming the researcher's general understanding of CSR in the Islamic context and, therefore, several general questions emerged. Further, the coding frame, which was produced by the first qualitative content analysis, was key in creating the interview guide. Above all, the theoretical position of the researcher was influential in the construction of the interview guide. This is despite postcolonial theory proper being introduced later in the research. At the same time, the theoretical basis of 'displaced local practices' was the main driver of the interview guide. The first draft of the interview guide contained a total of 26 questions. However, this interview guide was then refined, with some questions being merged together and others discarded, to create more concise interviews. The final draft of the interview guide resulted in 16 main questions across several themes (see appendix 2). These questions were designed in an open-ended manner to allow the participants to express their views in order to gather rich

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(CCS) is key within the CSR of IBs but has been neglected in the literature, and so was not included in the interview guide. Nevertheless, the first three interviewees all referred to CCS, which led the researcher to reformulate the research guide to include the CCS aspect.

data. Further, the interviews were not restricted to these questions, as room to ask follow-up questions was provided. During the course of the data collection, several new questions were added and some questions were removed from the interview guide[26].

4.6.2. Recruitment of the Participants

A major issue associated with using qualitative methods, especially interviews, is participant recruitment (Bryman and Bell, 2015; Saunders et al., 2009). Because the research population is very small (i.e., five IBs), there was little choice regarding selecting a particular potential group of interviewees. Rather, the researcher aimed to recruit all relevant persons within the respective five IBs, such as CSR department officials, SSB officials, executive management members, and board members, as well as persons involved in CSR outside the banking sector. The researcher emailed every CSR department of the five IBs in January 2019, to explain the research's nature and request an interview. One bank replied and provided the contact information of the CSR department representative. The other four banks failed to respond to the email.

It was necessary, therefore, to change the recruitment process. The five IBs' websites were checked to obtain the names of the employees within the CSR department as well as the names of the SSB and the Board members. Those names were sought using social media

[26] For example, the first three participants raised a major aspect that was not included in the interview guide; namely, CCS and globalisation, and their implications on CSR in Saudi Arabia. Therefore, the interview guide was reformulated to include a question about each new concept, even though some of the remaining participants had little to say about them. Further, the employee question in the interview guide seemed to generate little discussion, as the vast majority of participants failed to see any link between the Islamic traditions and employee relations.

platforms such as Twitter and LinkedIn. Brief, private messages were sent to them, explaining the nature of the research and requesting an interview. Further, the researcher's friends played a role in facilitating access to potential participants[27]. A total of seven interviewees were secured through emails and social media messages, while three further interviews were obtained through the researcher's friends. A snowball sampling technique was employed to recruit further participants (Bryman and Bell, 2015; Saunders et al., 2009). Most of the participants were asked to recommend another relevant person to be interviewed, which resulted in 17 further interviews. A major issue with qualitative interview methods is the question of how many participants are sufficient for the research (Bryman and Bell, 2015; Saunders et al., 2009). It seemed to the researcher that, by the 22nd interview, data saturation had been achieved, as the previous few interviews had provided similar information. Nevertheless, five further interviews were already scheduled, and so the researcher considered it wise to conduct them. A full list of the 27 interviewees is presented in appendix 3.

4.6.3. The Interviews

All of the interviews were conducted face-to-face between June and August 2019. All except one were based on Riyadh and Jeddah because the five IBs are headquartered in these two major Saudi cities. One exceptional interview was conducted in Bahrain with an Islamic

[27] The researcher's friends all work in the Saudi private sector, and so have connections in the banking sector. None of the recruited participants were known personally by the researcher or his friends, but were recruited through third or sometimes fourth level connections.

economist expert working on a project that aims to regulate the Islamic financial sector. Bahrain is considered key to the Islamic financial sector worldwide (Haniffa and Hudaib (2010) and, therefore, it was thought that this interview might contribute useful insights to the data. The researcher often started the interviews with a brief, friendly discussion to put the participant at ease (Bryman and Bell, 2015).

All except one of the participants was male. This is because the vast majority of the positions targeted by the researcher (i.e., CSR department, SSBs and senior management and board members) were held by males. Further, five female CSR specialists and advocates were recognised via social media and invited to participate. Only one accepted the invitation while the other four refused to participate[28]. More information about the participants is presented in appendices 3-6.

All except four of the interviews were audio-recorded after gaining prior verbal approval from each participant. Notes were taken by the researcher both during and after the interviews. For those who refused to be audio-recorded, detailed notes were taken during the interviews. The average length of interviews was about 41 minutes, with the two longest interviews lasting 72 and 71 minutes, and the two shortest 18 and 28 minutes, respectively[29].

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[28] All four of the women who refused the invitation initially expressed an interest in participating, but felt uncomfortable with the research method (i.e., face-to-face interviews), probably due to cultural barriers. Although the researcher sent all of the necessary documents to prove his legitimacy, none of them agreed to participate.

[29] The 18-minute interview was conducted with a governmental official who seemed very busy. The 28-minute interview was conducted with a CSR deputy manager who requested the list of the interview questions prior to accepting the invitation, then requesting that all of the questions with an Islamic component (approximately half of them) be removed on the grounds that his direct manager considered such questions to be controversial. The

Since the official language of Saudi Arabia is Arabic, all of the interviews were performed in the Arabic language.

4.6.4. Interview Transcript Analysis

4.6.4.1. Thematic Analysis

Although there are several methods available for analysing qualitative data, they share similar characteristics. They all emanate from the philosophical stance that meanings derived from individuals are the centre of research (Holloway and Todres, 2003). Braun and Clarke (2006) argue that many of the qualitative analysis methods are thematic in nature, although claimed to be otherwise. The term ‘thematic’ is derived from ‘theme’, which is an abstract construct that links expressions found in texts, images, sounds, and objects (Ryan and Bernard, 2003). In particular, thematic analysis is “a method for identifying, analysing and reporting patterns (themes) within data” (Braun and Clarke, 2006, p. 79). The thematic analysis process was conducted in accordance with Braun and Clarke’s (2006) technique, which is summarised in table 4.2.

4.6.4.2. Interview Transcription

One of the characteristics of semi-structured interviews is that they produce a huge amount of data (Bryman and Bell, 2015; Saunders et al., 2009), which then need to be subjected to

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researcher accepted the condition and the interview went ahead. Nevertheless, when his direct manager was later recruited during the course of the data collection via Twitter, he was happy to answer all of these ‘controversial’ questions, and indeed provided rich information and unique perspectives on them. This CSR deputy manager was the only participant who requested the interview questions before accepting the invitation.

analysis techniques. The first step in analysing the data was to transcribe them. Although transcription is a time-consuming process (Bryman and Bell, 2015), the researcher transcribed all 23 audio-recorded interviews, word by word, in Arabic. The transcription of each interview took slightly less time than indicated in the literature (i.e., five to six hours) (Bryman and Bell, 2015). Every hour of recording took approximately four hours to transcribe. This may have been due to two factors. First, the recordings' quality was excellent, as the researcher had purchased a special recording device for this purpose. Second, the researcher transcribed the data using a service provided by a transcribing website, in which the audio automatically plays for a few seconds and then automatically pauses briefly to allow time to type the audio. This greatly reduced the duration of the transcription, as each tape needed to be played only once, without stopping.

The transcripts, along with the notes taken during and after the interviews, were not translated into English for two reasons. First, the translation process might have changed the meaning of the data. Xian (2008) argues that:

> "It would be naïve to assume that the meaning of the original data can avoid change in translation, and that the foreign participants' intention can travel unadulterated across a linguistic and cultural divide" (p. 242).

This is because the translation process is associated with linguistic, sociocultural, and methodological problems that might change the meaning of the data before starting the analysis (Xian, 2008). Second, the translation process can be as time-consuming as the transcription process. Based on those two factors, it was decided that the data analysis would be carried out in the original language of the transcripts, which is Arabic, and that only relevant quotes would be translated into English. More attention can be paid to the process of translating quotes as compared to the whole data. The thematic analysis process began when the researcher started to transcribe the audio-recorded interviews, where the initial themes and ideas started to emerge (Ryan and Bernard, 2003). Transcribing the whole data word by word turned out to be very helpful, despite being time consuming, because the researcher became immersed into the data (Braun and Clarke, 2006). Further, the researcher read the whole dataset through twice before starting the analysis. The first reading was accompanied by playing the corresponding audio recorded interviews to ensure the accuracy of the transcripts. The second reading was carried out to ensure immersion, which is achieved by repeated, active reading (Braun and Clarke, 2013).

4.6.4.3. Coding

The second phase of the thematic analysis was to generate the codes (Braun and Clarke, 2006). A code identifies "a feature of the data (semantic content or latent) that appears interesting to the analyst, and refer to the most basic segment, or element, of the raw data or information that can be assessed in a meaningful way regarding the phenomenon" (p. 88). The code-generating phase was conducted in two stages. The first coding process was conducted before the research detour, where postcolonial theory was yet to take such a key role in shaping the research**.** This process resulted in the emergence of several codes that originated in a more data-driven manner, in which the data were coded without any attempt to fit them into a pre-existing coding frame defined by a theory (Patton, 1990). Data cannot be coded in an epistemological vacuum because the researcher cannot free himself from all theoretical and epistemological commitment (Braun and Clarke, 2006) but after reviewing the coding results and potential themes, postcolonial theory came to shape the research and so a new coding process became necessary.

The second stage aimed to code the data in a more theory-driven way. That is, central issues in postcolonial theory, such as the local-global nexus, the imposition of Western-based practices, and Anglo-American globalisation, were kept in mind during the coding process (Braun and Clarke, 2006). Most of the codes generated by the first process (i.e., more data-driven codes) were kept and enhanced by the new codes that were based on postcolonial theory, which in turn was refined/developed by the empirics. This resulted in a hybrid coding process, in which both (more) theory- and (more) data-driven codes were generated. It has been suggested that codes should emerge from the theory that underpins the research (i.e., theory-driven codes) because these tend to be more coherent, yet using a coding process that relies solely on theory runs the risk of hindering the theory's development or refutation (Marks and Yardley, 2011). Meaningful qualitative research requires being open towards the data, whereby new insights (i.e., data-driven codes) are acknowledged (Braun and Clarke, 2013). Therefore, using a combination of data- and theory-driven codes might have contributed to the analysis process. Overall, the researcher ensured that both stages of the coding process was thorough, inclusive, and comprehensive (Braun and Clarke, 2006).

Recently, computer-assisted qualitative data analysis software (CAQDAS) has been utilised to analyse qualitative data, especially semi-structured interviews (Bryman and Bell, 2015; Saunders et al., 2009). Although CAQDAS can be very helpful, the researcher performed the coding process manually. This is because the researcher tends to perform well with physical, printed tasks, rather than electronic versions. Further, CAQDAS can sometimes cause technological challenges, which might negatively affect the coding process. All of the transcripts were printed, with wide margins to allow for posting and writing notes.

Coloured pens, highlighters, and 'post-it' notes were used in the coding process (Braun and Clarke, 2006).

Table 4.2: Phases of the thematic analysis

Phase	Description of the Process
Familiarisation with the data	Transcribing the data, reading and re-reading the data, making notes about initial ideas.
Generating the initial codes	Coding interesting features of the data in a systematic fashion across the entire dataset, collating data relevant to each code.
Searching for the themes	Collating codes into potential themes, gathering all data relevant to each potential theme.
Reviewing the themes	Checking if the themes work in relation to the coded extracts and the entire dataset, generating a thematic 'map' of the analysis.
Defining and naming the themes:	Ongoing analysis to refine the specific characteristics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.

Source: Braun and Clarke (2006, p. 87)

4.6.4.4. Searching for the Themes

The coding phase resulted in a long list of codes that require overarching themes. This is the third phase of the thematic analysis, which entails piecing together all of the codes that emerged during the last phase (Braun and Clarke, 2006). All of the codes were classified using record cards containing the name of the code on one side and a description of it on the other. In this phase, the focus was shifted upwards, whereby the researcher started to consider the relationships between the codes and potential themes (Braun and Clarke, 2006). Certain codes were merged together under different labels, while others were promoted into main themes. Codes that did not fit into any theme were classified as 'miscellaneous' (Braun and Clarke, 2006). This theme was managed later, in which some codes were included under themes while other codes were disregarded. Several manual mind-maps were drawn to establish the clear, meaningful relationships between the codes under overarching themes.

4.6.4.5. Reviewing the Process

The searching for themes phase must be followed by a review the process to ensure cohesion. Braun and Clarke (2006) argue that "data within themes should cohere together meaningfully, while there should be clear and identifiable distinctions between themes" (p. 91). This phase consisted of two levels: namely, the code level and the theme level. Codes that did not fit very well within a theme were revised, whereby a new theme was created for them or they were discarded. A theme level review was conducted to ensure the validity of specific themes in relation to the data. In this phase, the transcripts were reread to ensure that the codes and themes were consistent with the data and new codes and themes, that had not been discovered in the previous stages, were added. The review process was repeated until a satisfactory thematic map had been produced. Each research objective was assigned a mini thematic map to address it.

Table 4.3: Example of some of the themes, subthemes and corresponding quotes

Theme	Subtheme	Quote
Globalisation's effect on IBs	Global identity	If you look at the American or European banks, they allocate special funds for CSR purposes

	because they understand its importance.
IASs	We (IBs) are also obligated to function in accordance with the international accounting standards. These can sometimes limit our ability to apply such products (authentic Islamic products).
Institutional structure	Islamic banks have worked only on fixing contracts which violate Sharia. The institutional structure remains the same (in comparison with CBs).
The desire to advance	At the same time, I don't think it's wise to isolate the Kingdom, like Iran and North Korea have done. I totally oppose that. We can be an active part of the world by fusing with the globe and creating products that reflect the Islamic culture. I think it's achievable.

4.6.4.6. Defining and Refining the Analysis

The last phase of the thematic analysis was to define and refine the thematic map (Braun and Clarke, 2006). The main aim of this phase was "identifying the essence of what each theme is about (as well as the themes overall) and determining what aspect of the data each theme captures" (p. 92). Further, the researcher wrote a mini story for each theme to ensure that such themes are meaningful and fit within the overall story. At the end of this stage, the thematic analysis was concluded.

4.7. Conclusion

This chapter presented the philosophical and methodological choices made for this research. This research adopts a subjectivist perspective on ontology and epistemology. Further, this research is of a critical nature, in which a perspective of radical change is embraced (Burrell and Morgan, 1979). The chapter provided an overview of the research's evolution from a methodological and theoretical perspective. Then, the actual methods employed by the research were discussed. The research employed two methods: content analysis, where IBs' reports were analysed in a qualitative manner; and semi-structured interviews, which were thematically analysed.

5. Chapter Five: Contextual Analysis

5.1. Introduction

This chapter presents an analysis of the research context. The chapter begins by discussing the establishment of Saudi Arabia and how such establishment was closely associated with Islam. This association is unique among the countries in this region, which may have impacted the emergence of Islamic banking. The chapter then moves on to discuss the emergence of relevant sectors in light of the European colonisation. The emergence of many sectors has not been free of colonial influence. Then, the chapter highlights several of the relevant contextual factors that are believed to be renovating the Saudi economic environment (i.e., Vision 2030, IFRS adoption).

5.2. Saudi Arabia

The Kingdom of Saudi Arabia is one of the biggest countries in the Middle East and North Africa, covering an area of 2,250,000 square kilometres, which is approximately 80% of the Arabian Peninsula. The Kingdom has land borders with eight different countries in three different directions, as the Red Sea occupies the whole western border. From the north, the Kingdom has land borders with Iraq and Jordan, while the southern border is shared with Yemen. From the east, Saudi Arabia has land borders with all of the GCC countries; namely, Kuwait (slightly to the north), Bahrain, the United Arab Emirates, Qatar, and Oman (slightly to the south). There are 13 administrative regions in Saudi Arabia, each of which contains several cities and towns. Arguably, the most significant cities, beyond the capital, are Mecca and Medina. Mecca is the birthplace of Prophet Mohammed, where Islam originated. Mecca is also the site of the Holy Mosque, which contains Kabba[30]. Furthermore, one of the five pillars of Islam is performing the Haj once in one's lifetime, which happens at the holy sites of Mecca in the 12th month of the Islamic calendar. Medina, on the other hand, contains the second Holy Mosque, which was built by Prophet Mohammed and his companions. It is also where Prophet Mohammed is buried.

5.2.1. The Establishment of Saudi Arabia and Islam

One of the distinctive characteristics of Saudi Arabia is that it contains the holy Islamic holy sites, where Islam was born. This implies a special relationship between Islam and Saudi Arabia. This special relationship goes beyond the holy places, as the establishment of Saudi Arabia was closely associated with Islam. The idea of establishing a united country, based on Islam, to replace a multitude of small, fragmented, weak cities is attributed to two men: Mohammed ibn Saud and Mohammed bin Abdul Wahab (Bowen, 2008, Aldukhail, 2013). Mohammed bin Saud, an ancestor of King Salman (the current King), was the Amir (ruler) of Diryah[31] while Mohammed bin Abdul Wahab, on the other hand, was an Imam (i.e., a

[30] Kabba is at the centre of the Holy Mosque and is the place towards which Muslims face to pray five times a day.

[31] Although Diryah has become a neighbourhood of Riyadh in recent times, the two cities were independent from each other back then.

religious scholar). Ibn Abdul Wahab travelled to Hijaz[32], Iraq and Syria to study Islam (Bowen, 2008) and, therefore, witnessed different political systems in different places. This might have helped him to develop a vision of establishing a single state on the Arabian Peninsula (Aldukhail, 2013). Therefore, in 1744, an alliance between the two men was formed, aiming to establish a state that is ruled by Islam on the Arabian Peninsula (Aluthaimeen, 1998; Bowen, 2008, Aldukhail, 2013). The alliance indicated that Ibn Saud would be the ruler while Ibn Abdul Wahab would be the religious scholar in the new state (Aluthaimeen, 1998).

After several years, the alliance bore fruit, as the new state gained complete control over the economic and political environment of the whole Najd[33] (Bowen, 2008). By 1803, the eastern region of the current Saudi Arabia and Hijaz were under the control of the new state. The establishment of a new state did not go unnoticed by the Ottoman empire, which was the superpower in the region at that time. Therefore, an army was sent from Egypt, by an Ottoman order, to disassemble the new state and send Ibn Saudi back to Diryah (Bowen, 2008). In 1818, the new state collapsed and many parts of Diryah were destroyed, which marks the end of the first attempt to establish Saudi Arabia.

The second attempt occurred only six years after this collapse. Turki bin Abdullah, one of Mohammed bin Saud;s successor, led this attempt (Bowen, 2008). Turki was able to launch

[32] Hijaz is an old Arabic term (although many people still use it) to describe the western geographical region of the current Saudi Arabia. Mecca, Medina and Jeddah are the major cities within Hijaz.

[33] The region of Najd is located in the centre of Saudi Arabia and is home to many Arabian tribes.

an attack in 1824 and win Riyadh from the Ottoman empire. He made Riyadh the new capital city in place of the destroyed Diryah (*ibid*). The new country expanded again and most of the lost territory was regained. However, Turki bin Abdullah was assassinated and a new era of civil war and turmoil within the ruling family began (Bowen, 2008). This has led the state gradually to lose its territories. Consequently, in 1891, Abdulrahman bin Faisal bin Turki, the last ruler of the second Saudi Arabia, was defeated in battle by Ibn Rashid, a family that subsequently took control of Najd (Bowen, 2008).

Abdelaziz Ibn Abdulrahman Al Saud, the son of the last ruler, was able to recapture Riyadh from Ibn Rashid in 1902. The country then regained many of the territories that it had lost during the first and second attempt. On 23rd September 1932, the creation of the current Saudi Arabia was announced by King Abdelaziz. During the phase of re-establishment by King Abdelaziz, the initial aim of the country, which is to have a state that is ruled by Islam, was restored. The flag of the country was approved in 1932 containing the *Tawhid* statement: 'There is no God but God; and Mohammed is the messenger of God'. This refers to the special relationship between the establishment of Saudi Arabia and Islam. It might be argued that King Abdelaziz has been the most influential ruler of Saudi Arabia, as he built the foundation upon which the current Saudi Arabia rests. Following his death, he was succeeded by his sons (Saud, Faisal, Khalid, Fahad, Abdullah and Salman).

5.2.2. General background

5.2.2.1. The political environment

Saudi Arabia was established as a monarchy state, governed by Islam, in 1932 (Aluthaimeen, 1998). The country is ruled by a member of the Royal Family (the descendants of King Abdelaziz, the founder of modern Saudi Arabia) (*ibid*). The current ruler is King Salman, and the Crown Prince is his son, Mohammed bin Salman. The official title of the ruler is Custodian of the Two Holy Mosques, which refers to the special relationship between Islam and Saudi Arabia. A written constitution has not been publicly introduced because this might conflict with the common belief among Saudi people that God is the only one who should legislate (Aba-Namay, 1993). This common belief suggests that Sharia is the constitution of Muslims and, therefore, there is no need to introduce another constitution. However, the conditions on the Arabian Peninsula changed after the Gulf War in 1991, which necessitated the introduction of a written 'constitution' that guarantees the stability of the Kingdom (Aluthaimeen, 1998) and, therefore, that of the region because Saudi Arabia is by far the biggest element of it. Therefore, King Fahd introduced the Basic Law of Governance in March 1992, which is equivalent to a constitution, laying out the fundamentals of the country. The Basic Law of Governance consists of 83 articles, covering different themes. The first article defines Saudi Arabia, its religion, and language. It also addresses the issue of Sharia vs the constitution as follows:

> "The Kingdom of Saudi Arabia is a sovereign Arab Islamic State. Its religion is Islam. Its constitution is Almighty God's Book, the Holy Qur'an, and the Sunna (Traditions) of the Prophet (PBUH). Arabic is the language of the Kingdom. The City of Riyadh is the capital."

Islam is, therefore, the source of laws in Saudi Arabia. This is despite the enactment of several secular laws within the Kingdom, especially in the economic sphere (Marar, 2004). There are three branches of powers, as the Basic Law of Governance indicates (Al-Mehaimeed, 1993). The legislative power is vested in the King and the Consultative Council, while the judicial power is vested in the courts and other judicial entities (Al-Mehaimeed, 1993). Article 56 of the Basic law of Governance indicates that the executive power is vested in the government, represented by the King, who functions as the prime minister, and the council of ministers, who assist him in performing his mission (Basic Law of Governance, 1992). The Council of Ministers, led by the King, is responsible for developing all relevant policies, such as economic, foreign, educational and defence policies, as well as supervising their implementation (Royal Decree A/69, 2015). Following the inauguration of King Salman in 2015, he introduced two new bodies (sub-cabinets to the Council of Ministers): the Council of Political and Security Affairs and the Council of Economic and Development Affairs (Saudi Press Agency, 2015). The establishment of those two bodies aimed to accommodate the current environment and transform the government in order to facilitate the achievement of Vision 2030 (Royal Decree A/69, 2015).

5.2.2.2. The social environment

The last census was conducted by the Saudi government in 2017. It shows that the population of Saudi Arabia numbers approximately 32.5 million, two thirds of whom are Saudi citizens (GAS, 2017a). There are about 12 million foreigners, most of whom are in the country for work. Regarding the citizens (10,396,914 males and 10,011,448 females), approximately 1.3 million are above 60 years old, while 8 million are under working age (*ibid*). This makes a working age population of Saudi citizens of around 11 million (*ibid*). The Saudi population's annual growth rate is 1.8% (GAS, 2017), which is half the rate during the 1990s (World Bank, 2018). The main language of the country is Arabic, while Islam is the religion of Saudi Arabia and, arguably, the vast majority of its citizens.

Most Saudi citizens are of Arab ethnicity, although there exist several other ethnic groups in different parts of the country (CIA, 2020). The majority of the members of the Arabic ethnic group come from different tribes that have lived on the Arabian Peninsula for thousands of years. Prior to the establishment of the current Saudi Arabia, most of those tribes were leading Bedouin[34] lives. However, King Abdelaziz's strategic decision to facilitate Bedouin settlement dramatically changed the social structure of Saudi Arabia. Bedouins represented about half of the population at that time (Shamekh, 1977), while the other half were Hadr[35]. Having half of the population unsettled might have been an obstacle to 'development' (Al-Sakran, 2012), which the government seemed keen to achieve. Therefore, Bedouins were asked to settle in the nearest city or, sometimes, new Hijr[36] were created in which Bedouins might settle. As a result, many small towns were created for this purpose, while the pre-existing cities have notably grown. This is evident from the current rate of urban population in Saudi Arabia, which reached 84.3% of the total in 2020 (CIA, 2020). Schools were established almost everywhere. In 2015, there were more than 30,000 schools across the Kingdom (GAS, 2015). Children's attendance at school has become compulsory in recent years, which has helped to increase the literacy rate. In 2020, literacy rate of the total population was 95.3% (i.e., 97.1% males and 92.7% females) (CIA, 2020).

5.2.2.3. The economic environment

[34] Bedouins are a population who live in the desert and constantly travel around seeking water and food for themselves and their livestock.
[35] Hadr is an Arabic term that is equivalent to urban. It represents a group of people who lives in cities. Unlike Bedouins, this group does not travel around seeking water and food, but live in one place permanently.
[36] Hijr is the plural form of Hijra, which is a very small town created for Bedouins' settlement and tends to be inhabited by one specific tribe of Bedouins.

The GDP of Saudi Arabia was $793 billion in 2019 (World Bank, 2019). This makes the Saudi economy one of the 20 biggest economies in the world, and therefore, a member of the G20. Prior to the discovery of oil, the country suffered from a scarcity of income. The main source of income at that time was generated by pilgrims (Al-Rehaily, 1992). The economic environment dramatically changed after the discovery of oil, as oil is now the most important source of income for the Kingdom (Nurunnabi, 2017). As Saudi Arabia relies heavily on oil, its GDP and whole economy are severely influenced by oil prices, which in most cases are beyond one country's control. Therefore, the economy of Saudi Arabia encounters difficulties when the oil prices dramatically drop for an extended period. For example, the GDP of Saudi Arabia dropped from $750 billion in 2014 to $650 billion in 2015 (World Bank, 2019) due to the oil price and market share conflict in 2014-2015 (see Bowler, 2015). Diversifying the sources of income has been a top priority for the Saudi government for some time. In 2016, Vision 2030 was introduced, which has implemented several initiatives and programmes designed to increase the country's non-oil income (for further details, see below).

5.3. The Emergence of the Saudi Economy

5.3.1. The emergence of the accounting profession in Saudi Arabia

Prior to 1938 (i.e., the discovery of oil), the need for an accounting profession in Saudi Arabia was minimal due to the scarcity of income (Al-Rehaily, 1992). In the 1940s and 1950s, however, an accounting system became vital for companies, governments, and investors (*ibid*). The first accounting firm to operate in Saudi Arabia was launched in 1955, owned and operated by non-Saudis (Al-Rehaily, 1992). A milestone for the accounting profession was the emergence of the Saudi Company Act, as it was the first act to recognise the profession and require companies to appoint auditors and prepare financial statements (Al-Qahtani, 2005). The Company Act was approved in 1965, after some changes were made to the first draft which was rejected in 1961. The first draft was rejected because it "was almost an exact copy of the Egyptian law 26 of 1954, except for minor changes such as doubling the amounts of fines and assigning the Ministry of Commerce and Industry to take the place of the Egyptian court in settling disputes" (Al-Rehaily, 1992, p. 151). The committee members who were responsible for constructing the law were from Egypt (*ibid*), which explains why the Egyptian code was specifically copied. Egypt's influence on the accounting profession, and many other professions in Saudi Arabia, was vast (Al-Rehaily, 1992). This is because Saudi Arabia was in its infancy phase, whereby the majority of the citizens were insufficiently educated to manage such advanced tasks. The Egyptians, on the other hand, were relatively advanced, which led the government of Saudi Arabia to borrow 'Egyptian and other Arab experts' to fulfil the economic development plans of the government. It appears that the emergence of the accounting profession in Saudi Arabia was free from direct Western influence. However, such influence is evident in Egypt itself, as the Egyptian accounting profession and Egyptian company legislation were built on those of Britain (Kamla, 2007). Therefore, the emergence of the Saudi accounting profession was influenced by colonialism, even though Saudi Arabia itself has never been colonised.

Although the accounting profession was first recognised by the Company Act, it was not regulated until 1974, when the Certified Public Accountant Law was introduced (Al-Qahtani, 2005; Al-Rehaily, 1992). In the 1980s, a three-stage project to improve the accounting profession was implemented by a local accounting office with the assistance of the Ministry of Trade (Al-Qahtani, 2005). Stage one entailed conducting a comparative study of the accounting regulations in the USA, Germany, and Tunisia, and presenting the findings to the Ministry of Trade (*ibid*). Stage two involved preparing a conceptual framework of the accounting profession, based on the comparative study, to determine the objectives of the financial accounting, auditing standards and internal structure of the profession (*ibid*). During this stage, foreign accounting experts from the three countries (the USA, Germany and Tunisia) were hired as consultants (*ibid*). Stage three resulted in the establishment of the Saudi Organisation of Certified Public Accountants (SOCPA) in 1992 (*ibid*). SOCPA is now the accounting body responsible for setting the accounting standards in the Kingdom. Therefore, the evolution of accounting in Saudi Arabia was closely associated with Western thinking. Al-Rehaily (1992) identifies three aspects that imply Western influence on the establishment of the Saudi accounting profession. First, the early-established accounting firms were all foreign. Those firms built the basis of accounting in practice, by which later firms have been largely influenced. Second, foreign companies, especially from the USA and the UK, played a major role in constructing the Saudi infrastructure during the early years of the Kingdom. These companies facilitated the implantation of Western accounting ideas in the Kingdom. Third, accounting education in Saudi Arabia is largely influenced by the West due to the huge number of Saudi students studying accounting in the West, particularly in the USA and UK.

5.3.2. The emergence of banking in Saudi Arabia

The founder of Saudi Arabia, King Abdelaziz, disliked the idea of an interest-based banking system operating in Saudi Arabia for several reasons (Wilson, 2013). First, banks are built on *Riba*, which contradicts the foundation upon which Saudi Arabia was re-established. Second, the income of Saudi Arabia, at that time, was relatively low and, therefore, there was little need for banks and a sound financial system. Nevertheless, some banking activities occurred in the early days of Saudi Arabia. In 1926, the Nederlands Handel-Maatschappij (Netherlands Trading Company) was established to serve pilgrims from Java in Dutch East India with reference to money exchange services (Tschoegl, 2002; Wilson, 2002). Although the Dutch company was licenced to operate in the Kingdom, it was not allowed to include the term ‘bank’ in its title due to Sharia sensitivity regarding *Riba* (Wilson, 2002).

By the 1940s, the Kingdom’s income had considerably increased due to the rising oil prices. Most of that income was generated in dollar notes, which the government needed to exchange for gold sovereigns and silver riyals (i.e., the Saudi currency at that time) (Wilson, 2002). The French Banque de l’Indochine offered the King a favourable exchange rate, which he accepted. In 1948, the French Banque de l’Indochine was licenced to open an office in Jeddah (Tschoegl, 2002), as the government realised that it would need banks for exchange purposes. However, Sheikh Abd Allah Sulayman, the finance minister of King Abdelaziz, was unhappy about the Kingdom relying on foreign banks to fulfil the government’s own financial needs (Wilson, 2002). This might have facilitated the establishment of Saudi-owned conventional banks to fulfil the government’s financial needs. Considering the notable increase in government income, the urgent need for a sound financial system that could satisfy the Kingdom’s financial needs and the non-existence of an Islamic banking model, the government allowed more conventional banks (both foreign and local) to operate in Saudi Arabia. In the 1950s the British bank, along with two local banks, namely, the National Commercial Bank (NCB) and Riyad Bank, were licensed to operate in Saudi Arabia.

5.3.3. The emergence of the Saudi banking sector from a legislative perspective

In the late 1940s, the government of Saudi Arabia encountered another economic problem due to the variation in silver and gold prices, upon which the riyal and the Saudi sovereign were based. The British ambassador offered some advice to King Abdelaziz in this regard (Wilson, 2002). The King was not convinced by the ambassador's proposal to make the Saudi Riyal part of the Sterling area, similar to Egypt and Iraq, in which the Riyal would become at parity with the pound (*ibid*). The Americans offered to assist with this issue, as Arthur N. Young, an American economist, was sent to Saudi Arabia to solve the currency issue in 1951 (Banafe, 2017; Wilson, 2002). Young proposed to King Abdelaziz and the finance minister that the Kingdom needed to establish a monetary agency that could issue currency, function as the government's bank, and 'regulate the banking sector' (Banafe, 2017). This idea appealed to the King and finance minister because the Riyal would be linked to the US dollar, which was linked to gold, unlike Sterling (Wilson, 2002). In 1952, the Saudi Arabian Monetary Authority was established, which is the body that still regulates the banking sector in Saudi Arabia today.

5.3.3.1. The Saudi Arabian Monetary Authority[37] *(SAMA)*

SAMA functions as the central bank of Saudi Arabia and was established in 1952, after King Abdelaziz accepted the proposal of Young (Banafe, 2017). His proposal, at first, was met with serious scepticism, due to the nature of typical central banks, which involves dealing with *Riba*. This is because the country was re-established on the premise that it was

[37] In November 2020, King Salman approved the new law of SAMA, which included changing its name from the Saudi Arabian Monetary Authority to the Saudi Central Bank.

based on Islam. Launching such a bank might have implied that the government personally endorsed *Riba*. Therefore, the removal of *Riba* from SAMA operations was a prerequisite regarding the approval of Young's proposal (Banafe, 2017). A compromise was then made, in which no *Riba* would be practised within the borders of Saudi Arabia by SAMA (Banafe, 2017). Therefore, the founding Charter of SAMA was introduced, which states that it cannot engage in *Riba* and that its operations must comply with Sharia (Ramady, 2009). The second Article of the Charter stipulates that:

> "It is not permissible for the Saudi Arabian Monetary Agency to pay or charge interest. Rather, it may only impose fees in return for the services it provides to the public or to the government, in order to meet the expenses of the institution …" (Royal Decree, 1952).

Furthermore, the sixth Article of the Charter stipulates that:

> "The Saudi Arabian Monetary Agency may not perform any of the following actions: A- carrying out any work that contradicts the rules of the tolerant Islamic Sharia, so it is not permissible for it to pay or charge interest on the business …"

George A. Blowers, an American banker, was appointed by Royal Decree to serve as the first governor of SAMA. Although SAMA could not personally engage in *Riba*, it conducted its duties of regulating the banking sector in the style of a conventional central bank (Wilson, 2002). In other words, SAMA supervised the conventional banks in Saudi Arabia, which deal with *Riba*. It is argued that SAMA adopts a Western approach to supervising and managing the risks within the banking sector (Ramady, 2009). This is due to the tendency of SAMA's management to draw upon Western central bank and IMF perspectives and also the cooperation between these three parties in terms of training and technology (*ibid*).

5.3.3.2. The Banking Control Law (BCL) (1966)

Although SAMA was introduced in 1952, the banking sector proved less stable than the government wished. This necessitated the introduction of BCL in 1966 to regulate the banking sector and ensure its stability, together with the appointment of SAMA as the regulator. The introduction of BCL followed the enormous capital outflow from Saudi Arabia in 1965, which led many financial entities into bankruptcy (Al-Suwaidi, 1994). Further, the insolvency of the local Riyad Bank, which led the government to inject fresh capital into it to ensure its survival, made it necessary to introduce BCL. By 1966, the Islamic banking model had yet to emerge. Therefore, BCL emerged as r. BCL consists of 26 articles covering many aspects, such a defining banking and determining capital, deposits, and reserve ratios. It is unsurprising, therefore, that BCL overlooks aspects related to Islamic banking. Indeed, the 26 Articles do not mention Islam, Sharia or any related terms. Therefore, BCL provides a legal basis for conventional banks to operate within Saudi Arabia despite the general law of the country being Islamic (Marar, 2004). This duality of law (i.e., a conventional law implemented under an Islamic general law) has created further conflict within the banking sector, which resulted in the introduction of a new relevant committee to regulate the financial sector further.

5.3.3.3. The Committee for the Settlement of Banking Dispute

Before the emergence of IBs in Saudi Arabia, individuals who took conventional loans had to pay them back with interest, which is considered *Riba*. Some 'unscrupulous' borrowers have taken advantage of the prohibition of *Riba* in Islam (Wilson, 2002; Marar, 2004). They have stalled their repayments due to religious concerns, even though they have signed an agreement which explicitly indicated the nature of loan (i.e., a conventional loan). The courts of Saudi Arabia adopted a strict position against *Riba* because they simply apply

Sharia law (Marar, 2004). Judges, therefore, tend to order the debt to be removed because it is flawed, from the Sharia perspective. This has created a serious problem, as many loans have been defaulted on, which has threatened the Saudi banking sector. This has necessitated the introduction of a new law "to maintain the efficiency of the Saudi legal system, and to not discourage the commercial banks from providing loans to the private sector" (Marar, 2004, p. 114). Therefore, the Committee for the Settlement of Banking Disputes was established in 1987, with one clear aim, which is solve these disputes in accordance with the agreements signed by the banks and their customers. In other words, the settling of financial disputes within the Kingdom has been transferred from the courts to this committee. This indicates that, if borrowers have signed a conventional loan contract, they are required to pay interest on the loan (*Riba*).

5.3.4. The emergence of IBs within Saudi Arabia

When the first Islamic bank emerged in 1975, the Saudi government did not rush into the new Islamic banking movement. Nevertheless, some banking activates that are compliant with Sharia existed in the Kingdom, even though they have not had been licenced. Al Rajhi, a family in Saudi Arabia, was a key player in the field, as it provided a deposit service that is Sharia-compliant. Wilson (2013) argues that SAMA was reluctant to grant Al Rajhi Bank a licence, as this may have highlighted the fact that *Riba* was practised by other banks within the Kingdom. Nevertheless, SAMA felt that Al Rajhi Bank had to be regulated because it already had large deposits, which might threaten the confidence of the whole banking sector should those deposits be lost (*ibid*). In 1987, therefore, Al Rajhi Bank was granted a license to become the first Islamic bank to operate in Saudi Arabia.

Al Rajhi Bank is now the largest Islamic bank in the world. As Al Rajhi Bank emerged, all banks were required to function under the same law that governs conventional banking (i.e., SAMA's regulations, the BCL and the Committee for the Settlement of Banking Disputes) (Wilson, 2013). By 1987, there were eight conventional banks operating in Saudi Arabia, and one Islamic bank. Thus, Islamic banking, represented by Al Rajhi Bank, seemed the foreigner in the sector. The Saudi banking sector was dominated by conventional banks and governed by conventional regulations. This situation continued until 1998, when Bank AlJazira (BAJ) decided to become a fully-fledged IB (Bank AlJazira, 2008). All of BAJ's retails operations were being conducted in accordance with Sharia law by 2002. In 2008, BAJ announced that its whole operations (retail/commercial and treasury) are in line with Sharia law (Bank AlJazira, 2008). In 2004 and 2006, Bank AlBilad and Alinma Bank were respectively established as fully-fledged Islamic banks, making them the second and third fully-fledged IBs since establishment.

In 2014, the Saudi Islamic banking sector was about to change, as the largest bank in Saudi Arabia announced its plan to become a fully-fledged IB. Nevertheless, this announcement came after long, heated debates surrounding NCB. In early 2014, NCB announced that it was about to sell 25% of its shares in an IPO. This IPO faced several serious religious concerns from both the religious institution and the public. Some Islamic scholars believed that the IPO was illegal from the Sharia perspective due to the nature of NCB, which was a conventional bank with an Islamic window that was supervised by an SSB. Some of the SSB members of the Islamic window of NCB publicly questioned this IPO from the Sharia perspective (e.g., Dr. Khaled Al-Mosleh). The situation for NCB worsened when Sheikh Abdul Aziz Al Sheikh, the head of the Council of Senior Scholars, which is the highest religious institution in the Kingdom, announced on national television that this IPO was illegal from a Sharia perspective (Akhbar, 2014). This caused concern that this opinion might lead the public to withdraw from participating in this IPO, which could severely affect NCB. Therefore, the management of NCB responded to this criticism by announcing a plan to convert NCB into a fully-fledged IB within five years (Rashard, 2014). The IPO was, therefore, successful, and NCB shares were listed on the Tadawul in 2014.

5.4. Relevant contextual factors

5.4.1. Vision 2030

On 25th April 2016, the government of Saudi Arabia, led by Crown Prince Mohammed bin Salman, introduced the Saudi Arabian Vision 2030. The vision, in its simplest terms, is to make Saudi Arabia a vibrant society, a thriving economy and an ambitious nation (Vision 2030). A vibrant society rests upon providing a good quality of life for the population. A thriving economy, on the other hand, rests upon four initiatives: (1) an economy that provides rewarding opportunities; (2) an economy that is open for business; (3) investing for the future; and (4) leveraging the country's unique position. Finally, the pillar of an ambitious nation rests upon the country being effectively governed and responsibly enabled. To realise Vision 2030, the government has launched 13 realisation programmes, some of which have now been operating for some time, while others will be implemented in the coming years. Most of those programmes are economic in nature, such as the fiscal balance programme, the public investment fund programme and the privatisation programme. It might be argued that the core aim of Vision 2030 is to transform the country from an oil-dependent economy into a more diverse one, where tumbling oil prices will have less effect on the economy. Faudot

(2019) argues that Vision 2030 is a "plea for freer markets" and an effort to privatise some of the state-owned companies. Diversifying the Saudi economy has been, for some time, the aim of several Saudi government cabinets. However, this attempt (i.e., Vision 2030) seems likely to succeed, as many of the economic conditions in Saudi Arabia have changed correspondingly since April 2016.

5.4.1.1. Privatisation

One of Vision 2030's realisation programmes is privatisation. The programme aims to enhance the role of the private sector in providing products and services instead of the government, which would then be free to assume its 'ideal' role as a legislator and regulator. One of the first, and probably most significant, relevant initiatives was selling some of ARAMCO's shares. In December 2019, ARAMCO's shares were listed on the Tadawul, as the government sold 1.5% of the total shares to the public for about SAR 96 billion (Al-eqtisadia, 2019). Furthermore, King Salman established the National Privatisation Centre (NPC) by Royal Decree (Royal Decree 355), which aims to facilitate the privatisation of government assets. NPC targets the privatisation of several governmental-owned companies under 12 different ministries in the near future. Prior to Vision 2030, several core services, such as electricity, water and energy, were provided by companies that were fully owned by the government. NCP aims to privatise most of those companies in order to enhance the contribution of the private sector to GDP from 40% to 65% by 2030. The government might generate SAR 35-40 billion by selling its assets to the private sector as well as save approximately the same amount on operating expenses (AlArabiya, 2018).

5.4.1.2. Attracting foreign investment

Some might argue that Vision 2030 rests upon diversifying the country's income. Indeed, the Crown Prince, who led the presentation of Vision 2030, stated, in his first ever television interview, that "we (Saudis) have developed a case of oil addiction" to address why the country was about to privatise ARAMCO (Nakhoul et al., 2016). He suggested that that the government should consider oil as *a* source of income, rather than *the* source of income. Foreign direct investment is considered a key element of this non-oil income. Vision 2030 also aims to increase foreign direct investment from 3.8% to 5.7% of GDP. Further, in 2017, the Saudi government established the future investment initiative, whic later became a non-profit organisation that aims to facilitate foreign direct investment to correspond with the economic plans pursued by Saudi Arabia. The Capital Market Authority, as a result, has relaxed the 49% limit for foreign investors in the Tadawul (Rashad, 2019).

5.4.2. IFRS adoption in Saudi Arabia

It is argued that IFRS adoption will improve companies' reporting quality and, therefore, attract more direct foreign investment in Saudi Arabia (Herath and Alsulmi, 2017; Nurunnabi, 2018). Saudi Arabia has participated in the G20 meetings since 2008, as one of the 20 largest economies in the world. In 2009, the G20 meeting concluded with a recommendation that a single set of accounting standards should be established to strengthen the financial system (G20 London Summit, 2009). According to SOCPA, "Saudi Arabia is [was] the only country of the group of twenty that did not adopt or have a road map to apply the international standards in future" (SOCPA. 2015). SOCPA has, therefore, studied the standards and concluded that the advantages of applying IFRS outweighs the disadvantages (*ibid*). Therefore, SOPCA launched the 'SOCPA Project for Transition to International Accounting Auditing Standards'. This project was completed in 2018 as all of the listed companies on

Tadawul now apply IFRS. SOCPA (2019) states, in the Global Competitiveness Report which is issued by the World Economic Forum, that Saudi Arabia has made advances in terms of the strength of its auditing and reporting standards. Dr. Ahmed Al-Meghames, the Secretary-General of SOCPA, believes that this improvement is due to the transition from local standards to the International Accounting Standards (SOCPA, 2019).

5.5. Conclusion

This chapter presented an analysis of the research context, Saudi Arabia. The chapter, first, highlighted the emergence of Islamic banking throughout the Muslim world. The colonisation of the Muslim world was identified as a factor that has shaped the banking model of IBs. This model was then transferred to Saudi Arabia when the first Saudi IB was established in 1987. The chapter then focused on Saudi Arabia as the context of the research. The main characteristics of Saudi Arabia (i.e., political, social, and economic factors) were highlighted. Furthermore, the emergence of the economic environment of Saudi Arabia was discussed in light of postcolonial theory. The chapter then concluded by highlighting several relevant contextual factors that are believed to be reviving the Saudi economic environment (i.e. Vision 2030, IFRS adoption).

6. Chapter Six: Content Analysis

6.1. Introduction

This chapter presents the findings of the content analysis of the IBs' reports. The main aim of this chapter is to answer the research objective of exploring the social reporting practices of Saudi IBs embedded within the context. Further, this chapter aims to shed light on the other three research objectives, on which the interview analysis will extensively focus. A thematic content analysis was applied to 32 IBs reports (25 annual reports, five stand-alone CSR reports and two integrated reports), as explained in the methodology chapter. This chapter is divided into two main sections. The first section will provide the findings of the thematic content analysis of the reports, which resulted in six main themes, namely: (1) Sharia-related information; (2) the Sharia supervisory boards (SSBs); (3) references to the government; (4) environmental disclosure; (5) references to employees; and (6) social involvement. These themes will be presented and supporting quotes will be provided. The second section will discuss these findings from a postcolonial 'orientalist' perspective. This discussion will inform a fair portion of the interview analysis (in the next chapter). Most of the issues discussed in the second section of the content analysis will be taken up again in the interview chapter for further elaboration.

6.2. Main themes within the reports

6.2.1. Sharia-related information

One of the prominent themes within the reports is Sharia. All of the reports, either implicitly or explicitly, refer to the IBs' commitment to adhering to Sharia law. Such a commitment is usually presented in all sections of the reports (i.e., the chairman's statement, the CEO's statement, the BOD report, and the auditors' report). For example:

> "Alinma Bank is committed to conduct its business in compliance with Sharia'h." (Alinma Bank, 2015, p. 34)

Alinma Bank, Al Rajhi Bank and AlBilad Bank have designed their vision and mission statements to include their Sharia commitment. For example, AlBilad Bank (2018) states that the vision of the bank is:

> "to be the best choice in offering true Islamic banking solutions." (p. 9)

In addition to their Sharia commitment, other Sharia-related sub-themes can be extracted from the reports, such as the use of Islamic phrases and symbols, showing support for the Islamic banking sector, utilising authentic Islamic products, and disclosing any non-Sharia-compliant income. The following subsections will discuss these topics.

6.2.1.1. Islamic phrases and symbols

Related to Sharia, some of the analysed reports contain Islamic phrases and symbols. These phrases are either written in Arabic using English letters, such as (Insha'Allah), which translates as 'God willing', or are fully translated into English (i.e., God willing). Most of the IBs begin their report by stating the name of Allah[38], which is common practice among Muslims. For example, the chairman and CEO's statements of AlBilad Bank (2015) begin with the phrase:

[38] Allah is the Arabic term for God.

"In the Name of Allah, Most Gracious, Most Merciful…" (p.16, 18)

Similarly, the statement of AlJazira Bank's CEO starts with a famous Arabic phrase that is frequently used at the beginning of any presentation. This phrase is translated from Arabic.

> "Praise be to Allah, the Almighty, the Lord of the worlds, and Prayers and Peace be upon his Messenger Prophet Mohammed, and his Descendants and all his followers." (AlJazira Bank, 2017, p. 9)

Furthermore, the Islamic greeting (i.e., May peace be upon you) is sometimes used at the beginning of different sections within the reports. For example, the BOD report of Al Rajhi Bank (2016) begins:

> "…May peace be upon you, The Board of Directors is pleased to share with you this annual…" (p. 10)

In addition, pictures containing geometric patterns, that are associated with Islamic art, as well as pictures of historic Islamic mosques are sometimes included within the reports (examples are provided below).

Figure 6.1: A picture containing geometric patterns, that are associated with Islamic art.

Source: NCB annual report (2017, p. 52).

Figure 6.2 The Prophet's Mosque in Al-Medina

Source: NCB annual report (2018, p. 49)

6.2.1.2. Support for the Islamic banking sector

A common Sharia-related theme is the commitment among certain IBs to supporting Islamic finance in general and the Islamic banking sector in particular. This is sometimes confirmed by making statements that suggest such a commitment, or actually engaging in activities that support Islamic finance. Some reports go as far as to suggest that the banks operate beyond Saudi borders (at the international level) in order to promote and develop the Islamic banking sector. In a section dedicated to explaining its international operations, Al Rajhi Bank (2017), which operates in Jordan, Kuwait, and Malaysia, suggests that:

> "the goal of our international work is to contribute as an Islamic Bank to the promotion and development of Islamic banking in countries we are present by offering innovative banking products." (p. 47)

Other IBs disclose information about actual initiatives that they have implemented with the aim of supporting the Islamic banking sector. For example, NCB (2016) suggests that:

> "The eighth annual symposium of the Shariah Group took place during the year, which reflects the Bank's concern to support the Islamic banking industry and to create opportunities for its future growth and development." (p. 39)

Similarly, AlBilad Bank (2018) suggests that the Sharia group[39] of the bank:

> "contribute in spreading the awareness of Islamic Banking inside and outside the Bank, like printing scientific research project … that aim at spreading the Sharia knowledge in connection with jurisprudence of financial transactions and Islamic economy." (p. 45)

6.2.1.3. Islamic financial products

Islamic finance pursues various financing methods, as discussed in previous chapters. Two popular forms are PLS (and its derivatives) and *Qard Hassan*. The reports reflect some utilisation of authentic Islamic financial products. In terms of PLS, AlBilad Bank is the only Saudi IB that disclosed its PLS financing activities (on the assets side) within the consolidated financial statements for the period under review (i.e., 2015-2019). However, this disclosure ceased in 2018. In 2017, the total finance of Musharaka (a PLS derivative) was almost SAR 1.5 billion (slightly below half a billion US Dollars), which is less than 4% of the total financing activity of the bank. During the three years for which PLS was disclosed (i.e., 2015, 2016, and 2017), the layout for the note 'net financing' within the consolidated

[39] Sharia group refers to the department that contains all Sharia employees such as secretary, Sharia audit persons and the SSB members.

financial statements allows the reader to distinguish between PLS finance and debt-based finance. Table 6.1 imitates the net financing table of AlBilad Bank (2017, p. 133). As the table shows, there are two classifications regarding the financing activities of the bank, namely: (1) the type of finance; and (2) the group of borrowers. PLS, by its nature, always falls under the commercial classification. However, the commercial classification is not exclusive to PLS, as debt-based financing methods can be utilised in a commercial manner. AlBilad Bank (2018 and 2019) showed different layouts for the note 'net financing' within the consolidated financial statements. The classification of whether the finance is PLS or debt-based is disposed, while the other classification is kept. In other words, the table of 'net financing' can only show whether the finance is commercial of consumer. Therefore, it has become impossible to distinguish between PLS and debt-based financing within the commercial category.

Table 6.1: The layout of the net financing table of AlBilad Bank from 2015 to 2017.

	Commercial			Consumer	
	Bei ajel (debt-based)[40]	Ijarah (debt-based)	Musharaka (PLS)	Installment Sales (debt-based)	Total
Performing	X	X	X	X	X
Non-performing	X	X	X	X	X
Total	X	X	X	X	X

On the other hand, all five IBs, except for AlJazira Bank, disclosed that they utilise PLS contracts with their customers' deposits (on the liabilities side):

[40] Parentheses have been added by the researcher in order to assign every product to its origin (PLS or debt-based).

> "during 2015, the Retail Banking group introduced several new products and services in an effort to provide comprehensive banking solutions that enhance partner potential, such as the Savings Account, which gives partners a Shariah-compliant, Mudaraba option (PLS) for utilizing and increasing savings." (Alinma Bank, 2015, p. 22)

AlBilad Bank develops this aspect by disclosing the actual proportion of customers' deposits that are PLS-based. For example, in 2019, the total amount of PLS deposits was over SAR 19 billion, which accounts for approximately 29% of the total customers' deposits (AlBilad Bank, 2019, p. 146).

In terms of *Qard Hassan*, several IBs mentioned some degree of implementation of this product. AlJazira Bank, through its CSR reports, provides some data about *Qard Hassan*. For example, the number of recipients who benefited from *Qard Hassan* in 2019 was 1,769 (AlJazira Bank CSR report, 2019, p. 23). The way in which the bank utilises *Qard Hassan* is unique. The bank creates *Qard Hassan* portfolios and appoints charities to run these portfolios to provide finance to the beneficiaries of those charities. In addition, NCB disclosed that, through its CSR programme, *Qard Hassan* has been utilised to empower women:

> "This program provides small groups of three to five women with unsecured microfinance... NCB provides financing as a soft loan without charge, ranging from SAR 3,000 to SAR 10,200 per program participant." (NCB annual report, 2019, p. 69)

6.2.1.4. NCB Islamic transformation process

As mentioned in the context chapter, NCB announced, in 2014, a five-year plan to become a fully-fledged IB. NCB has been updating the users of the annual reports on the bank's progress regarding this transformation, which is summarised in Table 6.2. Based on the table, the Islamic transformation of assets, total financing, operating income and corporate financing increase over the years. However, the liabilities and treasury seem to perform relatively poorly, as they both scored less in 2019 compared with 2015. NCB's reports (2015-2018) indicate that the bank is committed to this transformation:

> "the Bank's management affirms its commitment to disclose developments in its Shariah-compliant banking transformation plan in its annual Board of Directors' Report." (NCB, 2015, p. 33)

Table 6.2: Islamic transformation of different aspects

	2015	2016	2017	2018	2019
Assets	66%	73%	74%	77%	77%
Total Islamic financing	82%	82%	85%	84%	85%
Liabilities	79%	78%	81%	79%	77%
Operating income	77%	75%	80%	81%	82%
Corporate financing	67%	69%	73%	74%	75%
Treasury Islamic sukuk	NA	68%	64%	70%	63%

Source: Author's own, based on NCB's (2015, 2016, 2017, 2018 and 2019) annual reports.

NCB (2019), nevertheless, has now removed this statement, which was consistently present from 2015 to 2018. Interestingly, the deadline for the Islamic transformation was 2019. NCB (2019), further, does not mention this deadline nor disclose any extension to it. Further elaboration will be provided later in this chapter.

6.2.1.5. Non-Compliant-Sharia Income

Within the Islamic banking sector, some sources of income might conflict with Sharia due to the nature of contemporary financial transactions. Therefore, the concept of 'purifying' non-Sharia-compliant income features frequently within the Islamic banking sector. Two of the IBs (i.e., Al Rajhi Bank and AlBilad Bank) revealed their policy regarding non-Sharia-compliant income, while the other three IBs did not:

> "In accordance with the Sharia Authority's resolutions, special commission income (non-Sharia compliant income) received by the Bank, is excluded from the determination of financing and investment income of the Bank, and is transferred to other liabilities in the consolidated statement of financial position and is subsequently paid-off to charities institution." (Al Rajhi Bank, 2018, p. 148)

Similarly, AlBilad Bank (2016) revealed its policy:

> "Revenues Excluded from the Consolidated Financial Statements: From time to time, the Bank's Shariah Board ensures the application of legitimate decisions. In case of recognizing the revenues accidentally or inadvertently, the Board of Directors will, at the request of the Bank's Chief Executive Officer, agree to exclude these revenues from the Group's revenues and dispose of them permanently." (p. 90)

Al Rajhi Bank treats such an issue differently because it is the only IB that allocates an item to non-Sharia-compliant income within 'other liabilities' in its consolidated financial statements. Although AlBilad Bank has revealed its relevant policy, the actual amount of its non-Sharia-compliant income has not been disclosed. The other three IBs do not mention any relevant information concerning this topic. The non-disclosure of the other three IBs might imply that they do not generate any non-Sharia-compliant income. However, it seems hard to imagine that a bank can completely avoid generating any non-Sharia-compliant income at all in the financial environment.

6.2.2. The Sharia supervisory board (SSB)

Another prominent theme within the reports is related to the SSB. The difference between the previous theme (Sharia-related information) and this one is that the former focuses on statements or practices that indicate the bank's commitment to adhering to Sharia law. This theme, on the other hand, focuses on the mechanism whereby this commitment is honoured. This mechanism is represented by the SSB. All five IBs disclosed some information about their SSB. A common practice within the reports was to indicate that the bank had assembled an SSB to oversee the bank's operations from the Sharia perspective. For example:

> "the Bank brought together an independent Sharia Board, … to ensure Sharia compliance both within the Kingdom and beyond." (Al Rajhi Bank, 2018, p. 57)

All five IBs made similar statements in this regard. Therefore, it is fair to suggest that all Saudi IBs explicitly disclose information about the existence of their respective SSB, which is responsible for supervising the bank's operations from a Sharia perspective. The reports also provide other information regarding the SSB, which will be discussed in the following sub-sections.

6.2.2.1. Names and Qualifications of the SSB Members

All five IBs disclosed the names of their respective SSB members in their annual report. The only exception was Al Rajhi Bank, where the names of the members are disclosed on the bank's website. As of 2019, there were 21 seats for Sharia members across all five IBs because some of the SSBs had five members and others only three. These seats, however, were occupied by only 15 members. Three of the IBs (i.e., NCB, AlBilad Bank and AlJazira Bank) shared the same SSB chairman and deputy, while the other two SSBs were led by two different scholars. This practice suggests that cross membership is acceptable within the Saudi banking sector. However, the new 'Sharia Governance Code of Saudi Arabia' rejects cross membership due to the likelihood of it causing conflicts of interest and breaches of IBs' confidentiality (Sharia Governance Framework, 2020). Regarding the qualifications of the SSB members, it seems that Fiqh (Islamic law) in general and Fiqh related to the economy specifically overwhelmingly dominate the sector. For example, Alinma Bank (2019) suggests that its SSB's members:

> “are specialized in the jurisprudence of Islamic finance and economics.” (p. 44)

6.2.2.2. The role of the SSBs

Some of the analysed reports summarise the SSB’s role within the IB (i.e., AlJazira Bank, AlBilad Bank, and Al Rajhi Bank). Overall, the roles of the SSBs, according to the reports, can be categorised as an ex-ante Sharia audit, an ex-post Sharia audit and the calculation of *Zakah.* The first role suggests that the SSBs are responsible for examining and approving products, contracts, and agreements from the Sharia perspective prior to them being launched on the market.

> “The Bank does not apply any product, contract or agreement without the consent of the Shariah Board.” (AlBilad Bank, 2017, p. 48)

Not only do the SSBs approve financial products but some also participate in developing Sharia-compliant products. For example, Al Rajhi Bank (2018) suggests that one of the roles of the SSB is:

> “participating in the development of Sharia products.” (p. 57)

The second role of the SSB appears to be to audit the bank’s operations from a Sharia perspective. This ‘ex-post Sharia audit’ is conducted by an audit department of the SSB. The reports of two of the IBs (i.e., Al Rajhi Bank and AlBilad Bank) explicitly referred to the existence of an audit department within their SSB, while the other IBs referred to a similar practice during the interviews. The audit departments of the SSBs regularly visited the other departments of the bank to check that their conduct is in line with what the specific SSB has stipulated:

> “(the Sharia audit department) … performs Sharia audits of the Bank’s business through automated systems and field visits … (to ensure) adhering

> to the decisions and recommendations of the Sharia Board." (Al Rajhi Bank, 2019, p. 50)

In addition to the ex-ante and ex-post Sharia audits, the SSBs are also responsible for ensuring that Zakat is calculated according to Sharia law:

> "…ensure that Zakat is calculated in accordance with the rules and principles of Islamic Sharia." (AlJazira, 2019, p.178)

It seems that the SSB members are excluded from participating in the formation of the IBs' social role. Instead, the SSBs' core role revolves around managing the financial transactions of the IBs (the ex-ante ex-post Sharia audits and the calculation of *Zakah*). This 'Sharia management' is concerned with issuing ruling decisions about these financial transactions (i.e., declaring them either legal or illegal from a Sharia perspective). Such a responsibility corresponds with the members' qualification (i.e., Fiqh) because such a discipline is concerned with Islamic law (i.e., declaring transactions either legal or illegal from a Sharia perspective).

6.2.2.3. Quantitative information

Some of the analysed reports provide quantitative data about the activities of the SSBs. In this regard, one of the most common types of information provided is the number of meetings held during the year. For example:

> "…in 2015, five (5) Shariah Board meetings, and…were held." (AlBilad Bank, 2015)

Moreover, some of the IBs provided the number of outputs (i.e., decisions, resolutions or Fatwas) produced by their SSB. For example, Al Rajhi Bank (2017) suggests that its SSB:

> "issued (42) decisions and (260) guidelines." (p. 44)

NCB (2016) was more specific regarding the nature of the resolutions issued by its SSB. NCB (2016) states that the SSB held 12 meetings during 2016, and then adds:

> "these meetings concluded with the provision of support and development of eight new products ready for deployment, improvement of 26 existing products, and the review and approval of 26 contracts and executive documents. The Board approved the structures and documents of 10 investment sukuks for certain customers along with mechanisms and documents of obligation rescheduling for customers whose salaries have been impacted due to the structuring of public sector employees' salaries in the Kingdom."

6.2.2.4. The SSB reports

Of the five IBs, only one bank (i.e., AlJazira Bank) published its SSB report within its annual report. The SSBs' reports of the other four IBs are not disclosed, which will be explored further in the interview chapter. Only five SSB reports were available due to the 'time horizon' of this research (i.e., a five-year period) and the non-disclosure of the other four IBs. It seems reasonable to include the SSB reports of AlJazira Bank which were published prior to 2015. The inclusion of these older reports might enrich the analysis, as this will bring the total number of reports to 12 instead of five. On these grounds, it was decided to include the older SSB reports of AlJazira Bank in the analysis. The oldest available SSB report within AlJazira Bank's annual reports is that for 2008. Therefore, the reports included in the SSB analysis date from 2008 to 2019 (12 reports in total).

All of the SSB reports of AlJazira Bank (i.e., 2008-2019) addressed the bank's shareholders at the beginning, except for the 2008 report. For example, AlJazira Bank (2016), after praising God, states that:

> "Dear Shareholders,
> The Shariah Board has reviewed and…" (p. 49)

This practice implies that such reports are of interest only to the shareholders, rather than a wider audience. The SSB report (2008) states the opinion of the SSB regarding the Sharia compliance of the bank without addressing any particular group. The year 2008 was a special year for AlJazira Bank, which might explain this exception. In 2008, the bank became a fully-fledged IB. The whole of the 2008 report was focused on this successful conversion. It is possible that such a transformation is of concern to the whole community rather than solely the shareholders. Therefore, the shareholders were not exclusively addressed. The SSB report (2008) confirmed that the whole operations of the bank were now aligned with Sharia law. In addition, a message was sent to all of the conventional banks with Islamic windows in Saudi Arabia to take the conversion of AlJazira Bank as an example and follow their lead:

> "The Shari'ah Board wishes that AlJazira Bank, through this effort, will provide an example for other banks to emulate in order to convert fully into Islamic Banks." (p. 22)

In 2009, 2010 and 2011, the SSB reports made at least four critical comments regarding the bank's compliance with Sharia law. These comments ranged across different aspects, such as *Zakah* and non-Sharia-compliant income. For example, the SSB report (2011) suggests that:

> "(1)
> The Bank did not provide us … any reports pertaining the gains made through sources or methods prohibited by the Islamic Shari'ah
> (2)
> The Shari'ah Board has noticed that the Bank is still using accounting terminology such as loans, advances and deposits (with reference to Murabaha) in their financial statements and notes. Therefore, the Shari'ah Board again requests the Bank's Management to comply with the Shari'ah terminology that conforms to the actually used structures.
> (3)
> The Shari'ah Board has noticed that the Bank is still keeping SAMBA stocks .... Thus, the Board re-urges and requests the Bank to quickly sell those stocks ...
> (4)

The Shari'ah Board has already advised the Bank to task the chartered accountant to prepare the Zakat amount as per the Shari'ah standards and calculate the Zakat amount per share and present the results to the Shari'ah Board before approval. … the Shari'ah Board is not sure of the method followed in calculating the Shari'ah Zakat on the Bank's financial statements of 2011." (SIC) (AlJazira Bank, p. 36).

Such a critical opinion is rare in the Islamic banking sector in Saudi Arabia. Due to the power assigned to the SSBs by the general assembly, the management are expected to take action in response to the SSBs' comments. This is because the SSBs' decisions must be followed. The SSB report of AlJazira Bank (2012) responded as follows to the four comments made by AlJazira Bank (2011):

"After reviewing the Bank's efforts over the past year, the Board finds that the Bank has begun to address these observations (the four comments). Implementation of the Sharia Board's recommendations are expected to be completed by end of fiscal year 2013." (AlJazira Bank, 2012, p. 58)

In 2013, the SSB report did not contain any further comments about these issues. Indeed, the SSB reports from 2013 to 2019 are identical to each other, as the content of the reports was reduced to a statement that is simply repeated every year. The reports (2013-2019) start with a couple of sentences explaining the main responsibility of the SSB and how the supervision is carried. Then, the SSB reports conclude with the same statement, which is:

"In the final opinion of the Shari'ah Board all contracts, operations and transactions executed by the Bank during the period mentioned in the report are compliant with the rules of Islamic Shari'ah. The observations related to some non- Shari'ah compliant instances reported in the annual report of Shari'ah compliance review do not materially affect in the overall operations of the Bank." (SIC).

As this quote suggests, the criticism mentioned in the earlier reports is replaced with a statement that does not specifically explain the Sharia compliance of the bank. This style of reporting makes it impossible to identify the type and severity of any 'non-Sharia compliance' conduct, which raises questions about such a change in style. This will be discussed further below.

6.2.3. Reference to the Government

Government-related information is also a prominent theme within the reports. All of the IBs' reports referred to the government at least once. The Saudi government, through various entities, such as the Public Investments Fund (PIF), the General Organization for Social Insurance (GOSI), and the Public Pension Agency (PPA), is a recognisable shareholder on the Tadawul (the Saudi Stock Market Exchange). As of September 2020, 55% of NCB was owned by the government through the three governmental bodies. In addition, the government owns 10% of Alinma Bank through PIF, while GOSI owns 5.86% of Al Rajhi Bank. Regarding the other two Saudi IBs (i.e., AlJazira Bank and AlBilad Bank), their degree of government ownership is not disclosed because it does not exceed 5% (if it exists at all). Nevertheless, these two IBs disclose as much information about the government as the other three IBs which are partially government-owned. Therefore, the ownership aspect seems to be less relevant in this regard. In general, the reports show an appreciation of the government and confirm that IBs are aligned with the government's vision and strategies.

6.2.3.1. Appreciation of the government:

Showing an appreciation of the government, represented by the King, Crown Prince and Deputy Crown Prince (when this position was filled in 2015 and 2016) was common practice among all of the IBs. All of the annual reports, without exception, begin with personal photos of the King and Crown Prince (as well as the Deputy in 2015, 2016). AlBilad Bank (2015, 2016), which is not owned by the government, went further to include photos of former

Kings of Saudi Arabia. In addition to these photos, most of the reports show other types of appreciation, such as praising the King and Crown Prince. For example:

> "King Salman bin Abdulaziz Al Saud's first year on the throne was a milestone for Saudi Arabia. The Kingdom has injected new dynamism into the economy through an improved productivity and investment-led transformation." (AlJazira Bank, 2015, p. 8)

In addition, most of the Chairman and CEO's statements as well as the BOD reports conclude by expressing their gratitude to the King, Crown Prince and other related governmental officials and entities for their support of the banking sector. For example:

> "The Board of Directors is pleased to express their pride in the positive results achieved by the Bank in 2016. On this occasion, the Board wants to convey its appreciation to the Custodian of the Two Holy Mosques (the King), Crown Prince and Deputy Crown Prince and our wise Government." (Al Rajhi Bank, 2016, p. 30)

6.2.3.2. Supporting government policies and Vision 2030

One of the oldest surviving government policies is concerned with unemployment among native Saudis. The policy is called 'Saudisation', which aims to reduce the unemployment rate by replacing foreign employees with Saudis. Since the public sector is overwhelmingly populated by Saudis, the government has passed several acts, programmes and policies to enhance the number of Saudi employees within the private sector, which is dominated by foreign employees. It is argued that such a policy will help to reduce the unemployment rate. Indeed, Vision 2030 includes the 'Saudisation' policy on its agenda.

The Saudisation rate in IBs seems to be one of the most consistent pieces of information, which the reports update every year. Furthermore, most of the IBs have stated a commitment to supporting the Saudisation policy. Overall, the Saudisation rate in the banking sector exceeds 90% in most cases, which is a relatively higher rate compared to many other sectors:

> “(the bank has) continued efforts to strengthen Saudization initiatives to achieve 91.8%.” (SIC) (Al Rajhi Bank, 2017, p. 48)

Vision 2030, which was introduced in April 2016, particularly emphasises the employment of Saudi women, as it urges their inclusion in the workforce. Interestingly, several IBs began to disclose relevant information, such as the percentage of female Saudi employees within the IBs and their commitment to this policy, immediately after Vision 2030 was introduced. The first annual reports to include such information were those published from 2017 onwards, and not a single report mentioned employing Saudi females prior to that date:

> “The Bank continued its commitment to empowering women by increasing female participation in the workforce. New hires in 2019 were 20.5% female and women now account for 13.5% of total employees.” (NCB, 2019, p. 27)

Similarly:

> “Meanwhile, the Saudization of our staff continued in support of the goals of the Kingdom’s Vision 2030, reaching 96% in 2019, and our female workforce increased by 14.8% this year to account for 14.8% of the Bank’s employees – a 70% increase since 2015.” (Al Rajhi Bank, 2019, p. 19)

Following the introduction of Vision 2030, IBs started to disclose information regarding the various programmes of Vison 2030. Generally, IBs explicitly state that their activities, operations and plans are aligned with Vision 2030 and its programmes.

> “Being the Kingdom’s largest financial institution, NCB plays a pivotal role in supporting Saudi Vision 2030 and its multiple programmes.” (NCB, 2017, p. 12)

Some IBs have gone further to disclose information about their internal programmes that were designed in correspondence with Vision 2030. One of the key programmes of Vision 2030 is housing, which aims to increase the percentage of Saudi families’ ownership of houses to 70% by 2030. The government expects Saudi banks to play a key role since they are the financing force behind this program. All Saudi IBs have disclosed some information about products that were designed specifically for the housing program:

> "During the year, the Bank launched 15 high-demand new products and features in the home financing space, such as self-construction and off-plan, which were supported by government initiatives." (Al Rajhi Bank, 2018, p. 60)

Furthermore, one of Vision 2030's goals is to increase household savings from 6% to 10% by 2030. Some IBs reacted to this goal, such as Alinma Bank, which created a corresponding savings account:

> "One of the bank's standout products in 2017 was the Alinma Family Account. This innovative, first-of-its-kind product is an important tool for families focused on saving, financial planning and…additionally, this new product falls in line with Vision 2030 saving objectives." (Alinma Bank, 2017, p. 18)

6.2.4. Environmental Disclosure

Only three Saudi IBs have provided some environmental disclosure within their annual reports. Most of the environmental disclosure concerned the environmental initiatives that were undertaken by the banks. Some reports, however, went beyond presenting environmental initiatives. Those reports either stated the IBs' commitment to preserving the environment or mentioned their existing environmental policy. For example, AlBilad Bank (2017), while stating the bank's view of its social responsibility, suggested that:

> "The social responsibility for AlBilad Bank is the constant commitment of the Bank towards the society … through …, avoiding harming the environment, rationalizing of natural resources Utilization, …" (p. 31)

Al Rajhi Bank (2018) has also listed the environment as a stakeholder among a further seven stakeholders. Furthermore, Al Rajhi Bank (2019) goes further to suggest that not only does the bank recognise its responsibility towards the environment but also has an environmental screening policy which aims to allow them to avoid financing environment-damaging projects:

> "As the world's leading Islamic banking institution, we provide ethical screening …. We have procedures in place which assess environmental risks and ensure products we fund do not have a negative impact on the environment." (p.58)

In terms of initiatives, all three IBs disclosed some environmental initiatives that were implemented during the period under review. NCB, for example, launched a campaign to encourage the bank's customers to print fewer receipts when using cash machines. The cost saved by such an operation is donated to charity:

> "NCB also continued its 'No Receipt Print' campaign to preserve the environment by reducing paper consumption." (NCB, 2019, p. 70)

AlBilad Bank, in 2018 and 2019, also disclosed information about five environmental initiatives. For example, the bank established a 'research chair' for the environment:

> "AlBilad Research chair for environment Sustainability & food security: Established a chair for AlBilad Bank's environment, sustainability and food security, in partnership with King Faisal University in Al-Ahsa." (AlBilad Bank, 2019, p. 49)

Moreover, the bank introduced a cleaning initiative, which aimed to remove rubbish from the bed of the Red Sea:

> "Cleaning Jeddah Sea-Front in (Western Region): In collaboration with the Governorate of Makkah Region and professional divers, AlBilad Volunteer Team participated in cleaning Jeddah Sea front. The cleaning campaign lasted six months and extracted, from the seabed, more than five tons of environment – harmful garbages." (AlBilad Bank, 2018, p. 31-32).

6.2.5. Reference to Employees

Employee-related information is also a prominent theme in the reports. All of the banks referred to their employees in relation to different aspects, such as training. In addition, several reports also provide quantitative information about their employees. Most commonly, the reports disclose the Saudisation rate within those IBs, as discussed earlier, as well as the overall number of employees of the bank:

> "At the end of 2016, the number of Bank employees has reached 3,441 employees compared to 3,499 employees by the end of 2015." (AlBilad Bank, 2016, p.57)

Other reports disclosed the number of new hires during the year. For example, Al Rajhi Bank (2018), along with stating its overall number of employees, adds that:

> "Being the largest banking employer in KSA, we recruited over 725 new employees during 2018." (p. 71)

In terms of training, the majority of the IBs disclosed information about training programmes that were designed to develop their employees' skills. Some IBs also showed a commitment to their employees' development:

> "AlBilad Bank is always proud of its constant care about its employees, as we…in addition to our commitment to develop their skills, provide specialized training programs and give them opportunities to achieve progress in their professional lives." (CEO's statement of AlBilad Bank, 2017)

In addition to training, most of the reports expressed their appreciation and gratitude to their employees. In this regard, some of the IBs consider their employees the most valuable resource of their entire operation. For example:

> "The Bank considers its employees its most valuable assets and most important tools for conducting its business." (AlJazira Bank, 2017, p. 56)

Most of the IBs also disclosed information about programmes that allow employees to own some of the bank's shares. Such programmes aim to motivate and retain employees.

However, most of this information is presented from an accounting perspective and is included in the auditor report, which implies that such information is mandatory. On the other hand, AlJazira Bank disclosed information about a CSR programme that aims to help employees who are facing difficulties, which cannot be overcome within the employees' system (i.e., salary or medical insurance):

> "In order to provide services to the bank's employees, which contribute to bearing some of the burdens that might face them, this program is designed to contribute to supporting the material, health, educational and caring needs in accordance with certain conditions and procedures." (The researcher's own translation, AlJazira Bank's CSR report, 2016)

6.2.6. Social Involvement

Most of the analysed reports contain a section (or sometimes more than one) that demonstrates the banks' ties with the community within which those IBs operate. Such information is mostly provided under a section entitled 'CSR' or 'social responsibility of the bank'. Two of the IBs (namely, Al Rajhi Bank and AlBilad Bank) mention that they conduct CSR in accordance with an existing CSR policy:

> "The bank has an approved policy for social responsibility, which aims primarily to promote the role of the bank in the community." (The researcher's own translation, Al Rajhi bank, 2015, p. 26)

However, neither IB revealed their CSR policy. The CSR sections within the analysed reports provided other information, which will be discussed in the following sub-sections.

6.2.6.1. How IBs see CSR

Two of the IBs (namely, NCB and AlBilad Bank) explicitly state their view concerning socially responsible behaviour. Those two IBs suggest that their social responsibility emanates from the notion that they are Islamic entities. For example, AlBilad Bank (2016) suggests that CSR is a religious commitment, among other commitments:

> "AlBilad Bank believes that its social responsibility is a moral, religious and legal commitment by the bank to the community to achieve solidarity and cooperation..." (AlBilad Bank, 2016, p. 27)

Similarly:

> "…(the bank) continued support for the Bank's corporate responsibility programs based on its responsibility towards the community as a Shariah-compliant financial institution." (NCB, 2015, p. 33)

However, such narratives dramatically changed in 2017, when the Islamic factor was removed. The new narratives shifted slightly towards a more international tone of CSR. NCB, for example, simply removed the relevant quote from its reports (2016-2019). Furthermore, the CSR narratives in different places within the NCB's reports also changed by eliminating the link between CSR and Islam. For example:

> "being highly passionate about serving society, NCB continues to play its community role." (CEO's statement of NCB, 2018, p. 11)

AlBilad Bank also changed its view of CSR from an Islamic commitment to a more global view. Specifically, AlBilad Bank replaced the statement "moral, religious and legal commitment" with a statement that refers to corporate citizenship:

> "the social responsibility for AlBilad Bank is the constant commitment of the Bank towards the society that emerges from its awareness of its national role and its contribution in the society as a responsible cooperate through having high professional…" (AlBilad Bank, 2017, p. 31)

Similarly, the chairman of AlBilad Bank (2017) implies the triple bottom model of profit, people and planet in discussing the social responsibility of the bank:

> "The board of directors, in order to achieve its vision and objectives towards the society, has paid special attention to the main three elements of the society – environment, development and people- out of its community-based responsibility."

Further elaboration will be provided in the discussion section.

6.2.6.2. Quantitative information

Most of the IBs' reports, especially those published in the last three years, provided some quantitative data about the IBs' social involvement. For example, some of the reports indicated the amount paid to the CSR programmes and the number of beneficiaries of those programmes. Most recognisably, Alinma Bank announced that a fixed percentage of its annual income would be allocated to CSR expenditure:

> "The Alinma Bank General Assembly approved, at its meeting on April 6, 2017, the allocation of an amount not exceeding 1% of annual net profits to a dedicated reserve account for community service. Use of the funds is subject to program needs and approval by the Alinma Bank Board of Directors."

Although the notion of 'not exceeding 1%' is very wide and can result in dramatically different outputs, such a move by Alinma Bank might be considered a huge step in the CSR field within the Kingdom. Other banks also disclosed their annual spending on CSR programmes. For example, Al Rajhi Bank (2017), when explaining the details of CSR, states that:

> "Total amounts paid to social and volunteering activity is SAR 15,121,040." (p. 33).

In addition, the CSR reports of AlJazira Bank (2015-2019) state the number of beneficiaries of every CSR programme. For example, AlJazira Bank (2019) suggests that the total number of people who benefited from the CSR programmes was 7,653 (p. 6). Furthermore, AlJazira

Bank (2015-2019) discloses the actual amount paid to CSR in the consolidated financial statement, located under the item ‘other liabilities’.

6.2.6.3. CSR programmes and initiatives

AlJazira Bank and NCB are the only Saudi IBs with a CSR programme with a specific vision and goals. All of their CSR efforts are dedicated to achieving the goals of those programmes. The other three IBs did not disclose any information about such CSR programmes. Instead, they disclosed information about CSR initiatives, which change every year. For example, one year, an IB can create a CSR initiative that is concerned with the environment, which might be replaced the following year by one concerning education. In NCB, the CSR programmes (for the period 2015-2019) comprise three pillars; namely, women’s empowerment, youth empowerment and child empowerment:

> “NCB continued its distinguished history within corporate responsibility, in accordance with the strategy launched by the Bank in late 2014 under the name of Ahalina, focusing on supporting and empowering three vital community segments: women, youth, and children.” (NCB, 2016, p. 42)

The CSR programme of AlJazira Bank, on the other hand, contained from five to nine pillars (for the period 2015-2019). The core pillars, which were consistent throughout these years, were: (1) training and preparing fresh graduates for work; (2) supporting the disabled community; (3) developing the skills of the third sector leaders; (4) providing Qard Hassan in partnership with charities; and (5) offering an employee support programme.

Overall, philanthropy represents a considerable portion of the IBs’ CSR. Some IBs donate directly to charity or those in need, and disclose the relevant information. For example, Al Rajhi Bank (2017) suggests that the bank has made:

“payment of home rents for the prisoner’s family.” (SIC) (p. 55).

Other banks were creative in terms of donating to charity. For example, NCB, through its ‘no receipts printing’ campaign, donated the annual savings arising from this operation to various charities. Other banks provided different services to charities, which were included within the CSR section. For example, the list of CSR contributions of Alinma (2017) includes:

> “Opening of a chartable account for Charitable Society for Orphan Care and the Down Syndrome Charitable Association. The bank included these entities in the list of organizations to which bank partners can donate from their current accounts.” (Alinma Bank, 2017, p. 28)

Philanthropy can also be seen in the reports through the IBs ‘CSR’ activities related to the disabled community. Such activities are mostly conducted through a charity specialising in services for disabled people. For example, AlJazira Bank allocated a special programme in its CSR portfolio to the disabled community, in which all disability initiatives are carried out in partnership with charitable organisations. In 2018 and 2019, there were 40 disability initiatives carried out with at least 35 different charitable organisations across Saudi Arabia (Al Jazira’s CSR report 2018; 2019). Furthermore, and as mentioned in the previous quotes, the Charitable Society for Orphan Care, the Down’s Syndrome Charitable Association and Children with Disability Association (NCB’s partner for the ‘no receipts printing’ initiative) were financially supported by Alinma Bank and NCB.

6.3. Discussion and Conclusion

The previous sections of this chapter provided the findings of the thematic content analysis of the 32 reports (25 annual, five CSR and two integrated reports). Consistent with many studies in the literature, the IBs’ disclosure included social and environmental dimensions. Those dimensions range across different topics, such as employee-related matters, communities and the environment, and include various information about those topics. More specifically, six main themes emerged from the reports, about which most of the IBs consistently provide information. Those themes are: (1) Sharia-related information; (2) the Sharia supervisory boards (SSBs); (3) references to the government; (4) environmental disclosure; (5) references to employees; and (6) social involvement. The social reporting of IBs, as can be seen, is not confined to conventional dimensions (themes). Instead, the social reporting of IBs includes some unique information that reflects the IBs' identity. For example, all of the IBs showed their commitment to operating in accordance with Sharia law and provided information about their SSB. One might argue that such disclosure is specific to IBs, which engage in different social reporting practices compared with other institutions.

It is true that the social reporting of IBs have some particularities that can hardly exist anywhere else. However, and considering the richness and depth of the source from which IBs are supposed to construct their identity (i.e., Islam), such particularities barely reflect Islam. In other words, the social reporting of IBs barely goes beyond stating their Sharia commitment. Many important and relevant Sharia aspects seem to be overlooked by the reports. Most importantly, the reports seem to overlook the fundamentals that distinguish IBs from CBs, such as *Riba*, as well as the actual impact of the IBs' operations on Saudi society, as Sharia law specifies. The following paragraphs will attempt to demonstrate that the analysis of the reports highlighted five aspects, in which a deviation by the IBs from Islamic conduct might be noted. In other words, the local practices have gradually been displaced by other practices.

The first aspect is the implementation of certain authentic Islamic financial products, specifically PLS and *Qard Hassan*. Although some of IBs have never implemented those authentic products, a few of them have done so in an awkward manner. In terms of the implementation of *Qard Hassan*, it has been achieved via an 'outsourcing' method, where the product is not a core business (like *Murabah* or *Ijrah*). Such a practice does not necessarily require full disclosure because the product is simply not part of those IBs' operations. In such a case, *Qard Hassan* seems to be excluded from the mainstream financial activities through which IBs function. Information about *Qard Hasan* is, therefore, provided in a charity-like, 'CSR' style. For example, the *Qard Hassan* of AlJazira Bank is operated by different charities, in which AlJazira Bank only plays a funder role.

On the other hand, although AlBilad Bank is the only Saudi IB that disclosed some utilisation of PLS on the assets side, such disclosure stopped in 2018. With such non-PLS disclosure, the Islamic banking sector in Saudi Arabia has failed to disclose its authentic financial practices, except for the charity-like, voluntary practice of *Qard Hassan*. Instead, the whole sector relies heavily on debt-based, Western-style financial products. Although the other four IBs did not disclose any information about PLS throughout the period under study (i.e., 2015-2019), AlBilad Bank's decision to align with them by dispensing with its PLS disclosure is striking. The reasons for this decision by AlBilad Bank are, unfortunately, not outlined in the reports. Nevertheless, it might be fair to suggest that such a practice by AlBilad Bank and the other four IBs (i.e., non-PLS disclosure) implies that they are experiencing a deviation from Islamic conduct, in which local practices (PLS products) are displaced by Western-style ones (debt-based). The interview analysis should reveal more about the reason for the neglect of PLS and other authentic Islamic financial products.

The second aspect, although exclusive to one IB, is NCB's Islamic transformation process. The deadline for the transformation was supposed to be 2019. Nevertheless, NCB has neither successfully completed the transformation process nor provided an explanation for its failure to meet the deadline. It is understandable that such a transformation can be challenging and might take longer than five years. However, the bank's silence about missing the deadline raises critical questions, one of which is whether or not the bank remains committed to the plan. Such a critical position of NCB's transformation process is boosted by three events. First, NCB has repeatedly stated its commitment to continue disclosing the Sharia transformation progress since the start to 2018. When the 2019 deadline arrived, this commitment was removed from the report, even though the bank has not successfully completed the process (NCB, 2019). Second, the decision to transform NCB into an Islamic bank was made during the $6 billion initial public offering process in 2014, as discussed in the contextual analysis chapter. The Fatwa of the highest religious body in the Kingdom was a serious concern to NCB's management, as this might have led to a shortage of demand for NCB's shares. NCB's management immediately responded with a plan to transform the bank into a fully-fledged IB within five years. Some critics, at the time of the IPO, argued that such a transformation is political in nature. Nevertheless, the IPO was successful, and the bank has been updating the public on the Islamic transformation. Third and most importantly, while the public was awaiting the successful Islamic transformation of NCB, the bank started talks to acquire Riyadh Bank in December 2018 (Nair et al., 2018), which is a Saudi CB with an Islamic window. Several Islamic banking critics argue that Riyadh Bank is the most conventional bank is Saudi Arabia. Such an acquisition, if successful, would prove a serious setback to the transformation process. This acquisition would notably decrease the percentage of the Islamisation process of the bank, just one year before the deadline of the transformation. When the talks were announced, the Islamic transformation was not mentioned anywhere, suggesting that it might be irrelevant to the acquisition. However, the talks between the two banks have collapsed[41] because, ironically, they could not agree on a valuation (Martin, 2019). Those three events raise questions about this transformation plan, which NCB fails to answer in its reports. Nevertheless, the transformation's failure strengthens the assumption that the Islamic banking sector in Saudi Arabia, represented by NCB in this case, is experiencing a deviation from Islamic conduct.

The third aspect is related to the IBs' views of socially responsible behaviour. Two IBs explicitly referred to how they perceive CSR. AlBilad Bank (2016) and NCB (2015), as discussed earlier, suggested that their social responsibility emanates from the notion that they are Sharia-compliant. Both banks, however, changed their view on CSR in the following years. Both IBs removed the 'Islamic factor' from their view of socially responsible behaviour. The new view of both of these IBs tends to resemble that of the international community, where CSR no longer emanates from a particular religion or culture. The former position of both IBs (linking CSR to Islam) might imply a different understanding of socially responsible behaviour in comparison to the conventional 'international' understanding, which IBs might not necessarily subscribe to anyway. Furthermore, being a Sharia-compliant bank would typically entail different functions and, therefore, the social responsibility of those banks would be accordingly affected. For example, the removal of *Riba* must have social implications for Saudi society. Further, providing Islamic banking instead of conventional

[41] In October 2020, after the collapse of the talks with Riyadh Bank, NCB announced that had agreed to buy SAMBA Bank of Saudi Arabia, which is considered a conventional bank with an Islamic window. Interestingly, there was no mention of NCB's transformation process.

banking must also have social implications for Saudi society, but the IBs have not touched upon such issues in their reports.

IBs, instead, tackle CSR issues in a conventional 'Western' manner. Instead of reporting the actual impact of IBs' operations on Saudi society, as Sharia law specifies, IBs tend to present their CSR in a public-relations, image-building manner. It seems that IBs tend to overlook addressing aspects that make these IBs Islamic, from a CSR perspective. This includes those IBs which fervently link themselves to being Islamic. For example, some IBs have attached an 'Islamic finance vocabulary' sheet to the annual reports to explain the meaning of the most common terms within Islamic finance (Al Rajhi Bank 2018, p. 217-218; AlBilad Bank, 2019, p. 182). However, even these Islamic terms have never been used in the reports, apart from in the glossary itself. Therefore, it might be fair to suggest that the social reporting of IBs has been limited to them stating their commitment to operate in accordance with Sharia law. Several important issues, such as the impact of Sharia on IBs' operation and, consequently, the impact of IBs' operation on the communities, tend to be ignored in the reports. Such a practice might suggest that the IBs address CSR from a Western rather than an Islamic approach, suggesting a deviation from Islamic conduct. This issue will be elaborated on further in the interview analysis.

The fourth aspect is related to the SSB reports, which provide an assurance that IBs' operations are aligned with Sharia law. Nevertheless, AlJazira Bank is the only Saudi IB that has disclosed its SSB reports. The other four Saudi IBs have not included their SSB reports within the annual reports, at least since 2015. Although the IBs' claim, through the reports, that they are Sharia-compliant, they seem hesitant to disclose the very opinion that would validate such a claim. The lack of relevant regulations might explain the absence of the SSB's voice. This is especially true considering that the Malaysian branch of Al Rajhi Bank discloses its SSB reports, while Al Rajhi Bank of Saudi Arabia, which is the bank's headquarters, does not. Nevertheless, the absence of the SSB reports of these four IBs raises critical questions about their Sharia practices. This aspect will be investigated in the interview analysis in order to provide some logic for such a lack of reporting.

AlJazira Bank has been disclosing its SSB reports since, at least, 2008. The SSB reports from 2009 to 2011 were very critical in tone, especially that for 2011, as it provides four comments about the bank's compliance with Sharia law. Those comments concerned: (1) non-Sharia-compliant income; (2) the use of non-Sharia terminology, such as "loans"; (3) illegal investments from the Sharia perspective; and (4) the method through which *Zakah* was calculated. However, since 2013, the SSB reporting practice of AlJazira Bank has dramatically changed. The critical points were replaced with a cliché that is repeated every year, indicating that the bank is Sharia-compliant and that any Sharia-misconduct does not materially affect this compliance. As a result, it has become impossible to assess the actual Sharia-related performance of the bank. Furthermore, although three of the comments provided by the SSB report in 2011 are untraceable, one (i.e., accounting terminology) can be traced throughout the reports. AlJazira Bank still uses terms such as "loans", "advances" and "deposits" (with reference to *Murabaha*), against the advice of the SSB, although the SSB report of 2012 stated that all four comments would be dealt with by 2013. Since this comment remains open six years after the SSB's deadline, the realisation of the other three requests of the SSB is questionable. This raises other questions about the SSB's function within these IBs. In any case, the SSB reporting practice of AlJazira Bank has become more passive, unlike in the early years following the bank's conversion into a fully-fledged IB (i.e., 2008-2012). Such passive SSB reporting practices might imply a deviation from Islamic conduct, where accountability and transparency are key in reporting.

The fifth and final aspect is related to non-Sharia-compliant income. Only two IBs have revealed their policy in regard to such income, while the other three fail to mention any related notion. Such silence might imply that these IBs do not generate any non-Sharia-complaint income. However, this is not the case because non-Sharia-compliant income is inevitable in the current, Western-built financial environment. Further, IBs are connected with the international banking system, which forces them at times to generate non-Sharia-compliant income. Therefore, encountering non-Sharia-compliant income is the norm in such an environment, and concealing this encounter (non-disclosure) might be problematic as it raises questions about these IBs.

Even those banks that have revealed their non-Sharia-compliant income have done so from a purely technical, accounting perspective. Both IBs disclosed such a policy in their auditors' report, where non-financial aspects are mostly ignored. Therefore, the policy of these two IBs explains why some income has been removed from assets to liabilities. However, information, such as why it was necessary to undertake those transactions (Maali et al., 2006), is completely overlooked by the reports. In addition, the SSBs' opinion about these transactions and the process of disposing of the income (Maali et al., 2006) are also overlooked by the reports. Such disclosure is important because it allows the readers of the reports to assess the Islamic compliance of these IBs. Nevertheless, three IBs have chosen to completely ignore this aspect, while two have discussed it only from a technical, accounting perspective. In any case, IBs seem hesitant to disclose such an important aspect of the current Islamic banking conduct. This aspect will be investigated further in the interview analysis.

Overall, the analysis of the reports has highlighted some deviation from the Islamic conduct, in which the local authentic practices are displaced. This is despite some particularities attached to the reports. However, those particularities seem to be inconsistent and narrow, which lack relevant and important Sharia aspects. Further, the reports are driven by financial emphasis, which might not be surprising considering that the reports explicitly address the shareholders. In other words, the reports have not unfolded as much non-financial issues as the financial ones. The prefix 'Islamic' is expected to influence IBs' practices, and consequently, IBs' social reporting practices. However, the Islamic influence on IBs' reporting is barely evident. This deviation might be explained by the current environment, within which IBs function. The interview analysis will pick up some of the points in this chapter for more elaboration. Then, the discussion chapter will discuss the findings of both chapters in relation to the literature.

7. Chapter Seven: Interview Analysis

7.1. Introduction

This chapter highlights the findings of the interview analysis. As discussed earlier, a total of 27 interviews were conducted with relevant persons in the banking and CSR field. The participants included Sharia officials, board members, corporate governance managers, government officials, CSR managers, IBs' employees and CSR activists. The interview guide included themes such as CSR, Islamic banking and disclosure. This chapter is divided into three main sections. Each section aims to satisfy the three research objectives associated with the semi-structured interview method. Further, this chapter will shed more light on some of the aspects that emerged in the content analysis chapter. Before presenting the chapter, a reminder of the participants is provided in the following table:

Table 7.1 Information about the participants

Abbreviation	Position	Abbreviation	Position
P1	CSR manager	P15	Sharia senior consultant
P2	CSR manager	P16	Sharia department employee
P3	CSR deputy manager	P17	Board member
P4	CSR deputy manager	P18	Corporate governance manager
P5	CSR deputy manager	P19	Corporate governance manager
P6	CSR deputy manager	P20	CSR consultant
P7	CSR employee	I1	SSB member (outside IBs)
P8	CSR employee	I2	Sharia expert
P9	CSR employee	I3	Ex- corporate manager of an IB
P10	CSR employee	I4	Governmental official
P11	SSB member	I5	Governmental official
P12	Sharia department manager	I6	CSR activist
P13	Sharia department manager	I7	Representative of a CSR's NGO
P14	Sharia department manager		

7.2. CSR Perception and Practice

This section aims to satisfy the first objective of the research, which is to explore the perception of CSR among Saudi IBs that are embedded within the context and how this perception shapes the current CSR practice. The participants were asked general questions about CSR, such as how they understand it, why Islamic banks practise CSR, and how CSR is conducted, together with relevant follow-up questions. Some of the initial themes emerged, which will be highlighted in this section. The section starts by outlining the participants' perceptions of CSR. Some of the participants explicitly described CSR by drawing on its origin, as Islamic or Western. The first view signifies a position whereby CSR is seen through an Islamic lens, whereas the second view signifies a position whereby it is linked to the international context, mostly the West. Several factors associated with those two views will also be discussed. Then, the interplay between the Islamic and Western view of CSR will be explored. The last section concludes with a discussion of how IBs' practise or attempt to practise CSR, informed by the findings of the content analysis method.

7.2.1. An Islamic View of CSR

The participants were asked to describe their understanding of CSR. Some of the participants argue that it is rooted in Islamic culture and has been practised for a long time under different labels. In addition, they argue that viewing CSR through an Islamic lens entails a different understanding of it. In other words, most of the participants in this category argue that IBs, and any other organisation that describes itself as Islamic, should practise CSR in a slightly different way because they are committed to Sharia. This difference is usually expressed by attributing Islamic philosophical views to IBs, such as *Takaful*, which consequently entails a different understanding of the relationship between a business and society. Other participants, who share the same view, express the difference between ‘Islamic’ and mainstream CSR by merely assigning more responsibility to IBs. In other words, the nature of CSR is identical, except Islamic organisations should practise CSR more frequently than others because of their Sharia commitment. This is mostly expressed through quantitative terms. For example, P13, when asked whether being an Islamic bank influences CSR, he replied:

> I think the mindset of society pressures IBs to contribute more to social causes.

Those views are consistent with NCB (2015) and AlBilad Bank (2016), who both linked their CSR to the fact that they were Islamic entities. Nevertheless, these views underwent major shifts in the subsequent years, as the content analysis revealed. The following two subsections will expand on this Islamic view.

7.2.1.1. Philanthropy

Arguably, the most popular form of CSR in Saudi Arabia is philanthropy, as the literature suggests. Charity is historically rooted in Islamic culture. Saudis, either individually or institutionally, were practising charity even before the formal introduction of CSR into the Saudi business environment. The data contain cases where the participants draw on charity to describe their understanding of CSR. For example, P2 argues:

> In Islamic culture, *Zakah* is the minimum CSR. Charity is the maximum. You must pay *Zakah*. You’ve no choice. However, charity isn’t compulsory and doesn’t have any limit. I’m not saying CSR is charity but it’s a similar concept in that it isn’t compulsory and doesn’t have a limit.

Further, Muslims believe that philanthropists are promised high rewards by God. Several participants referred to God's rewards when describing CSR. For example, P11, when discussing the benefits of CSR for the broader society, suggests:

> Those who practice CSR, I urge them to do it not because it's CSR, but because it's philanthropy, which will be rewarded by Almighty God.

In a similar vein, P5 explains a CSR project that was conducted by his IB for the sake of God's reward. The project concerned disclosing documents containing Islamic banking procedures, which he believes to be confidential. He goes on to explain why the bank eventually decided to disclose those documents to the public to support the Islamic banking sector. When asked what motivated this project, he replied:

> We were seeking God's reward when we decided to publish it.

Similarly, another participant was very critical about disclosing all of the CSR practices of Saudi IBs. He identifies some activities that should not be disclosed because this would harm the beneficiaries. This participant believes that any CSR activity that is linked to helping poor people (i.e., philanthropy) should not be disclosed via any channel because this would cause embarrassment for the recipients, which is against Sharia law. P15 argues:

> I disagree that all CSR activities should be disclosed. There are some CSR programs which are designed to help the poorer members of society. When those people see their picture on the news, benefiting from our CSR, it'll hurt them. It'll cause embarrassment, which is against Sharia.

As the comment suggests, the participant argues that the secrecy of some CSR must be upheld in order to be in line with Sharia law. This thought is consistent with the philanthropic view, in which charity is encouraged to be kept secret to gain God's reward.

7.2.1.2. Takaful and Islamic Accountability

Several participants suggested that Islamic culture encourages *Takaful*, which translates as "solidarity". *Takaful* means that all of the members of a society should help each other. The participants in this category argue that Islamic CSR is achieved through *Takaful*. For example, P4, when asked why IBs practise CSR, replied:

> Islamic organisations have an extra layer [to CSR] which is the notion of *Takaful*. This is relevant to the responsibilities of IBs. I think one of the main principles of Islamic banking is *Takaful*.

P4 goes on to explain a CSR project that has been conducted by his IB. He argues that the primary motive for this project was inspired by the notion of *Takaful*. He further explains:

> We (the bank) have created this programme as a result of our commitment to *Takaful*. That is what differentiates us (Islamic banks) from CBs.

On the other hand, other participants argue that being an IB entails having a different type of accountability to society. Therefore, the bank becomes accountable to society in a way that reflects its Islamic identity. For example, P13, when asked a follow-up question about the motive behind an interesting CSR initiative that he mentioned, replied:

> I think this's because, in the first place, our bank wants to show its complete commitment to Sharia, which is reflected in our contribution to society.

In a similar vein, P4 was asked about why his bank is active in publishing CSR information. He replied:

> We truly feel a responsibility of being an Islamic bank. We started practicing and disclosing CSR in […], which is a year after we became a fully-fledged Islamic bank. This hint tells you how we look at CSR.

7.2.2. A Western View of CSR

Several of the participants, on the other hand, explicitly linked CSR to the West or its Western conceptualisation. They argue that the notion of CSR is a Western product that has emanated from the new economic and business structure. This notion then spread to Saudi Arabia, as a result of globalisation. This view does not necessarily exclude the possibility that CSR might have some Islamic history. Nevertheless, it suggests that CSR should be perceived and practised according to its modern (i.e., Western) manifestation:

> CSR is a Western capitalist product that does not principally harmonise with capitalism. CSR was developed to alleviate capitalism's pressure on these societies. CSR was well-established then by Western governments when they designed incentives for companies to practise CSR. Then, the concept was brought to us with this very name. (I1)

The following two subsections expand on this Western view, while the third subsection provides some opposition to this Western view of CSR.

7.2.2.1. Motivations for CSR

The participants were asked why Islamic banks practise CSR. Several participants listed a set of objectives, which are consistent with a Western capitalist viewpoint of profit maximisation. In other words, CSR is considered a tool for achieving financial rewards in both the short- and long-term. For example, P10, when asked why his bank practises CSR, listed the CSR goals that his bank wishes to achieve, such as improving its reputation, customer acquisition and customer retention. He concluded:

> In the end, we're a profitable company. We don't pay 1 SAR (Saudi Arabian Riyal) in CSR without knowing how much this'll return to us as profit.

It is possible that P10 is exaggerating here. Nevertheless, the comment hints at an understanding of CSR that is consistent with the instrumental views of it, in which it is utilised to achieve capitalist objectives. This view features in many of the participants' responses when asked why IBs practise CSR. This view seems to oppose the Islamic view, where CSR is practised in order to gain God's reward. The proponents of this view argue based on different grounds, all of which can be linked to profit maximisation. For example, P1's motivation for practising CSR emanates from a marketing perspective, which can ultimately be linked to profit maximisation:

> Involvement in CSR for us (Islamic banks) and conventional banks is for the same reason, improving our reputation. We practise CSR in the hope that a customer will choose us as a result of our social commitment.

Further, several participants argue that IBs practice CSR because they understand that doing so will improve the national economy of the country. Consequently, the bank will, in turn, be positively affected by this healthy economy. P16 further explains:

> Economically speaking, CSR'll improve the conditions in society. If the conditions are improved, and the poor have more money to spend, the purchasing power will increase and thereby the services of the bank will be in greater demand, which in return will generate more profit for the bank.

The commonality between all of the comments in this category is that the motivation for practising CSR emanates from a Western capitalist viewpoint rather than an Islamic perspective. In other words, the proponents of this view consider CSR a tool for profit maximisation. The participants who share this view do not distinguish between IBs and CBs with reference to CSR. Instead, they argue that CSR is a new notion for the business environment and, therefore, IBs and CBs implement CSR similarly.

7.2.2.2. Globalisation and Superior CSR Practices

In addition to the motivation for practising CSR, which signifies a position that is consistent with a Western capitalist profit maximisation view, several participants explicitly argue that the CSR concept is of a global nature. In this regard, the participants consider CSR to be a phenomenon that has been fostered globally, mostly by the West. This theme is consistent with the CSR views identified through the content analysis, where IBs tend to consider CSR as a global phenomenon. The participants do not always link CSR to the West, although CSR is still viewed according to its conventional Western themes. These participants argue that the new world order compels companies to practise CSR. For example, P14, when asked why IBs practice CSR, suggests:

> CSR is a trait of a civilised nation. Any country that considers itself civilised should practise and disclose CSR.

In this regard, the participants suggest that CSR reflects an international identity and should be promoted on these grounds. These participants do not necessarily neglect the Islamic nature of CSR, but argue that its contemporary international nature has overwhelmed its Islamic nature. For example, P12 suggests:

> CSR has been well-conceptualised internationally, mostly by the West, although it was initially an Islamic approach. I think we should press for CSR based on these grounds [global and Islamic].

P2 offers a similar argument:

> There is a fundamental pillar which is in the roots of the Islamic culture urging for social responsibility. This is evident in *Zakah* and charity. Nowadays, the label has changed. Globalisation and the one global culture have created the current name they call CSR. […] plus, CSR has become an integrated part of contemporary business structure. Society will punish us if we do not practice CSR as it is understood today, although we have been practising CSR way before but under different labels.

The international discourse in regard to CSR in general seems to influence some of the relevant IBs' decisions. For example, when the participants were asked about the environmental responsibilities of IBs, one participant explained his IB's philosophy regarding the environment. He explained in detail an interesting environmental project that the IB had conducted under his supervision, of which he is very proud. When asked why such a project was prioritised by the bank, he replied:

> This project was a result of our concern about the environment. If you look at the National Geographic website, they mark […] with a yellow dot and […] with a red dot (indicating the highest degree of danger). […] was marked red. If we hadn't acted on this, who would've done?

In some instances, the participants directly referred to the West when describing their understanding of CSR. One of the recurrent views that emerged from the transcripts was that Western CSR practices provide a role model for Saudi IBs to follow. In this regard, the Western practices of CSR are perceived as superior to the Saudi ones, whereby Saudis are encouraged to adopt Western practices. For example, I5 suggests that the Saudi government should establish a CSR concept to hold companies accountable. I5 considers the international CSR standards, which are mostly driven by a Western understanding of CSR, superior to the Saudi CSR practices:

> The main principles of CSR must first be established by the Saudi government. Then, Saudi companies are free to adopt either the ISO 26000 or the SDGs to conduct their CSR. This is the real CSR, not the charity work they're engaged in today, which they call CSR.

Similarly, other participants refer to CSR practices that are purely philanthropy-based, which are to some extent practised in Saudi Arabia, as reflecting a partial and inferior understanding of CSR. These participants argue that the scope of 'proper' CSR is wider than philanthropy. They mostly refer to the Western conceptualisation to provide the 'proper' understanding of CSR. For example, P18 draws on John Elkington's triple bottom line to describe CSR:

> We must distinguish between CSR and philanthropy. CSR consists of three dimensions, which are people, the planet and profit. Philanthropy is just a part of CSR.

A similar conceptualisation was also observed in the content analysis, where AlBilad Bank was found to have shifted its CSR view from an Islamic commitment to a secular one, referring to the three elements of CSR; namely, the environment, development and people. In addition, several participants evaluated the CSR practices by considering whether such practices are implemented by the West. In this case, the participants considered the CSR practices employed by the West as superior, so Saudi IBs should follow and adopt such practices. For example, P12, when asked about the notion of ethical investment and its applicability to IBs in a dialogue about the environment, suggests that such a notion should be introduced to the Islamic banking sector. He then emphasises that the West employs such a practice; hence, Saudi Arabia should follow the West's lead:

> […] nowadays, it's a trend among banks in the USA and other countries to look at how socially responsible a company is, before financing it. That is responsible investment. It is yet to be introduced here. (P12).

Similarly, other participants sought to justify their own CSR practices by drawing on the Western practice of CSR. For example, P16, when discussing why his own IB practises CSR, replies:

> CSR is practised almost everywhere. If you look at the American or European banks, they allocate special funds for CSR purposes because they understand its importance.

As this comment suggests, the fact that Westerners practise CSR is considered sufficient reason for Saudi IBs to practice it also. If the West fails to adopt a given practice, it would be rejected by Saudis on this ground. Although the West is vast and incorporates different philosophies, the participants tend to reduce the West to a purely capitalist view. In other words, if a Western CSR practice is not aligned with this purely capitalist view, the participants would reject that practice. For example, P17, when was asked about green finance and its applicability to Islamic banking, argues:

> I don't think there's a bank in the world that applies green finance. The oil and other environmentally-damaging companies are financed by big banks, such as X, Y and Z (referring to leading banks in the UK). Without these banks, the oil companies would not exist. I honestly don't think there's a bank in the world which can apply this (green finance) unless it's a weird, small bank in a tiny village in the UK.

This perceived superiority usually inspires mimicry. The CSR practices of IBs mimic those of the West because such practices are regarded as superior. For example, several participants argue that the CSR practices of IBs are the outcomes of the CSR practices of CBs. CBs are usually associated with the West, since they tend to adopt the Western style of banking:

> I don't see any difference between IBs and CBs' practices of CSR. Whatever CBs do, IBs do exactly the same. If CBs don't practice CSR, IBs certainty won't. (P11).

This superiority, which results in mimicry, features in the interview transcripts. This view is supported by the idea that CSR may become more common in Saudi Arabia when the Saudi market attracts more Western investors. These participants argue that Western investment would improve the CSR in Saudi Arabia. This view suggests that Western investment would be accompanied by Western values concerning CSR, which the participants regard as superior. For example, P12 argues:

> I'm sure that, when Western investment starts in the Saudi market, many positive regulations in regard to CSR'll be introduced. For example, X company (a company that causes notable environmental damage in Riyadh) would not exist if the market was fully open to Western investors. The West does not tolerate environmental damage; and they will definitely develop strict codes for financing such companies.

Nevertheless, these views, which regard Western CSR practices as superior, are not unopposed, as the next section will highlight.

7.2.2.3. Opposition to the Western View of CSR

Several participants were highly critical of the Western view of CSR being implemented in the Saudi context. Most of the participants in this category argue that the CSR concept is Islamic, so mimicking the CSR activities of the West might prove problematic. For example, P11 argues that:

> CSR is something we (Muslims) did not understand from our Sharia. We just brought the concept from the West. […] we (Muslims) originally engaged in similar practices. If you read Maqasid Al-Sharia, you will discover how much reward someone can get from God by practising so-called CSR.

As the previous comment suggests, the participant argues that the Islamic culture, specifically Maqasid Al-Sharia, includes CSR elements, which might be rewarded by God. Another participant drew an interesting comparison between the Islamic and Western approaches to CSR:

> The Western approach to CSR is from a material viewpoint, whereas the Islamic approach to CSR is from a value viewpoint. This is the difference between Western and Islamic CSR. (I6)

As the previous comment suggests, the participant argues that there is a distinction between Islamic and Western CSR. The latter is materialistic, in which material objectives are pursued, while the former is concerned with adding value to society, in which material gain might not be an objective. As the previous two comments show, several participants express concern about mimicking Western CSR. They argue that the idea of CSR has a longstanding history in the Islamic culture. Therefore, mimicking the CSR of the West might change its nature, through which the end product of CSR might lack an Islamic spirit. Many of the participants in this category, who were relatively few in relation to the overall number of participants, argue for CSR practices that reflect the local culture. For example, I7, when was asked whether there should be a common definition for CSR in the context of Saudi Arabia, suggests:

> It is very important to develop a CSR understanding that is in alignment with Saudi culture.

He later stresses the importance of considering local values:

> If you look at ISO 26000, the Saudi government was conservative about some of the standard elements. They are inapplicable to the Saudi context. We just have values that contradict several elements. Thus, we cannot apply all of ISO 26000.

Further, several participants argue that CSR is sometimes promoted based on the assumption that the globe shares the same concerns, which these participants reject. They argue that CSR should be concerned with the satisfaction of local needs and aspirations, which is achievable only through understanding the specific nature of a society. For example, P6 explains:

> We have terminated our agreement with an international consultancy firm. They come from a completely different background and design CSR programmes for a society that they have never been to. We couldn't approve any of their programs because they do not understand our society.

In a similar vein, one participant was highly critical of the imposition of an international agenda in regard to the environment. He believes that such an agenda places huge pressure on IBs to allocate some of their resources towards achieving this goal, even though they may not necessarily agree with this agenda. In this regard, P4 argues that it is important to prioritise local needs over the international agenda of CSR. When asked about the banking industry's responsibility towards the environment, he replied:

> Well, the discourse on sustainability suggests that it has to reflect the environment, economy and society; you know, let me call it a utopian view. Our communities are in a great need of other things. I'm not saying that the environment is not important. What I mean is that our society has different priorities. If you impose certain environmental agendas on us, while we see other more important issues, I think this is unfair to our society.

Similarly, P11, when asked about the Islamic nature of contemporary CSR in the context of Saudi Arabia, was highly critical of the application of a different agenda that does not reflect the society. He went on to explain all of the barriers that obstructed his proposed CSR project to help those who were unable to meet their financial obligations. P11 concludes:

> We don't think of our needs through our pure minds. Unfortunately, we think of our needs through Western institutions. This style of thinking won't help us.

7.2.3. The interplay between the Islamic and Western Views

The interplay between Islam and globalisation seems to create some doubts and conflicts. When conducting CSR, some IBs struggle to strike a balance between 'modern' and Islamic CSR. For example, P3, when asked about how his IB practises and discloses its CSR, touched on an interesting aspect, in which the interplay between Islam and globalisation can be observed:

> […] in the past, everyone knew that our bank provided CSR, with no marketing objectives. It was normal for us not to disclose anything in regard to CSR. We believed that such a contribution should be confidential. After 2016, things changed. We started to disclose our CSR contributions because people started pressuring us to contribute to society, so the policy now is to disclose our CSR to the minimum acceptable degree.

As this comment suggests, this IB used to practise CSR probably as philanthropy because the participant suggests that it was preferred to keep this contribution secret, which is the Islamic approach to philanthropy. The policy of this IB was imbued with the Islamic philosophy. However, the new business environment and the nature of the relationship between businesses and communities have influenced how this IB practises CSR currently. In this regard, the practice of hidden CSR is no longer applicable. Another participant, similarly, argues that society pressures businesses to be socially responsible and to disclose their contribution, which conflicts with the Islamic philosophy. P2 argues:

> There is a fundamental pillar which is in the roots of the Islamic culture urging for social responsibility. This is evident in *Zakah* and charity. Nowadays, the label has changed. Globalisation and the one global culture have created the current name they call CSR. […] plus, CSR has become an integrated part of contemporary business structure. Society will punish us if we do not practice CSR as it is understood today, although we have been practising CSR way before but under different labels.

These participants argue that conducting CSR in accordance with the Islamic view of keeping the philanthropic contribution secret to gain God's reward is no longer applicable. They suggest that the contemporary nature of business compels them to incorporate CSR practices that correspond with such a nature. In this regard, P1, when asked about the barriers to conducting CSR in the context of Saudi Arabia, replied:

> Not getting enough media exposure. You know we're a profitable organisation that is owned by shareholders who want to see positive financial results at the end of the year. When we engage in CSR activity, and we don't get enough credit, this could hurt our business. It's true that we want to be generous and charitable but, at the same time, we want to get some positive financial rewards from CSR.

P10 argued in a similar vein when explaining how his bank chooses a CSR initiative:

> Sometimes, I receive a request from a charity in X city (a very small town on the edge of Saudi Arabia) to fund their projects. I'm not saying they don't deserve funding. They probably do, as they have poor families to look after but, in the end, we want to benefit from such projects. Yes, we will be rewarded by God anyway, but I'd rather find another project where we'll both be rewarded by God and achieve the marketing objective.

7.2.4. The Actual CSR Practices of IBs

This section discusses the second part of the first research objective, which is to explore the actual CSR practices of IBs. Some relevant aspects were already discussed in the content analysis chapter, where the actual social reporting practices of IBs were analysed. Nevertheless, this subsection attempts to develop and advance the ideas discussed in the last chapter with reference to the primary data. The content analysis revealed that IBs approach CSR in a conventional 'Western' manner, in which the factors that make IBs Islamic from a CSR perspective are mostly overlooked. IBs, instead, tend to disclose their CSR in a public-relations, image-building style. Several important Islamic related themes, such as the impact of Sharia on IBs' operations, and, consequently, the impact of IBs' operations on communities are mostly ignored by the IBs' social reporting.

The transcripts revealed a persistent view that IBs can only practise CSR by conducting physical CSR activities. That is, responsible, Sharia-approved banking conduct that is mindful of its social impact might not be considered CSR. Rather, random community activities, such as cleaning a national park or paying poor people's rent, seem to be considered proper CSR. Therefore, CSR practices can be seen only through a narrow framework of initiative-based CSR practices. An interesting story that can best explain this initiative-based framework emerged during the data collection. While interviewing a deputy CSR manager in his workplace at an IB's headquarters, the researcher noticed large recycling bins in the middle of an office where approximately 50 employees have their desk. During the interview, the participant was asked about the environment in general. He explained the bank's concern about the environment and listed six environmental initiatives that it had implemented. He did not mention the recycling bins. When asked about them later, he replied:

> Yes, this's the bank's policy. They (the management) have removed all of the small wastebins from our offices. If we (employees) want to throw something away, we have to go to those bins. (P3).

As this comment suggests, the participant seems to fail to make a connection between this practice (i.e., the use of recycling bins) and CSR. Even when asked directly about it, he avoids classifying this practice as CSR. This might be because this practice does not fit an initiative's criteria, where a project has a start and end date. Further, this practice, which seems to be environmentally responsible, was not disclosed in this IB's reports from 2015 to 2019.

According to this initiative-based framework, monetary cost is expected to be involved when conducting these initiatives. Several participants argue that, for a company to practise CSR, it must first generate some profits in order to be able to 'carry out CSR'. For example, when the corporate governance manager of an IB was taking about how his respective IB started practising CSR, he suggested:

> We started practising CSR […] several years ago, immediately after we started paying dividends to our shareholders for the first time. You know, you can't start CSR unless you have established yourself well and started to make money.

In a similar vein, while discussing the role of CSR in society, P11 argued:

> If Saudi Arabia imposed income tax on companies, I'd confidently say that we don't need banks to pay CSR because the country would have sufficient money to fund everything we need, although I want them to pay for CSR anyway.

These initiatives are usually created by different parties (i.e., NGOs and charities) and then adopted by IBs. In these cases, IBs play the funder role while the NGOs and charities execute the CSR programmes, similar to the *Qard Hassan* programme which was highlighted in the content analysis chapter. These programmes can vary from health, education, environment and housing, to other, wide initiatives. IBs do not necessarily have a CSR agenda. Instead, IBs receive funding requests from NGOs and charities then decide which programmes are most aligned with their own views:

> Ninety-nine per cent of our CSR initiatives come from outside (mostly charities and NGOs). I study every inquiry and then write recommendations to the top management, who then make a decision. (P10).

In a similar vein, P5 comments:

> We always search for something special in terms of CSR. Most of our initiatives come from outside the bank. We don't have a stable program for CSR. We are very open to every inquiry we receive. We usually don't finance the same initiative twice.

This persistent view that CSR is entirely limited to physical activities seems to neglect important social aspects. For example, the social implications of providing Islamic banking instead of conventional banking in Saudi society cannot be appreciated or measured by the physical activities carried out by IBs. Equally, IBs' environmental impact cannot be measured by the environmental activities that they conduct. An IB may donate millions of Saudi Riyals to an environmental NGO while simultaneously financing an environmentally-damaging project because it is economically profitable. This IB would be considered socially responsible, in accordance with this persistent view, simply because of this initiative. Based on this view, CSR is observed solely through the narrow framework of initiative-based practices. Beyond this framework, the participants argue that IBs are no longer accountable. For example, P7, when asked about the social aspects of the financing activities of both IBs and CBs, suggested:

> IBs are not responsible for looking at the social impact of their financing products. CSR is nowhere to be found here in IBs' products.

Similarly, P9, when asked about the difference between IBs and CBs with reference to their social role, argued:

> When we say Islamic, the criteria of being Islamic is not what impact on society these banks have. Absolutely not.

In addition, P19, when asked about the green finance concept and its potential applicability to the Islamic banking industry, replied:

> My perspective of financing is that it is only based on the solvency of the customers because, in the end, IBs seek to maximise their profits. If the financed company has a negative impact on a community, then it is, in my opinion, the problem of that community and the local council to solve, not the bank.

Due to this view, most participants argue that there should be no difference between the CSR of IBs and that of CBs. Instead, the participants argue that, if there is a difference between IBs and CBs, it certainly cannot be found in the social impact aspect. In other words, the criteria for being an Islamic bank do not include any social elements. For example, P18, when asked about the differences between IBs and CBs in terms of CSR, commented:

> Not through CSR can you distinguish between IBs and CBs.

Similarly, I1 argues:

> CSR in IBs and CBs should be the same. Isn't CSR concerned with society? Then, society is for both types of bank.

The initiative-based framework, therefore, seems to be a popular approach through which CSR is practised in the Saudi IB context. Through this framework, other aspects that transcend physical CSR activities are not considered CSR. For example, the social impact of the elimination of *Riba* from Saudi society is not included in CSR and, indeed, never mentioned in the reports.

7.3. Globalisation and the Dual-Banking System

This section aims to satisfy the second objective of the research, which is to explore the influence of globalisation and the dual-banking system on IBs and, consequently, their CSR practices. The participants were not directly asked about their views of the dual-banking system, as the intention of the research was mainly focused on exploring why IBs have been criticised for not fulfilling their social objectives[42]. Instead, the participants were asked about some genuine Islamic practices, which are argued to have a positive social impact. IBs have barely or never implemented such practices, due to which IBs have been criticised the most in the literature. The participants explained why they think IBs cannot implement such practices. Their answers can all be linked to the fact that IBs operate in a dual-banking system, which is overwhelmed by globalisation. This objective should also provide some explanation of IBs' deviation from Islamic conduct, which was highlighted in the content analysis chapter.

Many participants have drawn on the contemporary institutional structure of IBs, which is adopted from CBs and a product of globalisation, as a barrier to authenticity (used interchangeably with genuineness). On the other hand, several participants have drawn on the effects of other aspects of globalisation, one of which is the increasing need to fuse with the globe in order to develop and flourish. This section starts by discussing the force of the dual-banking system and globalisation; namely, (1) an imagined global identity, (2) the

[42] This is related to the discussion provided in 'The Evolution of the Research from a Methodological Viewpoint'.

institutional structure and (3) the desire to develop. Then, the section moves on to discuss some of the conflicts that arise as a result of these forces.

7.3.1. The Force of the Dual-Banking System and Globalisation

7.3.1.1. A global Identity for Banks

The dual-banking system and globalisation seem to play a major role in shaping the contemporary function of IBs, which consequently have an impact on their CSR and the related social reporting. One of the elements that influences the contemporary functions of IBs is an imagined single global identity for all banks, which is strengthened by the adoption of the International Accounting Standards (IASs). That is, IBs assume that they are identical to their counterpart, expect with regard to Sharia violations. Such an identity may play a major role in limiting IBs from implementing genuine Islamic practices that are not followed in the conventional banking system. The participants, when asked about genuine Islamic practices, tend to draw on this imagined identity to evaluate the viability of such practices. In other words, a practice would be considered applicable or inapplicable, beneficial or worthless, by drawing on this global identity. During the process, the participants selected some of the leading banks in the world (i.e., always conventional leading banks), particularly from the USA and UK, as an example of conducting 'proper' banking. Based on these banks' behaviour, the participants would conclude that such a practice is applicable or inapplicable. For example, P17, when was asked about green finance and whether it is applicable to IBs, since they are linked to Islam, argued that such a concept is irrelevant to Islamic banking. He justifies his argument on the ground that there is no single 'proper' bank which applies such a concept:

> I don't think there's a bank in the world that applies green finance. The oil and other environmentally-damaging companies are financed by big banks, such as X, Y and Z (referring to leading banks in the UK). Without these banks, the oil companies would not exist. I honestly don't think there's a bank in the world which can apply this (green finance) unless it's a weird, small bank in a tiny village in the UK.

This identity represents the view of the mainstream Western institutions, from which any Western practice that does not correspond with this mainstream view is excluded. Therefore, the approach of the mainstream Western institutions is considered 'proper' banking conduct. In other words, what this view endorses is considered applicable, whereas what this view rejects is considered inapplicable. Similar to P17, P16, when explaining why IBs should practice CSR, concluded:

> If you look at the American or European banks, they allocate special funds for CSR purposes because they understand its importance.

This single approach is further strengthened by the adoption of IASs. The Saudi dual-banking sector requires all banks, whether IBs or CBs, to apply IFRS. Several participants refer to those standards as a barrier to implementing genuine Islamic practices. They argue that these standards are imposed by law and, therefore, Islamic authenticity might be disrupted. This disruption might have caused IBs to abandon certain genuine Islamic practices simply because they cannot be accommodated by these imposed standards. IASs are accused of Eurocentricity, from which Islamic and other non-Western cultural views about accounting are mostly excluded. Further, CSR always seems to be low on the agenda of the IASs. In this regard, P14, when explaining the non-existence of certain authentic Islamic practices, argued:

> We (IBs) are also obliged to function in accordance with the international accounting standards. These can sometimes limit our ability to apply such products (authentic Islamic products).

P14 further argues that, in order for IBs to be purely Islamic, they must impose these authentic Islamic practices on the world. This imposition requires power, which he believes to be lacking:

> We cannot apply such models (authentic Islamic practices) unless we are the strongest country on Earth. Then we can impose our standards on the globe, but that's another topic.

As these comments suggest, the contemporary environment of IBs, represented by the dual-banking system and the application of IASs, might hinder IBs from implementing certain authentic Islamic practices. Several participants note the lack of support for Islamic banking in Saudi Arabia as another barrier which has led to the adoption of this global identity. They argue that IBs might gain a more Islamic identity if they were supported. In this regard, P15, when justifying IBs' mimicking behaviour, argued:

> I believe that IBs can change to a better version but IBs have not received the full support to take such a step.

I3 makes a very similar point:

> Mimicry, to a great extent, is the actual function of IBs but we cannot blame IBs alone for this. Saudi Arabia is the biggest Islamic country with rich resources and one of the G20. The support of Islamic banking isn't as strong as it should be.

Neither participant clearly designates a group (or groups) who fail to offer this support. Nevertheless, it might be argued that, for IBs to advance their mimicry, collaboration between different groups (government-shareholders-SSB members-bankers-communities) seems vital. This is because genuine Islamic banking might be viable if there were a true belief in it among the SSBs, a real desire among the shareholders and bankers to invest in it, and corresponding facilitation by the government.

7.3.1.2. The Institutional Structure of IBs

In addition to the single global identity of banks and the support provided by the IASs, other aspects seem to play a major role in the contemporary functioning of IBs. Several factors may differentiate Saudi IBs from CBs, such as loan processes and the existence of SSBs. However, the institutional structure employed by both types of bank is the same:

> Islamic banks have worked only on fixing contracts which violate Sharia. The institutional structure is still the same (in comparison to CBs). (P12).

That is, the institutional structures of both IBs and CBs within the Saudi dual-banking sector are identical to each other. An SSB member of a Saudi IB made a sarcastic comment about the institutional structure of IBs when discussing alternative models of banking that can have a positive social impact, as follows:

> Have you heard the rooster story? Some blind person was able to see only for a minute. All he saw was a rooster, and then he became blind again. His reference point becomes this rooster. Another person told him that a brand-new car had been launched. The blind person replied, 'What does it look like compared to a rooster?' Since birth, we have only known conventional banks. I'm 60 years-old, and all I knew was conventional banks, until very recently (P11).

The head of the Sharia department of another Saudi IB made a similar point in relation to the institutional structure. He was asked how IBs differ from CBs based on their current practices. The participant explained the difference between the two types. His argumentation led him to draw on the institutional structure adopted by IBs. In this regard, P12 argued:

> […] Yes, of course, there're differences (between IBs and CBs). Well, first of all, we all (IBs and CBs) are commercial banks. The difference between IBs and CBs is the tools we both use for financing. […] Islamic banks have worked on fixing these contracts from the Sharia perspective. Those contracts, which are developed by CBs, entail some Sharia violations. We just removed those violations. The institutional structure of IBs and CBs is still the same.

These two comments explain Saudi IBs' institutional structure, which mimics the global banking approach. The institutional structure might be a key factor in how a bank functions, and is used on an international basis, including by Saudi conventional banks. This mimicked global banking approach seems to be regarded as a superior model by several of the participants. This superiority is reflected by the belief that the global banking approach is the only possible way to conduct banking. Any other models would collapse, including potential 'Islamic banking conduct'. In this regard, P14 discusses the Saudi Arabian government's approach to banking and how a balance between Islam and the globe was struck. P14 suggests:

> The application of banking in Saudi Arabia is not reckless. Look at other countries, those who say we'd apply 'authentic' Islamic banking. Look at Morocco, Sudan, Pakistan and Iran. They all claimed that they would apply genuine Islamic banking. They all failed, and failed miserably. Then, they came back to what they used to call unauthentic Islamic banking.

7.3.1.3. The Desire to Advance

Besides the single identity of banks and the institutional structure, other participants argue that it is advisable for Saudi Arabia to fuse with the global economy. This fusion, they argue, can occur through the adoption of global banking approach, IASs and a global identity. These participants argue that such a fusion would help IBs to advance and, consequently, enhance national development. This fusion does not deny that IBs should make some adjustments to reflect the Islamic culture, in accordance with the participants' views. They believe that such a move is encouraged by the government to facilitate trade and foreign investment in order for the Kingdom to thrive. For example, P14 when explaining the non-existence of certain authentic Islamic practices, referred to the Saudi Central Bank as a regulator that might ban any practices that were deemed a threat to the Kingdom's development aims. P14 argues:

> One of the central banks' main goals is to facilitate globalisation in order for the country to be able to connect with the world. There are just bigger and more important goals (than implementing Islamic practices). (P14).

In a similar vein, I3, when discussing the concept of mimicry in the Islamic banking sector, argued that it is advisable for the Saudi government to strike a balance between the rest of the globe and Islam to keep the country connected to the rest of the world and simultaneously reflect its Islamic nature. He argues that such a fusion would not deny the Islamic characteristics, which should be pursued by all stakeholders.

> At the same time, I don't think it's wise to isolate the Kingdom, like Iran and North Korea have done. I totally oppose that. We can be an active part of the world by fusing with the globe and creating products that reflect Islamic culture. I think it's achievable.

I3 and other participants were very critical of changing the whole structure of IBs. They believe that creating a new banking model could potentially disadvantage Saudi Arabia by isolating it from the international community. They argue that development will only be achieved through globalisation. As a result, any changes that do not correspond with globalisation might be regarded as a threat to harmony and, thereby, the economic development of the country could be disrupted. These participants regard fusion with the globe as an Islamic act because it facilitates development, which is encouraged by the Islamic culture. I3 argues:

> It is very hard for us to disconnect from the world. We're part of the world. Well, we're a dependent part. Some argue that it is Islamic to fuse with the globe and paint it with an Islamic look to serve their target groups and to live. I totally understand their approach.

These participants believe that globalisation does not completely restrict IBs from pursuing authenticity. The key factor, for these participants, is that globalisation is not seen as merely restrictive in nature; rather, it possesses certain positive characteristics. Further, P16, when discussing the difficulties of implementing PLS on the ground, concludes:

> Sometimes, it's wise to avoid the sudden implementation of authentic Islamic products (PLS). (P16).

As the previous comments suggest, the participants argue that fusion with the globe is advisable and should be pursued. In addition, any move that does not harmonise with the globe is seen as a threat to fusion and, therefore, an obstacle for development.

7.3.2. Conflicts Encountered because of the Dual-Banking System and Globalisation

As discussed in the previous subsections, the dual-banking system and globalisation might have affected IBs and their CSR practices. Such an influence can explain some IBs' deviation from achieving their potential social objectives. The interplay between globalisation and Islam in the Saudi dual-banking sector has resulted in further conflicts, which IBs must overcome to survive. These conflicts will be discussed in the following subsections.

7.3.2.1. Inapplicable Genuine Islamic Practices

Several Islamic practices, such as the financing model of profit and loss sharing (PLS), are barely followed by IBs today. IBs have been strongly criticised for over-relying on a debt-based financing model (i.e., *Murabaha*), which is legal from the Sharia perspective but has the same economic substance as that of CBs. The content analysis revealed that Saudi IBs are experiencing a deviation with reference to implementing genuine Islamic products. This subsection attempts to explore this aspect in greater depth. The participants were asked about certain authentic Islamic practices, mostly PLS, and why IBs do not implement such a practice:

> It's nonsense to ask IBs to implement PLS. Those who ask IBs to implement PLS are like a person who asking someone with no hands to lift this from the table (points at a cup of water). (P12).

The participants provided answers to the previous question. Their answers vary across different themes, all of which can be linked to the dual-banking system and globalisation. Several participants argue that PLS cannot be implemented in light of the current institutional structure, which is imitated from CBs, because such a structure is simply not equipped to rely on such a risky financing model. In this regard, I1 argues:

> There hasn't been any bank in the world which could successfully implement and rely on the PLS model. Banks' management don't prefer this? No. The institutional structure does not support the implementation of PLS.

There is a tendency among the participants to view the contemporary institutional structure as the main reason why certain Islamic practices are being neglected, such as PLS. They argue that it is impossible to implement PLS because it simply contradicts the manner in which banking is conducted. In other words, these participants argue that PLS contradicts the very idea of banking, which is derived from the Western concept. That is, the core of banking is, basically, borrowing and lending. Therefore, the participants argue that banks are not designed for PLS, which is based on partnership rather than borrowing and lending. Hence, IBs rely on a Sharia-approved debt model, similar to their counterpart CBs. In this regard, P14 argues:

> We have to understand that banks have a structure which drives them to work in a very specific way. Sometimes, some financing models (implying PLS) cannot be implemented in accordance with the current structure of the bank which, by the way, every bank in the world adopts. You can't just implement them unless you invent a new bank with a new structure that supports this model (PLS), and don't call it a bank. Call it something else.

I1 shares a very similar view:

> If you insist that the current products of IBs (debt-based) are less socially responsible than the authentic ones (PLS), I'd say fine. Nobody forced you to establish a bank. Go and establish an investment fund. Simply obtain a licence from the Capital Market Authority (CMA) not from SAMA (the Saudi Arabian Central Bank), and good luck.

The reference to CMA in the last comment implies that any institution that can rely on PLS cannot be a bank and, therefore, cannot be supervised by the Central Bank (i.e., SAMA). Therefore, the previous two comments suggest that PLS and banking cannot be combined. Instead, the underlying philosophy of PLS, which is to share risks, completely conflicts with the philosophy of banking, which is to minimise risks and rely on debt-based financing. The participants argue that minimising the risks in the banking sector is the key to success; and all relevant international standards address the risk issue. These standards, the participants argue, are concerned with protecting the banking sector from failure. Thus, the participants argue that PLS might be successful in various areas, but definitely not in the banking sector. Due to the clash of philosophy between PLS and global banking approach, IBs must follow these standards because they are imposed by the law. In this regard, I1 suggests:

> PLS is based on sharing the risks, right? Now, the Basel standards' main objective is to minimise the risks in the banking industry. I see no room for applying PLS with these standards.

Similarly, P16 is sceptical of the possibility that PLS could be implemented in the Islamic banking sector. Besides IASs, he suggests that the risk of PLS may have a negative impact on society, which is the opposite of being socially responsible. He argues that the funds which would be used to finance PLS projects belong to society in the first place. These funds may be lost as a result of engaging in PLS, which would backfire on society. P16 concludes:

> The central bank is responsible for protecting the shareholders' investment which, by the way, belongs to society. So, the central bank obligates the banks, including IBs, to comply with the accounting standards in order to minimise the risks. PLS cannot be applied because it exceeds such standards.

Beyond the risks, several participants suggest that SAMA has not legislated for such a practice. They argue that, for banks to implement PLS, there must be a legal ground for ensuring every party's right in these transactions. These participants suggest that global banking approach does not account for such products and, thereby, it is impossible to mimic a well-established risk-sharing financing method. Instead, IBs must start from scratch in implementing PLS, which might eventually fail. P1 argues:

> Well, I believe PLS is more socially responsible than *Murabaha* but, even if we want to implement PLS, there are no relevant regulations. Things like the ownership of projects financed through PLS is not governed. These are some restrictions related to implementing PLS.

Besides the lack of legislation, several participants argue that PLS is not implemented by IBs due to other factors that are irrelevant to IBs. For example, one participant argued that the lifestyle of Saudi nationals has changed, which has, in turn, affected PLS. P2 explains how older manufacturers and farmers have abandoned their career and sent their children to the USA and UK to obtain a better education that will allow them to return to work for the big firms in the country, which will contribute to national development. He suggests that globalisation has changed the nature of jobs in the country, which has resulted in a vast decline in PLS demand. In addition, the demand for debt-based finance has increase because those people need to buy cars and houses to match such a lifestyle:

> Customers come to us and say 'I need a loan to buy a car'. They don't come to partner with us (PLS). Our response is, sure, I should grant them a loan (*Murabaha*). In the end, we want to make some profit for our shareholders and, by doing this, we help our customers own cars and houses.

In addition to PLS, the contemporary economic function does not support other Islamic practices. In this regard, the pure implementation of *Zakah* in such an environment is challenging, according to one participant. P11 argues:

> If you take the *Fatwas* of some well-known Imams about *Zakah* and try to apply them to the T account taught in universities today, they are inapplicable. Some adjustments must be made.

Thus, certain Islamic practices require amending if they are to be accommodated within the contemporary dual-banking system. This is mostly the role of the SSBs, which will be extensively discussed in relation to the third objective of the research.

7.3.2.2. Lack of Innovation

One of the main criticisms of IBs is their tendency to mimic Western financial products and adjust them in accordance with Sharia law rather than innovating Islamic products that reflect Islamic culture, which might have a positive social impact. The proponents of authentic Islamic banking argue that mimicking Western products may serve as a barrier to the introduction of banking practices that reflects Islam and its social potentiality. Several participants argue that the dual-banking system is indeed a barrier to IBs innovating and introducing genuine Islamic products. This is because this system does not recognise such genuine products, so their implementation becomes problematic. One participant referred to his experience of introducing new, authentic Islamic products to the Saudi market, which eventually failed. He explained:

> We (the bank) have introduced some new Islamic products. When we launched them, other financial institutions did not know how to deal with those products. We struggled to market these products. Some other IBs implemented them for the sake of supporting the Islamic banking sector, but other banks didn't, because they simply don't understand these products. This has led us to implement well-developed, mostly CBs', products. (P15).

As this comment suggests, other financial institutions (i.e., mostly CBs and other financial institutions that are influenced by the Western structure) have rejected the idea of dealing with such products because they stand outside contemporary banking conduct. This may be because Islamic financial philosophy and global financial philosophy (capitalism) conflict with each other in this regard. The proponents of the capitalism would suggest that the Islamic financial philosophy is too risky. On the other hand, the proponents of the Islamic financial philosophy would suggest that capitalism neglects certain social aspects, which they regard as fundamental. Therefore, when IBs introduce a product that is based on the Islamic financial philosophy, its implementation might prove challenging, as the other financial institutions in the sector might reject it due to a lack of understanding. In this regard, P15 argues that, without a majority acceptance of a given product by the financial institutions within the dual-banking sector, the product cannot succeed. P15 believes that all related financial institutions must first understand how such a product works and then accept it as a valid product, which is not the case in the contemporary environment:

> Introducing new Islamic products, which is on a corporate and investment fund level, is impossible unless all of the relevant parties accept this product. We cannot impose such products on this level; it's not like the retail level where we deal mainly with individuals. (P15).

The financial institutions within the dual-banking system, which tend to be non-Islamic institutions, do not seem to be the only barrier to the introduction of authentic Islamic practices. Instead, some groups within the circle of Islamic banking might also be a barrier. Muslim shareholders, who wish to conduct their investments in accordance with Sharia law, seem to endorse the idea of mimicking Western banking conduct. They argue that innovating genuine Islamic practices can pose a risk to their investment. In other words, these shareholders believe that the current Islamic banking conduct, which has been subjected to Sharia adjustments, is more promising than introducing new banking conduct that is based on the Islamic philosophy. The core of their argument is that, since the mimicked model of banking is successful (i.e., profitable) and Sharia-approved, why should IBs strive to create new, authentic Islamic products. For example, I3, when criticising IBs for their lack of interest in the social impact of their products, explains the philosophy of these shareholders. That is, if everything is progressing smoothly (in financial terms), there is no need for change. He concludes:

> The current structure of IBs are shareholders investing in an IB who want to make a profit. They (the shareholders) would ask: 'Why risk our money (on new authentic products) since there's a Sharia-approved alternative (the current debt models, such as *Murabaha*)?' Honestly, I completely understand their point.

As discussed earlier, there appears to be doubt that authentic Islamic banking can actually work in the contemporary economic order. In this regard, the participants argue that the current global banking approach is the only way in which banks can operate successfully. Therefore, IBs strive to align themselves with the global banking approach. For example, P14, when discussing how mimicking the global banking approach and adjusting it to suit the Islamic culture has made its application in Saudi Arabia successful, concludes:

> Look at other countries, those who say we'd apply 'authentic' Islamic banking . […] They all failed and failed miserably. […].

7.3.2.3. Search for an Identity

Regulation-wise, the Saudi Arabia banking sector is a dual one, that does not distinguish between IBs and CBs. IBs, therefore, operate under the same laws that govern conventional banking within Saudi Arabia. These regulations were developed based on the perspective of the global banking approach. This might have led to a situation whereby IBs must strive to create a balance between the 'global' and Islamic characteristics in order to survive. However, such a process is complex because certain global and Islamic characteristics might conflict with each other. Further, several global factors are imposed by the law, such as IASs, which leave IBs with no choice but to incorporate them. Therefore, certain global factors can overwhelm the Islamic factors in IBs' search for an identity. Eventually, IBs must construct an identity that shares both similarities and differences with their counterpart CBs within the dual-banking sector of Saudi Arabia. The following two subsections will explore some of the similarities and differences between IBs and CBs regarding the process of striking a balance between a global and an Islamic identity.

7.3.2.3.1. Similarities to CBs

Based on the participants' views, there is a tendency to equates IBs with CBs in every aspect except when it comes to clear Sharia violations, such as *Riba*. The most common similarity, according to the participants, is that IBs and CBs share an ultimate objective, which is profit maximisation. For example, P12, when asked about the differences between IBs and CBs based on their practices, replied:

> Well, first of all, we all (IBs and CBs) are commercial banks.

This comment suggests that, although there might be some differences between IBs and CBs, they both share the same objective, which is profit maximisation. In a similar vein, P15, when asked whether IBs and CBs have different responsibilities, replied:

> Islamic banking means following certain Sharia rules. It doesn't mean that the bank is not for profit. It doesn't mean charity. Absolutely not. On these grounds (profit-seeking), IBs and CBs are exactly the same.

Interestingly, the last two comments were made by high-ranking Sharia department officials, who are believed to be the mirror reflecting Islam. These high-ranking Sharia officials suggest that the *raison d'être* of IBs is to maximise profits. Similarly, when the corporate governance manager of an IB was asked about green finance and its potential applicability in the Islamic banking sector, he rejected the link, concluding:

> […] in the end, IBs seek to maximise their profit. (P19)

Besides profit maximisation being the *raison d'être* of IBs, the participants were asked about different topics, such as employees and the environment. The questions aimed to explore whether being an Islamic bank had any influence on these IBs' relationships with their stakeholders, which would result in different responsibilities. The vast majority of the participants argue that IBs do not have a different responsibility to their stakeholders compared to CBs. Therefore, the relationship between IBs, on one hand, and the employees and the environment, on other hand, is identical to that of CBs. For example, P9, when asked whether Islam plays any role in shaping the relationship between IBs and employees, suggested:

> I don't think so. This relationship is shaped by the relevant regulations. Islam does not play a role here.

All of the participants except one denied that Islam plays a role in shaping the relationship between IBs and their employees. On a smaller scale, many of the participants also believe that IBs' relationship with the environment is not influenced by Islam. Instead, the relationship between IBs and the environment is seen as secular in nature. For example, P7 argues:

> I don't think there is a relationship between Islam and the environment. Taking care of the environment is driven by one's education level.

Therefore, the participants argue that, beyond simple Sharia violation, IBs and CBs are identical, including with regard to the nature of their CSR. In this regard, I1 suggests:

> CSR in IBs and CBs should be the same. Isn't CSR concerned with society? Then, society is for both types of bank.

7.3.2.3.2. Differences to CBs

Considering these similarities, IBs still strive to distinguish themselves from CBs. All of the participants were asked how they distinguish between the practices of IBs and CBs. The most common answer related to the process of loans, where IBs have to go an extra step to legitimise loans from the Sharia perspective. For example:

> The difference between IBs and CBs, in my opinion, is mainly in the financing products they both offer. Product-wise, both models are very similar but the process of these two models is completely different, where IBs have to go through a third party to legitimise the loan from the Sharia viewpoint. So, the main difference is the process of loans. (P4).

However, this difference, some would argue, might lack the essence upon which Islamic finance is built (i.e., risk). Several authors in the field argue that the economic substance of the current IBs' products is exactly the same as that of CBs. One participant referred to the difference between the practices of IBs and CBs. He first mentioned the difference being the process of loans, and then concluded:

> […] honestly, and speaking from the perspective of customers, this difference is meaningless. (P6).

Besides the financing process, several IBs implement authentic Islamic practices, in an attempt to differentiate themselves from CBs. However, these practices might have deviated from the core that makes them Islamic because the pure implementation of these practices would contradict the global banking approach. For example, one participant referred to PLS implementation by his IB, which represents less than 1% of the total financing of that IB. He argued that this PLS implementation is somehow different from conventional PLS, as follows:

> We have implemented PLS in the bank. Honestly, the risk of these transactions is almost zero. That's why I don't personally think this's proper PLS, where risk is principally involved but, still, it's considered PLS because it meets all the criteria.

This comment shows that IBs sometimes attempt to distinguish themselves from CBs in the dual-banking sector of Saudi Arabia by implementing genuine Islamic products. However, those products seem to lack the core which reflects the Islamic philosophy of financing. When risk is eliminated from PLS, the practice might become distorted, ultimately belonging to neither the Islamic culture nor the global banking approach.

7.3.2.4. Shareholders' Conflict

There seems to be a conflict between the management and shareholders of IBs. This conflict arises as a result of IBs spending on CSR. One participant raised this issue when discussing the barriers to practising CSR in Saudi Arabia. All of the relevant remaining participants were asked about this conflict, most of whom were conservative except another participant. It seems that some powerful shareholders in the general assembly dislike IBs' management spending money on CSR. P4 explained:

> Every year in the general assembly, we have to answer the shareholders' question: 'Who authorised you to take a portion of the profit and spend it on CSR? We (shareholders) personally donate to charity, so why should the management donate on our behalf?' This happens every year.

As this comment suggests, some shareholders confront IBs' management about this issue. This conflict might have arisen due to the firmly-rooted, pre-existing philanthropic practices in the Saudi context. As discussed earlier, CSR's perception in the context of Saudi Arabia is influenced by the Islamic mindset of philanthropy. According to the above comment, those shareholders might equate philanthropy with CSR. In Islamic culture, people who practise philanthropy are promised a generous reward from God. Institutional charity, represented by funding CSR, seems to be perceived with uncertainty. First, the intention to practise philanthropy, which is a pre-requisite for philanthropy to be accepted by God, can be missing for some shareholders. It seems to some shareholders that they may not have an intention to donate some of the profits when they are not involved in the decision-making, not to mention the fact that they might disagree with such charitable acts. In the case of institutional charity, only a few individuals (i.e., the management) make the decision to donate to charities on behalf of all of the shareholders. This might undermine the charitable practice from an Islamic perspective, according to these shareholders' view. Second, the Islamic culture encourages philanthropy to be kept secret. In the case of institutional charity, secret philanthropy is no longer attainable because members of the management would be aware of this practice. Third, some Saudi shareholders have their own charitable organisations, separate from their investment activities, and so would question why they are donating twice to charity. In this regard, P4 further explains:

> X (a member of a powerful shareholder family) has publicly spoken about it. He said that 'It pains me when I see my bank spend on CSR. We (the family) have our own charities where we spend millions of SAR every year'.

Another participant asked whether the SSB should play a role in shaping the CSR of IBs. P17 believes that the SSB has no role to play in CSR. Instead, the SSB should focus on their actual role, which will be discussed later. He then asked for the audio recorder to be turned off in order to make a comment about the topic. After the audio recorder had been turned off, he stated:

> Some SSB members argue that it is not the management's responsibility to donate some of the profit to CSR purposes. In the end, this is taken directly from the shareholders' profit. They argue (the SSB) that the management's responsibility is to maximize the profit. The decision to practise philanthropy should be left to the shareholders to decide on an individual basis.

The SSBs, as will be discussed with regard to the third objective of this research, function as representatives of the shareholders. This is because the SSB members are directly employed by the shareholders to carry out their desire to conduct Islamic banking. Thus, the alignment of the SSBs and the shareholders' vision on this issue would be unsurprising.

7.3.2.5. The Mixed-Companies Category and the Compulsory Cleaning Scheme (CCS)

The contemporary economic function applied worldwide seems to create another conflict for IBs. In the past, before stock markets existed, the Sharia ruling decision about investing in business was based solely on the nature of that business. For example, if the business involved the sale of alcohol, Sharia would rule against such an investment whereas, if the business involved the sale of fruit, Sharia would approve such an investment. This is because alcohol is impermissible while fruit is permissible from the Sharia perspective. However, the economic function has changed. The nature of a business might be permissible, but the financial side of this business might be questionable from a Sharia perspective. For example, a company that sells fruit may be involved in financial transactions that are considered *Riba.* In this case, the business nature of the company is pure from a Sharia perspective, but the financial side of the company violates Sharia.

This has sparked considerable debate among the Sharia jurisprudence scholars. Some Sharia specialists rule against these companies, arguing that a small percentage of *Riba* would still be illegal so, consequently, investing in such a company is illegal. On the other hand, some Sharia specialists have been creative in creating a third category, called the mixed-companies category, that swings between being permissible and impermissible. Instead of ruling a business as either legal or illegal from a Sharia perspective, these scholars argue that such companies belong to this third category, where investment is legal provided that certain requirements are met. These considerations consist of three conditions; namely, the business nature must be Sharia approved; the percentage of *Riba* must not exceed a specific amount; and the profits from such investments must be purified.

A practical example of this conflict would be a Saudi-listed food company that has an account with a Saudi CB, which earns annual interest. Although the nature of this company is legal from the Sharia perspective, this company clearly violates Sharia law from the financial perspective. The question then arises: is trading in the shares of this listed food company allowed, from the Sharia perspective? This matter seems to create conflict for IBs, as most of them have their own investment companies where they can trade as agents on the Saudi Stock Market. The Saudi Stock Market is composed of fully-fledged Islamic companies, un-Islamic companies and mixed companies (Alosaimi, 2020). This has created conflict, whereby some customers wish to trade, through IBs, in un-Islamic companies. There is a consensus among Islamic scholars that trading in a company that is in the un-Islamic category is illegal. However, such categorisations are not recognised by Saudi law. P15 suggests:

> There are some companies that are illegal and, therefore, buying and selling their shares on behalf of our customers (being agents) violates Sharia law, but the law does not recognize this.

Thus, some IBs have confronted the Stock Market Authority regarding this issue. P15 continues:

> Well, there are very slight exceptions (to trading in all companies in the Saudi stock market). We've made it clear to the Stock Market Authority that we can't deal with the X, Y, Z (Saudi listed conventional banks, which are argued to be illegal from the Sharia perspective). They (the Stock Market Authority) understood that. (P15).

Regarding the mixed-companies category, IBs have chosen to deal with these companies provided that the conditions outlined above are fulfilled, which may indicate that IBs are proponents of the third category argument. This might be because the vast majority of Saudi listed companies belong to the mixed-companies category, which would enormously limit IBs' transactions on the stock market if they were to reject the existence of this third category. P15 suggests:

> But when it comes to the mixed companies, we buy and sell for our customers. It's hard to exclude these companies from trading. Well, it's rather impossible.

As discussed earlier, certain conditions must be fulfilled in order for such investments to become Sharia approved. One consideration is purifying the income generated by these transactions. The purifying process aims to remove this income from assets and assign it to liabilities, so that it might be donated to charity. However, not every transaction associated with trading with mixed companies is purified. P15 explains:

> When we buy for our clients in these companies, we take the commission and purify it in the compulsory cleaning scheme. However, when we sell our clients' shares in these companies, we do not purify the commissions because we helped our client to be released from sins.

The CCS is a distinct account in the field of Islamic banking. This account is created, for instance, when income generated from a particular activity violates Sharia law. Thus, this income must be purified. It is true that the SSBs strictly control most Saudi IBs, in which all activities must be pre-approved by them. Therefore, the possibility of Sharia misconduct is diminished, in theory. Nevertheless, there is no Saudi IB that does not have a CCS account, according to the participants. This is because the contemporary economic function plays a major role in the need for CCS. In other words, conducting Islamic banking in such an environment would inevitably result in Sharia violations.

According to the participants, there are three reasons why income is sent to the CCS. The first reason was discussed in the previous section, and is when IBs invest in the mixed-companies category and then purify that income. This process seems to represent the biggest share of the CCS account.

> Purifying the profits from mixed companies represents a great portion of CCS, if not the greatest portion. (P15).

In addition, the CCS is created, for instance, where employees unintentionally carry out the SSB's orders inaccurately. The audit unit of the Sharia department regularly makes check-up visits to the different departments within the bank. If any Sharia misconduct is found, the Sharia department orders the income generated by this transaction to be subtracted and sent to CCS. Based on the interviewees, it is common for employees to make such errors. P11, when discussing the importance of the SSBs' auditing, suggests:

> Sometimes, sales employees understand the SSBs' decisions completely incorrectly. It's normal. Thus, the audit unit's responsible for fixing such errors.

These errors occur because the SSBs' measures are not implemented by the employees. These measures represent the SSBs' views of how to conduct banking that is in line with Sharia law and does not conflict with the contemporary economic function. If a practice fails to satisfy Sharia law, any income arising from it is sent to CCS. In addition to these two reasons, the CCS sometimes works as a temporary solution for conducting an operation about which the SSB and the bank's management disagree. In this case, the operation goes ahead, and any income arising from it is cautiously sent to the CCS until the debate is settled:

> Sometimes, when there's confusion about a product, they (the banks) would send the income to the CCS temporarily until the SSB and management reach an agreement about the product. (P1)

Nevertheless, this only occurs in IBs that do not require pre-approval for all of its operations by the SSB. Income in the CCS account is donated to charity. Recently, give the wide spread of CSR in the Saudi context, the CCS account has been utilised to fund CSR programmes. This practice has created conflict between the SSBs and IBs' management. The SSBs are responsible for the CCS account, since it is solely a Sharia-driven process. The participants who were members of the SSBs argued that the banks' management should not use the CCS fund unless the requirements for spending from that account are met, which is for the IBs to gain non-benefit from such CSR practices:

> What most of our banks do, CSR-speaking, is, unfortunately, to spend the CCS funds on CSR programmes. This isn't CSR. This's an essential process, and they shouldn't take any credit for it. (P11).

Another participant further suggests that IBs should not include any CSR disclosure, which is funded by CCS, in their annual reports. He also argues that CCS is an essential process that should not result in any benefits to the bank:

> In terms of reporting – well, it depends. If the fund's allocated from CCS, then absolutely not. These funds can't be used to receive any benefits of any kind. However, if the fund's from somewhere else, it's fine to disclose it. (I2).

The previous two comments show that, in order to spend from the CCS, the bank cannot take any credit. This includes marketing, relations and financial benefits from spending from the CCS account because SSBs believe that the fund is basically not owned by the banks. In this regard, P11 argues:

> The fund of the CCS is not for the bank to own; it's a fund that must be spent.

7.4. The Sharia Supervisory Board (SSBs) and CSR

This section explores the third objective of the research, which is to explore the role that the SSBs play in relation to CSR. The participants were asked several questions about the function of the SSBs. Several themes emerged, which this section will discuss. As discussed earlier, the SSB is an independent board that meets once or twice a month. The main role of the SSB is to legitimise IBs' operation from the Sharia perspective. Supporting that board, there is a secretary-type department called the Sharia department, containing 15-30 employees, depending on the size of the bank. The main role of this department is to connect the SSB with every other department in the bank. The Sharia department is usually divided into three units. In theory, if any department of the bank wishes to introduce a new product, service, or any other activity that is considered a core business, it must obtain prior approval from the SSB. In order to do so, the inquiry goes to the administrative unit of the Sharia department, where the matter is thoroughly studied from a Sharia perspective and then included on the next SSB's meeting agenda to make a decision regarding this inquiry. The audit unit of the Sharia department is responsible for checking whether SSBs' orders are being carried out as intended. Thus, the audit unit conducts check-up visits to different departments within the bank. If any Sharia misconduct is found, the income generated by these transactions will be transferred to the CCS, as discussed earlier. Furthermore, the audit unit is responsible for writing internal Sharia-compliant reports, of which the final SSB report compose. The third unit of the Sharia department is the research and innovation unit, where Islamic finance specialists work on innovating new Islamic financial products. None of the three Sharia units is responsible for CSR. Indeed, CSR seems to be one of the SSBs' least concerns. Instead, the SSBs are burdened with heavier tasks, according to the participants.

7.4.1. The SSBs' Role in CSR

Each of the five IBs participating in the study has a slightly different position in regard to SSBs' involvement in CSR. In some IBs, CSR is regarded like any other activity of the bank, which needs to be in line with the general guidance of the SSB. In this regard, the SSBs do not intervene in CSR unless the general guidance is breached. In other words, the SSBs have no influence over the planning, execution or even existence of CSR. P2, when asked about the role of the SSBs in shaping CSR, suggests:

> The statute of our bank introduced in XXXX indicates that every business of the bank must be approved by the SSB. CSR is one of the bank's businesses. CSR involves spending money and reflects the bank's identity. So, yes, they (the SSB) are involved.

However, when P2 was asked about the process of this approval, he suggested:

> We just tell them about the nature of our CSR programmes that we are about to introduce. In most cases, they (the SSB) don't mind because our programmes never violate Sharia.

On the other hand, the other participants argue that SSBs should not intervene in CSR conduct unless it is funded by the CCS. They argue that the CCS is a Sharia-driven process that needs to be monitored by the SSB to ensure Islamic legitimacy. Hence, the SSBs should be involved. In this regard, P13 argues:

> We get involved in CSR only if the programs are funded by the CCS because it's solely a Sharia-driven process. The SSB should complete the CCS task from A to Z.

Beyond the CCS, the SSBs' role in CSR is not observed. Other participants argue that the SSBs have no role to play in CSR in any case. They argue that the SSBs' role is to focus on financial matters so a specialist department with employees who specialise in CSR should independently oversee the CSR practices. For example, P1 argues:

SSBs are not specialists in CSR. I don't see any role for them to play.

Consistent with the content analysis, the participants believe that the SSBs' members have no role to play in CSR, except in the narrow window of CCS funds. Beyond this, the SSBs are expected to focus on other 'important issues', which the next section discusses.

7.4.2. The SSBs' Role in the Contemporary Environment

Mimicking the global banking approach as it stands and applying it to the Saudi context seems to be problematic, as most members of Saudi society hold religion in high regard. In addition, the participants argue that building an Islamic banking approach that is solely based on Sharia law seems to be problematic, as it poses the risk of isolating IBs and the whole country from the international community, and thereby disadvantaging the whole country. Thus, the SSBs are in a position where they must balance Sharia with the global banking approach. In the dual-banking system of Saudi Arabia, striking a balance between Islam and the global banking approach has become the main role of the SSBs, and the shareholders of IBs have appointed the SSBs to fulfil this task:

> SSBs are appointed by the shareholders to Islamise IBs' products, which are Western, because the shareholders want to conduct business in accordance with Sharia. The shareholders voluntarily taking this approach as the law does not require them to be Islamic. Thus, SSBs work as representatives of the shareholders in the bank to ensure that the products are Islamic and that, consequently, the bank is Islamic. (I3).

The SSBs' endeavour to balance the global banking approach with Islamic culture is challenging. For example, P4, when discussing the SSBs, asserted that CSR is one of the activities that should be conducted in accordance with the SSB framework. However, he concludes that there are more important matters for the SSBs to resolve. He argues that these aspects are fundamental to enjoying the status of an Islamic bank, and difficult to handle, which means that they should be prioritised over CSR issues. P4 argues:

> SSBs are required to overcome many obstacles, such as the regulations, nature of financial transactions, and other limitations to introduce financing products that are accepted by the members of society who strongly demand these products.

It seems that globalisation is overwhelming Islamic culture in the context of Saudi IBs, as many elements associated with the global banking approach might be imposed by the law. Further, such conduct is regarded as superior, as its adoption would connect IBs and the whole county with the rest of the world and, therefore, facilitate Saudi's national development. Thus, adopting the global banking approach and allowing the SSBs to make any necessary corresponding adjustments seems the most feasible plan. This is especially true considering the participants' view that globalisation allows some freedom to pursue authenticity. In such an environment, the SSBs' role has become to adjust the global banking approach to suit the Islamic culture rather than to innovate an Islamic banking conduct that is principally based on the Islamic culture:

> The argument that IBs take conventional Western products and tinker with them to make them Islamic is true to some extent. (P15).

Consequently, there is a tendency among the participants to diminish the role of the SSBs to purely financial matters. This is consistent with the content analysis, where the SSBs' roles are portrayed as ex-ante the Sharia audit, ex-post the Sharia audit and the calculation of *Zakah*. The participants argue that the core function of IBs is finance and, thereby, that the SSBs exist to supervise this very aspect of IBs. This is because the mimicked financing models of IBs do not always comply with Sharia law. Thus, the SSBs are responsible for modifying these financing models to make them Islamic. According to the participants, any matter that does not fall under the financial category should be ignored or paid less attention by the SSBs. Therefore, most of the participants argue that the main role of the SSBs is to Islamise the financial side of IBs, such as loans, and to continue supervising it. In this regard, I3, when asked whether SSBs should intervene in CSR, initially rejected this idea, explaining:

> No. SSBs' role is to oversee IBs' products and whether they are legal or not (from the Sharia perspective). I don't see any active role for them in CSR although they could be consulted on such matters. But, overall, they've no role.

Further, there is a tendency among the participants to limit the role of the SSBs to the supervision of non-financial, illegal aspects. That is, other aspects that do not fall under the illegal category and form part of the Islamic tradition are not included in the SSBs' roles[43]. The middle ground, where a matter could be recommended, neutral or not recommended, into which most cases fall, seems to be eliminated from the jurisdiction of the SSBs. As such, the role of the SSBs has been diminished to the narrow category of protecting IBs from engaging in actions that would be categorised as forbidden. In other words, SSBs are not expected to

[43] Based on Sharia, the ruling decision about any matter falls into one of five mutually exclusive categories; namely, compulsory, recommended, neutral, not recommended and forbidden (Aljohani, 2019; Mansour, 2007). The compulsory category is where the action must be carried out; otherwise, the actor will have sinned. The forbidden category is where the action must be avoided; otherwise, the actor will have sinned. In addition, Islamic scholars divide jurisprudence into two categories; namely, *Ahkam* and *Maqasid* (Al-Raysuni, 2010). *Ahkam* translates into principles where an act falls into one of the previous five categories. For example, *Riba* is judged as forbidden and, thereby, people must avoid dealing with *Riba*; this judgement is what Islamic jurisprudential labels the principle of *Riba*. On the other hand, *Maqasid* translates into objectives, where Islamic scholars investigate why such an act (*Riba*, in this case) is forbidden. For example, they would suggest that one of the reasons why*Riba* is forbidden is because of a social consideration, such as wealth redistribution. Islamic scholars argue that considering *Maqasid* would facilitate the ultimate striving to achieve the objectives of Sharia (in this case, fair wealth distribution). This is done by considering *Maqasid* in combination with *Ahkam*. Thus, accommodating new acts into one of the five categories becomes grounded on both *Maqasid* and the principles.

have input beyond judging what is forbidden from an Islamic perspective. For example, an SSB member of the financial sector argues that:

> SSBs' role is to check whether the bank operations are legal or not from a Sharia point of view. The SSBs should never intervene in anything else. (I1).

In a similar vein, I3, when discussing the possibility of IBs considering wider Islamic aspects, such as the environment, employees and community, which may have an impact on society's wellbeing, argues that the SSBs seems to reduce Islam to purely financial matters. In other words, the SSBs do not project Islam onto non-financial matters, which has facilitated the evolution of the current IBs' social role. I3 concludes:

> Islamic banks reflect on Islam from the narrow perspective of financial transactions (whether they are legal or not). Nothing more.

7.4.3. Governance of the SSBs

7.4.3.1. Lack of regulations

As discussed earlier, the institutional structure of IBs mimics the global banking approach, with some adjustments designed to accommodate the Islamic culture. Therefore, IBs had to introduce a system that is responsible for ensuring that the banks' operations are in line with Sharia law, as represented by the SSBs. Several participants noted the lack of regulation of the SSBs in the context of Saudi IBs. As discussed earlier, being an Islamic bank in Saudi Arabia is completely left to the constituent assembly of the bank to decide. As of the end of the data collection, there have not been any governance codes of any sort to regulate the SSBs in Saudi Arabia[44]:

> We are yet to see a governance code for the SSB as with other functions of the bank, such as the board of directors and other committees. (P12).

In addition, the regulators tend to avoid intervening excessively in such cases. Since the matter of being Islamic bank is left solely up to the constituent assembly of the bank to decide, the Sharia supervision is left up to the bank as well. In other words, the whole process of Sharia supervision, from deciding to be an Islamic bank to the end product, is left to the bank itself to decide and implement. The Saudi regulator chooses to step aside from such matters:

> Look at all the codes published. You'll notice that the regulator tries to avoid classifying what's Islamic and what's not. It's all up to the SSBs. (I3).

There is only one exception to the Saudi financial laws, where the financial institutions are required to operate in accordance with Sharia law. This is the Finance Companies Control Law, which targets only companies that offer finance lease products, including banks. This code requires companies to engage only in Sharia-approved transactions. However, this law covers only a minor portion of the total financing activities of Saudi banks because the financing methods of Saudi IBs are not limited to finance lease products. The Finance Companies Control Law states:

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[44] In February 2020, however, SAMA introduced a Sharia Governance Framework for the first time in the history of the Saudi Arabian banking sector.

> Finance companies – licensed pursuant to this Law- shall engage in finance activities in a manner not conflicting with principles of Sharia as defined by Sharia committees, whose members are selected by these companies, without prejudice to the integrity of the financial system and equity of transactions. (Finance Companies Control Law- 2019)

As the article suggests, all finance lease products must comply with Sharia law. The decision of whether or not a product is Sharia-approved is taken by the bank's SSB members, who are appointed by the shareholders. As discussed earlier, the main role of the SSB members is to supervise the financial side of the bank. Thus, IBs appoint SSB members to Islamise and audit the financing portion of the bank. However, different SSBs can result in different decisions regarding whether or not a product is Islamic. This is because conducting Islamic banking in the Saudi Arabian context is based on the understanding of the SSBs of how Islamic banking should be conducted. Therefore, multiple versions of Islamic banking with conflicting products can co-exist in Saudi Arabia. In this regard, I3, when discussing SSBs' governance, commented:

> You can see some products that are Sharia-approved in X bank (referring to a Saudi IB), while Y bank (referring to another Saudi IB) cannot offer such a product because its SSB does not approve it from a Sharia viewpoint.

Similarly, P19, when discussing the financing practices of IBs, made a sarcastic comment about the tolerance of some SSBs in defining Islamic products. P19 suggested:

> All our *Murabaha* loans are done through real products, such as selling a listed company's shares to our customers. This process is approved by our SSB. It isn't like other, easy-going Sharia supervision. If you go to X bank (referring to a Saudi conventional bank with an Islamic window), they'll give you a *Murabaha* loan by selling you some cotton. Nobody probably knows where this cotton is (implying it is a fake product).

In addition, there are no formal requirements related to hiring SSBs members in the context of Saudi IBs. In other words, the definition of Islamic banking is completely subjective, and depends on the background of the particular SSB members. Due to the lack of regulations, SSBs' function in the Saudi Arabian context based wholly on the personal efforts of the SSBs and the shareholders who appoint them. In other words, the whole task of Sharia supervision is based on the understanding of the relevant parties (i.e., the general assembly, the board of directors and the SSB members) of how an SSB should operate.

> Sharia supervision in Saudi Arabia is all based on individual efforts. […] there's no governance code, and no unified structure agreed upon by all SSBs. (I3).

In a similar vein, P12 suggests:

> The concept of Sharia supervision in Saudi Arabia is related to an agreement between the general assembly and the board of directors. It is all based on the personal efforts of these parties.

Therefore, every SSB has its own methodology and philosophy for determining whether a product is Islamic or not. This may have resulted in loosely-defined Islamic banking practices, where contradictory views of the financing models exist.

7.4.3.2. Reporting

When asked about the SSBs' reports in general, all of the participant agreed that the SSBs' reports are essential:

> SSBs' reports are very important. They show how honest the bank is about being Islamic. (P12).

Nevertheless, only one Saudi IB publishes its SSB's report publicly, as the content analysis revealed. Although, for the other four IBs, the SSBs' reports are produced, different reporting mechanisms are used. The other four SSBs present their reports orally before the general assembly, in front of the shareholders, which is a practice that the researcher only discovered during the fieldwork. This might be because of an interesting view that emerged when the participants were asked to whom the SSBs are accountable. Several participants argue that the SSBs are accountable to the shareholders, who desire to conduct their banking business in accordance with Sharia law. Therefore, the SSBs need to report to the shareholders before the general assembly. In other words, these participants see very small value in disclosing the SSB reports to the public. As for other stakeholders, such as customers, the participants argue that customers are only concerned about whether or not the products they purchase are in line with Sharia law, which is not covered in the SSB reports anyway. The whole process of conducting banking in accordance with Sharia law, which is the theme of the report, is irrelevant to the customers:

> Customers' only concern is whether the product they purchase is Sharia-approved. Nothing else. As for investors, they are the ones who are concerned that all the functions of the bank are Sharia-approved. Thus, the SSBs' reports target them. (I1).

In a similar vein, P15 argues:

> We present our SSB's report to the shareholders every year in the general assembly. The shareholders are the ones whom we target. Yes, the general assembly is open to anyone to attend but the focus of SSB's reports is the shareholders.

Very few participants believe that these reports are important to society as a whole. For example, P14 argues:

> The SSBs' reports are a concern for all stakeholders and not only the shareholders. The reason why Islamic banking is successful in Saudi Arabia is society. The huge demand for Islamic banking by society gave it its momentum. So, if these people are concerned about conducting their business in a Sharia-approved way, by default, they are concerned about the SSBs' reports.

Nevertheless, this comment was made by the head of a Sharia department whose IB does not publish its SSB report. When probed about the reasons for this, he replied:

> Deciding whether to publish SSB's report depends on how educated the users are (the public). Until recently, there had been a big gap in the jurisprudential viewpoints in the country. People used to get their *fatwas*[45] from their local mosque's *imam*[46]. We could publish our SSBs' reports, but we'd be unsure how society would take these reports, considering the variation in jurisprudential viewpoints. It could have a negative impact on us.

This loose definition of Islamic banking may have influenced this SSB to decide not to publish the reports publicly due a fear that such a practice might affect the bank negatively. As discussed earlier, different philosophies and methodologies regarding engaging in Islamic banking could result in different definitions of it. Therefore, several IBs decide not to jeopardise their Islamic reputation since the law does not require them to publish their SSB's reports. P14 concludes:

> Well, why bother then when the central bank doesn't require us to do so (publish SSBs' reports)?

In a similar vein, P13 argues that the law does not require IBs to publish their SSBs' reports. It is, therefore, not expected that the IBs will take this step voluntarily:

> Because there are no requirements to publish these reports, we think it's enough to present them to our shareholders.

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[45] *Fatwa* is a legal opinion about a matter from a Sharia viewpoint. These fatwas should be given by qualified jurists.

[46] A person who leads the prayers in a mosque which does not necessarily need a qualification.

7.5. Conclusion

This chapter presented the findings of the interview analysis. It was divided into three main sections, in accordance with the interviews' objectives. The first section concludes that the perception of CSR within the context of Saudi IBs is influenced by both the Islamic and Western ideologies. Nevertheless, when it comes to translating this perception into practice, the interview analysis reveals that the CSR practices of Saudi IBs largely resemble those of the West in terms of their motivation and manifestation. The second section concludes that globalisation and the instituational structure of IBs within Saudi's dual-banking sector play a major role in deviating IBs from potential Islamic conduct. This has resulted in some conflict, which IBs endeavour to overcome. The third section concludes that SSBs are excluded from exerting any potential influence on IBs' CSR. This is because the SSBs are burdened with Islamising Western banking conduct and supervising the process. The next chapter (the discussion chapter) shall extend the interview and content analysis chapters by discussing the findings in relation to the literature.

8. Chapter Eight: Discussion

8.1. Introduction

This chapter presents the findings of both methods in light of postcolonial theory and prior studies. The discussion chapter starts by highlighting the setting of the Saudi banking sector based on the interview and reports' analysis. Then the chapter moves on to discuss the reality of Saudi IBs within the dual-banking sector and whether they can be considered an alternative to CBs. In the process, the financial methods of Saudi IBs will be discussed. Further, the concept of the SSB in this setting will be highlighted. The chapter then concludes with a discussion of CSR and related reporting.

8.2. The Settings of the Saudi Banking Sector

The previous chapters have highlighted several crucial aspects related to the settings of the Saudi banking sector. It is, as discussed earlier, a dual-banking sector, within which IBs and CBs operate side by side (Mimoun, 2019). The first Islamic bank in Saudi Arabia was formally established in 1987 (Wilson 2002, 2013). Banking in Saudi Arabia, however, started in the late 1920s, mainly to serve foreign pilgrims (Tschoegl, 2002; Wilson, 2002). The increase of the Kingdom's income in the 1940s has accelerated the need for banks. Many banks, as a result, were established in the Kingdom between 1940 and 1980 (Wilson, 2002), all of which were conventional banks. The introduction of the banking control law (BCL) in 1966, which remains in place, was a milestone for the banking sector, in which many banking activities have become regulated (Marar, 2004). One relevant and very important aspect regarding BCL is that it has been orchestrated to regulate CBs within the Kingdom because there had never been any worldwide Islamic banking model. BCL, therefore, has not indicated that banks or even products should be Sharia approved (Marar, 2004). Indeed, the terms “Islamic”, “Sharia” and other related phrases are not mentioned in the document. BCL was introduced based on a Western banking perspective, which disregards certain, sensitive Islamic aspects, such as *Riba* (Wilson, 2013). When the first Saudi IB was formally established in 1987, it was required to function under the same laws that govern conventional banking, as were other IBs later (Wilson, 2013; Marar, 2004). By that time, at least eight CBs were operating in Saudi Arabia, two of which would later become IBs. Thus, Islamic banking seemed the foreigner in the sector, since the IBs were vastly outnumbered by CBs and had to abide by the conventional regulations governing the sector.

IBs around the world operate in a financial system that is driven by a capitalist ideology (Kamla, 2009; Cebeci, 2012; Kamla and Haque 2019). This capitalist environment was facilitated by the European colonisation of the Muslim world, and thereafter by the neo-imperialism of globalisation (Kamla, 2007). As discussed in Chapter Three, although the physical European colonisation has ended, it cannot be said that colonised nations have gained complete independence (Said, 1933). Many of those nations are still relying on Western legal, economic, political structures, inherited from the colonial past (see Banerjee et al., 2010). In the case of Saudi Arabia, which was not directly colonised, it has been highly influenced by its neighbours who were already influenced by European colonisation (Al-Rehaily, 1992). This influence can be seen in the construction of the Saudi economy as well as the accounting professions. The emergence of the Saudi economic and accounting structures have been indirectly influenced by Western colonisation (see Al-Rehaily, 1992; Ramady, 2009). Therefore, the emergence of the Saudi financial system was no different from that of its Arab neighbours, who were directly influenced by colonisation. The Saudi financial system, similar to that of its neighbours, is mainly Western in nature (Alotaibi and Hariri, 2020a).

The implications of such settings were reported in the two-chapter analysis. The findings in Chapter Six suggests that IBs' reporting reflects Islam from a narrow perspective, suggesting a deviation from potentially Islamic conduct and consequently reporting. The interview analysis in Chapter Seven provides a few possible explanations for such deviation. According to the findings of the interview analysis, the participants constantly referred to several forces that drive IBs to engage in banking conduct that is less reflective of Islam. All of these factors can be linked to the settings of the Saudi dual-banking system, which is overwhelmed by globalisation. IBs across the world operate in a *Riba*-based environment that is shaped by capitalism (Cebeci, 2012). Abdul-Baki and Uthman (2017) argue that IBs have undergone several transformations in order to align themselves with the global order. Some argue that such an alignment has occurred to such an extent that the current IBs cannot function properly without capitalism and economic liberalisation (Kuran, 2004; Kamla and Haque, 2019). The following subsections will discuss these forces from a postcolonial perspective and in relation to the literature.

8.2.1. Globalisation

As discussed in Chapter Three, where postcolonial theory was employed, globalisation, at least for some, has sustained imperialism, in which local practices are replaced with mostly Anglo-American ones (Gallhofer et al., 2011; Gallhofer and Haslam, 2007; Kamla, 2007, 2009; Kamla and Haque 2019). The findings of the interview analysis suggest that a general sense exists that the world is currently connected in such a way that it allows little room for maintaining particular characteristics. In other words, globalisation is seen as a massive force that, if resisted, might lead to severe disadvantages. In this regard, the attempt to maintain genuine Islamic banking is perceived as potential resistance to the force of globalisation, which must be avoided. As discussed in Chapter Three, globalisation has facilitated the spread of one economic system that is advocated to suit all, regardless of the potential differences between different nations. Developing nations are encouraged to adopt such systems to facilitate ‘development’. The indigenous elements of the economic, social, or political fields are perceived as obstacles to this ‘development’ and, therefore, are eliminated (cited in Held and McGrew, 2002b).

Abdul-Baki and Uthman (2017) argue that Islamic banking is a system that cannot be isolated from the other systems (i.e., legal, economic, social, political and cultural) existing within its environment. The Islamic banking system functions in an environment that is driven by a completely different philosophy. Cebeci (2012) argues that this environment is shaped by capitalism, where the pursuit of self-interest prevails. If Islamic banking resists this force and wishes to maintain its genuine characteristics and ethical orientation, IBs might end up as dysfunctional (Abdul-Baki and Uthman, 2017). Thus, IBs undergo a continues transformation to arrive at a version that is aligned with this global capitalist environment (*ibid*).

Additionally, the interview analysis reflects a common perception that corporations should embrace globalisation if they wish to develop. That is, if IBs fully play the game of globalisation, they will benefit and, consequently, the whole country will advance. In contrast, the idea of withdrawing from globalisation raises serious concerns that IBs and the Kingdom might be significantly disadvantaged as a result. This is consistent with Khan and Bhatti

(2006), who argue that Pakistani's Islamic banking movement failed partly because it represented a threat to the globalisation of Pakistan's financial market. That is, the movement might cause massive foreign investments and capital to leave the country, which would severely disadvantage Pakistan. The participants believed that the game of globalisation means that one must no longer be alien to the globe. In this regard, the participants, both implicitly and explicitly, acknowledge that globalisation might be a restrictive force with regard to implementing genuine Islamic banking practices. Yet, the participants seemed eager to connect to the world, even at the price of genuineness, which seemed unrealistic to them in such an environment. This finding is consistent with Gallhofer et al (2011), whose participants felt that opting out of globalisation is impossible, as their country would be severely disadvantaged as a result. However, Gallhofer's et al (2011) participants explicitly acknowledge the imperialistic nature of globalisation, which does not appear to be the case in this research. This difference might be attributed to certain contextual factors related to the economic conditions and governmental orientation. The findings of the interview analysis, rather, suggest a strong tendency to view globalisation as generally a favourable phenomenon, that might allow some particularities to be maintained. That is, IBs might be able to maintain some of their genuine characteristics provided that they do not contradict the norms of globalisation. Alotaibi and Hariri (2020a) report similar findings for the Saudi financial sector, suggesting that their participants did not reject globalisation. Askari et al. (2009), in this regard, argue that Islam itself is global. Further, globalisation can positively affect many economic aspects in Muslim nations if the appropriate policies are adopted. For that reason, Askari et al. (2009) argue that Muslim governments should embrace globalisation.

The Saudi government’s orientation towards globalisation might shed some light on the issue of minor resistance. Various Saudi Arabian government cabinets have been keen to benefit from globalisation. This movement can be traced back to Saudi Arabia’s accession to the WTO in 2005 (Ramady and Mansour, 2006). In 2009, Saudi Arabia became a member of the G20, which brought with it some transformations, especially in the accounting field, as the Kingdom launched a transition project to implement IASs instead of the local accounting standards (SOCPA. 2015). Further, Vision 2030 was introduced in 2016, through which the whole Saudi economic sector was set to be reshaped. Some argue that Vision 2030 cannot be achieved unless the Kingdom connects to rest of the globe (Faudot, 2019; Alotaibi and Hariri, 2020a). Vision 2030’s key focus, from an economic perspective, is to have a healthy economy with a strong private sector and increase the amount of direct foreign investment in the country (Vision 2030). Therefore, this openness to globalisation is understandable, as the Kingdom endeavours to tap into globalisation to achieve its objectives. Alotaibi and Hariri (2020a), similarly, argue that their participants believe that Vision 2030 can be achieved only through embracing globalisation.

8.2.2. Universal Western Accounting Standards

It is argued that accounting plays a key role in shaping the imperialistic nature of globalisation. Boussebaa (2015) argues that the globalisation of accounting is deeply associated with Western imperialism. As discussed in the theory chapter, Western (mostly Anglo-American) accounting practices are considered universal, which non-Western nations are encouraged to adopt (Gallhofer and Haslam, 2003; Kamla et al., 2012). Some argue that such standards are crudely imposed on developing nations, regardless of their specific characteristics (Hasan, 2018; Rahman, 2005, cited in Gallhofer et al., 2011). The findings of the interview analysis suggest that IASs are seen as a barrier to implementing a banking system that is more reflective of Islam. That is, IASs fail to account for Islamic views in regard to finance and banking. This also extends to other 'international' standards in relation to banking, such as Basel. This conflict is not surprising since such standards are developed based on Western assumptions to meet Western accounting needs (Kamla, 2007). This is consistent with Sharairi (2020), who argues that the adoption of IFRS by IBs in the UAE has restricted local users from obtaining vital, Sharia-related information. Although several of the participants showed an interest in genuine Islamic banking conduct, none of them displayed any resistance to the IASs and other related laws, consistent with the minor resistance towards globalisation.

The interview analysis, rather, suggests that IASs are perceived as indispensable for globalisation. Unlike ex-colonies, whose accounting standards were Westernised during the colonial period, the Westernisation of the accounting standards in Saudi Arabia occurred later with the force of globalization. Yamani and Almasarwah (2019), who argue that globalisation played a major role in Saudi Arabia's decision to adopt IFRS. Similarly, Bakr and Napier (2020) argue that the adoption of IFRS, in the Saudi SME sector in particular (their particular population) and other sectors in general, was driven by both a mimicking pressure and also a need to apply "the best practices" with regard to accounting (p. x). This might explain the non-resistance to these standards by the participants, as such standards are not directly linked to the colonial past. Rather, they are linked to globalisation, which is mostly perceived as a natural, economic advancement phenomenon. In a similar vien, Gallhofer et al. (2011) reported that their participants perceived Anglo-American accounting practices as superior and worth adopting. This might be because accounting in Arab societies is perceived as neutral knowledge, that is isolated from the culture or value judgements of those who have developed it (i.e., Western culture) (Gallhofer and Haslam, 2007; Kamla, 2007; Gallhofer et al., 2011). The success of the Anglo-American accounting-style in accessing many non-Western markets has facilitated the spread of narrow, capitalist accounting modes, which ignores key social accounting aspects (Gallhofer and Haslam, 2003). This success hinders the emergence of alternative accounting systems that might be inclusive of particular social dimensions and so better suit the local needs (Kamla, 2007).

8.2.3. The Institutional Structure

The interview analysis suggests that the institutional structure, according to which IBs function, might be key in explaining IBs' deviation from a potential Islamic banking approach. The findings of the interview analysis suggest that Saudi IBs' institutional structure is identical to that of CBs. Because Saudi IBs are required to operate under the same laws that govern CBs (Wilson 2002, 2013), Saudi IBs must overcome certain Sharia restrictions that are not accommodated in the Saudi banking regulations. Although Saudi IBs have endeavoured to Islamise every banking aspect that contradicts Sharia law, such as contracts and loans, the institutional structure remains unchanged. This phenomenon is not unique to Saudi IBs, as most IBs around the world adopt the same conventional institutional structure (Asutay 2012; Kamla and Haque, 2019).

Maintaining the same institutional structure implies that IBs and CBs might share very similar ideas about the fundamentals of banking. Consequently, IBs and CBs might share a similar social and environmental orientation. The core of conventional banking, which concerns acting as a mediator that pays interests on deposits and receives a slightly higher interest on loans, is maintained by IBs. Cebeci (2012) argues that IBs' institutionalisation has been closely associated with capitalism. Likewise, Asutay (2007, 2008, 2012) argues that this imitated institutional structure represents a notable divergence from the Islamic banking concept, which might help to explain its limited social impact. That is, IBs' current neo-classical economics framework is devoted to profit maximisation, and therefore, any potentiality of a different banking system with a different ethical orientation is diminished (Asutay, 2012).

Although the findings of the interview analysis imply that a major contradiction exists between the proposed Islamic conduct of banking, which is discussed in the literature, and IBs' current institutional structure, IBs' institutionalisation seems to remain unchallenged. Indeed, the interview analysis reveals several comments that describe this institutional structure using notions such as "superior", "effective" and "the only viable banking solution". Therefore, it could be argued that the interview analysis reveals a general perception that a 'proper', viable banking system cannot diverge hugely from the Western banking approach, as exemplified by the capitalist-driven institutional structure. IBs are convinced that they must mimic the Western banking approach closely if they are to survive and remain profitable (Kamla and Haque, 2019). One possible explanation for this unchallenged mindset might be the perception of the West that is shared among Saudis and Arabs, which is the source of this institutional structure. Sadiki (2003) argues that Arabs' view of the West was constructed through missionaries, orientalism and education rather than Arabs' own discourse, which resulted in a concept of Western superiority (cited in Kamla et al., 2012). Similarly, Alotaibi and Hariri (2020a) argue that there is a general sense among Saudis in the financial sector that Western countries, especially the USA and UK, are "the best at everything" (p. 17).

Therefore, Western products (i.e., banking conduct, in this case) are sometimes imported and applied in the Saudi context without any critical assessment or major amendment being made to them to reflect local characteristics. Western technology is regarded as superior and worth adopting (Gallhofer et al., 2011). Further, IBs' employees, especially at the higher managerial levels, are mostly educated in Western countries, or at least according to a Western-inspired curriculum (Cebeci, 2012). Some of those employees have experience of conventional banking (Haniffa and Hudaib, 2010). Therefore, IBs, their employees, and their clients have become immersed in the capitalist structure (Cebeci, 2012), which makes the introduction of a radical change to Islamic banking highly unlikely. Additionally, IBs' shareholders, as the interview analysis suggests, seem to admire the current conduct of IBs, which represents an obstacle to change.

IBs, consequently, have emerged as a similar version of CBs sharing the same social and environmental drawbacks (Khan, 2010). The findings of the interview analysis suggest that, although IBs sometimes attempt to distinguish themselves from CBs in the Saudi dual-banking sector, both types of bank share the same mission. In other words, IBs' *raison d'être* is to maximise profits, similar to any other CB. Interestingly, this impression was shared by almost all of the participants, including the Sharia department officials. Alhussein (2007) argues that this mindset of imitating the Western institutional structure, which is shared among IBs worldwide, cannot offer an Islamic-driven ethical system that is not biased towards solvent clients and can overcome capitalism's drawbacks. Further, Alhussein (2008) argues that the current institutionalisation of IBs, which makes IBs almost identical to CBs, has encouraged CBs in Saudi Arabia, and around the world (Kamla and Haque, 2019), to enter the Islamic banking sector to expand their customer base by opening Islamic windows.

This highlights the exceptional similarities between IBs and CBs around the world, suggesting that IBs might not have gone beyond the reality of CBs (Alhussein, 2007). Beyond the lost opportunity to adopt a different banking system, that might not suffer from some of the drawbacks of capitalism, imitating the Western banking approach has its own disadvantages. El-Gamal (2006) argues that this imitating mindset might result in IBs that are "an inefficient replication of conventional finance, always one step behind developments in the imitated sector" (p. 25).

8.3. The Reality of Saudi IBs: An Alternative to Conventional Banking?

As previously discussed, IBs function in an environment that is shaped by capitalism (Cebeci, 2012). Nevertheless, IBs emerged with a claim that they differ from CBs (Alhussein, 2001) and, consequently, may be expected to possess a different social and environmental orientation. One of the major differences between IBs and CBs is the financing models implemented by both types of banks (Mallin et al., 2014). Further, IBs are governed by SSBs (Hasan, 2012), which produce an annual report to ensure Islamic compliance (Aribi at al., 2019). The following subsection will discuss these factors to shed light on the claim that IBs offer an alternative approach compared with CBs.

8.3.1. Genuine Financing Products

PLS, as discussed in previous chapters, is considered the most authentic financing model that reflects Islam (Alhussein, 2004; Farooq and Ahmed, 2013; Pollard and Samers, 2007; Warde, 2000). Indeed, some argue that the main theoretical difference between Islamic banking and conventional banking is that the former relies on PLS while the latter relies on debt-based financing models (e.g., Mallin et al., 2014). Nevertheless, PLS is rarely implemented on the ground by IBs (Khan, 2013; Khan, 2010; Nouman et al., 2018). Consistent with prior studies, the findings of the content analysis show that four out of the five Saudi IBs have not disclosed any information about PLS and that their financing activities have been solely driven by debt-based products. Bank AlBilad, which was the only Saudi IB that disclosed information about some PLS usage, eventually ceased its PLS disclosure starting from the report of 2018. The findings of the interview analysis suggest a general sense that a repulsion state between the very idea of banking and PLS exists. In other words, the interviewees believe that banking and PLS cannot be in combined due to several reasons, all of which imply to necessity rather than choice (Nouman et al., 2018).

First, PLS is perceived as a financial model that does not harmonise with the core of banking due to a clash of philosophies between the two. In other words, the participants argue that PLS might be a useful, more socially responsible financing method, but not in the banking sector, which cannot be exposed to risk. PLS, as its name indicates, concerns the sharing of risks, which the participants perceived as an aspect that IBs cannot afford in such an environment. This is consistent with prior studies which suggest that the lack of PLS among IBs is due to the fact that it is a risky financing model (e.g., Chong and Liu, 2009; Croson, 2013; El-Komi and Kayed, 2012; Minhat and Dzolkarnaini, 2016). This line of thinking seems to be shared also by the former secretary general of AAOIFI, who argues that "if you let banks share losses right and left, the whole system will collapse in any downturn (cited in Kamla and Haque, 2019).

Second, some participants believe that the lack of PLS among Saudi IBs is due to the lack of relevant regulatory and legal frameworks. For Nouman et al. (2018), the presence of an effective, relevant regulatory framework is a prerequisite for IBs to rely on PLS, which does not currently appear to be the case. Some participants believe that there are major aspects with reference to PLS, such as ownership, which are not accounted for by the Saudi banking regulations. The prior literature, similarly, suggests that the absence of (or weak) regulatory and legal frameworks within Muslim countries has resulted in the disregarding of PLS (Abdul-Rahman et al., 2014; Alam and Parinduri, 2017; Siddiqi, 2006; Mansour et al., 2015).

Third, the interview analysis reveals that the lack of PLS might be because of the demand side (i.e., customers) rather that the supply side (i.e., IBs). That is, globalisation has also altered the fabric of society, in which people mostly look for jobs within the economy rather than starting their own small business, which might need financing through PLS. Therefore, PLS demand significantly drops; and the demand of debt-based loans significantly increases because employees need to purchase cars, houses and holidays, neither three of which can be satisfied by PLS. Although the prior literature has reported other reasons that are associated with the demand side rather than IBs, such as the higher cost, independence and confidentiality (Nouman et al., 2018), the issue of the Muslim lifestyle as a factor influencing the drop in PLS seems to have been overlooked. Nevertheless, several prior studies have highlighted the effect of globalisation on material life (Alhussein, 2004; Alkhalifi, 2003; Alotaibi Hariri, 2020a). Such a focus on material life, facilitated by globalisation, has increased the need for debt-based loans to satisfy such needs. Alhussein (2004) argues that Saudi IBs have always fulfilled such a need, which has led to excessive spending in Saudi society on material possessions.

8.3.2. An Alternative Financing Model

The non- (or limited) implementation of PLS necessitates the invention of a different financing model on which IBs can rely. This model is a debt-based one, similar to conventional banking. It can be reasonably argued that the whole Islamic banking sector worldwide relies on debt-based financial products (Khan, 2010; Khan 2013), which has attracted considerable criticism from commentators. Some have called this Murabaha syndrome (e.g., Yousef, 2004). Alhussein (2004) argues that this debt-based financing model was approved by the SSBs as a temporary solution when IBs emerged because the early IBs attracted huge, unexpected deposits by enthusiastic Muslims. This caused uncertainty among IBs' management, as they lacked appropriate financing products that would efficiently transform such deposits into loans. A practical solution was provided by the SSB in the form of financing products that are based on the guarantee of capital and return (debt-based products). Alhussein (2004) argues that this temporary solution has become the norm for IBs over the years. This debt-model of IBs is extracted from conventional banking, with some modification to correspond with Sharia (Chong and Liu, 2009; El-Gamal 2006; Kuran, 2004; Yousef, 2004).

One of the major aspects where IBs are heavily criticised in the literature is the tendency to mimic Western financial products and adjust them to bring them into line with Sharia law (Alhussein, 2001, 2004, 2007, 2008; El-Gamal, 2006; Kamla, 2009; Kamla and Haque, 2019; Kuran, 2004; Pollard and Samers, 2007). The findings of the interview analysis suggest that IBs prefer to mimic well-developed Western products rather than invent genuine Islamic ones. The interview analysis reveals the experience of one senior SSB member in innovating a genuine Islamic product, which eventually failed. He argues that the reason for this failure was due to the rejection of the product by other financial institutions within the Kingdom's dual-banking sector because they simply did not understand it. This lack of understanding of a genuine Islamic product might be attributed to the prevalence of Western ideas about banking (Gallhofer et al., 2011; Kamla, 2009; Kamla et al., 2012; Kamla and Haque, 2019). This led this particular IB, the interviewee argues, to withdraw this product from the market and to rely on more ‘understandable’ products, which fall under the conventional Western category. Dar and Presley (2000) argue that, when IBs operate in a dual-banking sector, where severe competition with well-established, more competitive CBs is expected, IBs tend to offer less risky products, as exemplified by debt-based products. This might explain some Saudi IBs’ tendency to mimic Western products.

Yet, mimicking Western products instead of inventing new ones, that are inherently driven by the Islamic culture, might result in IBs that are almost identical to Western conventional banks. Alhussein (2004) argues that IBs go through long jurisprudential processes simply to remove their financing products from the *Riba* category, yet those products have the same economic substance as of those of CBs. Hamour et al. (2019) suggest that a ‘substance gap’ exists in the product development process in the Islamic finance sector. This brings up the issue of form over substance with reference to IBs and Sharia. IBs have been accused of operating on the principle of form over substance (Alhussein, 2001, 2007; Asutay, 2012; Belal et al., 2015; Hamour et al., 2019; Kuran, 2004; Rosly, 2010; Sencal and Asutay, 2020). Asutay (2012) argues that IBs who follow a form approach focus on developing financing products that are aligned with Sharia, irrespective of their Islamic substance. On the other hand, IBs that follow a substance approach focus on developing financing products that reflect the Islamic culture (Asutay, 2012). The substance approach requires a consequentialist mindset, in which the social and environmental outcomes of IBs’ products should be considered during the design process (Asutay, 2012). Although maintaining a proper form is essential in order for financial products to be Sharia approved, fulfilling the substance is even more essential (Ebrahim and Abdelfattah, 2021). Nevertheless, the interview analysis suggests a general sense that IBs' products should be Sharia-approved irrespective of the substance (i.e., other social and environmental considerations). One participant explicitly suggests that the term 'Islamic' in Islamic banking refers to following jurisprudential rules rather than social considerations.

Although the form approach, or as Belal et al. (2015) call it, the minimalist Sharia approach, might satisfy the Sharia rules from a jurisprudential perspective, it cannot signify the substance and spirit of the Islamic culture (El-Gamal, 2006; Kamla, 2009; Kamla and Haque, 2019; Kayed, 2012; Kuran, 2004). For Rosly (2010), the form approach "closes the front door of [R]iba while opening the back door of [R]iba" (p. 132). Further, the form over substance approach, because of its financial effectiveness, might hinder the development of alternative financing models that are socially responsible. Alhussein (2004) argues that the financial success of the form approach has diminished the need to invent financing products that are aligned with the Islamic philosophy (i.e., the substance approach). For example, one of the negative aspects of conventional banking is its bias towards big businesses because they are more credit worthy, unlike small businesses which are relatively less credit worthy (Chapra, 1985). Nevertheless, Alhussein (2004) argues that current IBs share the same conventional banking bias, as credit worthiness plays a major role in decisions regarding loans. Similarly, Kuran (2004) argues that IBs make financing decisions mainly based on a financial perspective, which takes priority over other important Islamic aspects. Further, IBs are accused of increasing the culture of debt within Muslim communities, similar to conventional banking, which is not recommended by Sharia (Alhissein, 2004; Alkhalifi, 2003). This is done through IBs' focus on supplying personal loans in the GCC region, suggesting that they are no different than CBs in this regard (Alhussein, 2004). This approach has led many authors in the field to argue that IBs cannot challenge or go beyond conventional banking (Alhussein, 2001; Asutay, 2007, 2012; Kamla, 2009; Kamla and Haque, 2019; Kuran, 2004; Pollard and Samers, 2007). For Khan (2010), IBs cannot be distinguished from conventional banking.

8.3.3. The SSBs' Role in this Environment

As discussed earlier, in the context chapter, the establishment of IBs in the 1970s was mostly driven by bankers who had experience of conventional banking (Haniffa and Hudaib, 2010). This movement represented a major opportunity for "a new creed of Muslim capitalist and financers" to exploit (Kamla and Haque, 2019, p. 6). These founders, due to their lack of Sharia knowledge, forged an alliance with Sharia scholars to help to overcome this issue (Alhussien; 2004; Alkhalifi, 2003; Kahf, 2004) and convince Muslims of the concept of Islamic banking, which was perceived with doubt (Kahf, 2004). Kahf (2004) argues that those founders sought "the help of traditional ulama…, unlike other Muslim intellectuals, [because] the shari'a scholars have close contacts with businessmen, with small- and medium-sized firms, and middle-income earners, from whom the clientele of Islamic banks is to be derived" (p. 6).

Consistent with Alkhalifi (2003), the participants perceive the SSBs as an agent body that is responsible for carrying out the wishes of IBs' constituent assembly (i.e., shareholders) to conduct banking in accordance with Sharia because the relevant laws do not require banks to be Islamic. The interview analysis suggests that the role of SSBs is, therefore, to overlook IBs' financial transactions to ensure that they are aligned with Sharia. Alhussein (2004) argues that IBs' management worldwide has been able to convince the SSB members that any financing model that is not debt-based cannot succeed in the banking sector. It could be argued, based on the interview analysis, that the main role of the SSBs within Saudi IBs is to strike a balance between the Western banking approach (i.e., the debt-based financing model) and Sharia. That is, the SSBs are hired by the constituent assembly to Islamise conventional products and ensure that their implementation is aligned with Sharia. Consistent with the form-over-substance discussion earlier, the interview analysis reveals that the SSBs' role tends to be to Islamise Western financing products rather than innovate genuine ones that are inherently Islamic. This is done through reverse engineering, in which the SSB members study a conventional product to determine its relationship with Sharia and make the corresponding changes (Askari et al., 2009; Alhussein, 2001, 2004). Sencal and Asutay (2020) argue that the current Sharia supervision merely focuses on the assurance of Sharia alignment by focusing on financial transactions, irrespective of their Islamic substance. Kahf (2004) argues that the SSBs have become "a kind of buffer" between conventional banking, represented by IBs' shareholders and managers, and Muslim society (p. 8). Therefore, the SSBs can be considered the enablers of the current, Western-driven banking approach in the Muslim world.

Beyond this role of striking a balance between the Western banking approach and Sharia, the role of SSBs seems to be minimal. In other words, the interview analysis suggests that the role of SSBs revolves around financial transactions due to the nature of the banking sector. Beyond these financial transactions, the participants cannot see any role of the SSBs as long as there are no breaches of Sharis. The findings of the content analysis confirm this approach as they suggest that the SSBs' roles are the ex-ante Sharia audit, ex-post Sharia audit and calculation of *Zakah*. This approach might be problematic as it equates the SSBs' role to a police-like one, where they are expected to intervene only when the law is broken. Ethical issues as well as a social and environmental orientation cannot be protected by this approach, as such issues are not usually embedded within the laws. Further, the SSBs are in a position that directly and explicitly represents Islam (Aribi et al., 2019) and, therefore, are expected to endeavour to apply Islamic principles to wider aspects than simply financial transactions. The current approach to Sharia supervision completely prevents SSBs, who are assumed to best understand Sharia and expected to apply its ethical norms, from influencing the ethical orientation of IBs. Instead, the SSBs focus on technical issues related to financial transactions and reverse engineering. Sencal and Asutay (2020), thus, argue that Sharia supervision within IBs should have implications beyond financial transactions, in which the Islamic substance is included in the decision making.

8.3.4. SSBs' Reporting

The SSB's report is an important aspect of Islamic banking, as it provides an assurance that IBs' operations are Sharia approved (Haniffa and Hudaib, 2007; Maali et al., 2006). The findings of the content analysis, however, suggest that the SSB's reports are almost non-existent in the Saudi banking sector. This finding is relatively surprising, as all of the Saudi IBs claimed in their annual reports to be Sharia approved, and yet concealed the very opinion that would validate such a claim. All of the interviewees from the SSBs' departments were asked about this non-disclosure practice. There was a general perception among all of the respondents that the SSB's reports are important, yet the participants argue that publishing those reports publicly is an entirely different issue. That is, the SSBs work as the agents of the shareholders and, therefore, should report directly to the shareholders rather than the public. All five IBs disclose their SSBs' reports, verbally, however, during the general assembly, as the interview analysis reveals.

This practice implies a general sense that the SSBs are accountable to the shareholders rather than the public, which adds another dimension to the already criticised relationship between two groups (Kahf, 2004; Kamla and Haque, 2019). Since SSBs' reports are yet to be required in the Saudi dual-banking system, four Saudi IBs chose not to disclose their reports to the public. This might also be because of the notion that Islamic banking is a loose concept in Saudi Arabia, as the interview analysis reveals. That is, when the constituent assembly chooses to operate in accordance with Sharia and appoints an SSB, this SSB is the only body that defines the boundaries of Islamic banking and supervises it implementation. This might result in multiple versions of Islamic banking, due to different SSBs' views about Islamic banking. SSBs' reporting, in this case, might backfire and cause negative publicity.

AlJazira Bank, on the other hand, is the only Saudi IB that has published its SSB reports throughout the period covered by this research. Nevertheless, several critical questions can be asked about the practice of AlJazira Bank. First, the SSB's reports of AlJazira Bank explicitly address the shareholders of the bank rather than the stakeholders. This practice is related to the discussion of SSBs' accountability in the previous paragraph. The literature suggests, on the contrary, that the SSBs' reports are of concern to the stakeholders rather than shareholders (Aribi et al., 2019). Second, the reports from 2008 to 2011 raised several relevant issues related to Sharia compliance, in which the SSB has explicitly showed their concern to the public about the bank's Sharia compliance. However, this critical reporting approach has been replaced with a cliché from 2013 to 2019. The cliché recurs every year, expressed in exactly the same wording, which states that the bank is Sharia compliant and that any Sharia-misconduct does not materially affect this compliance. This passive SSB's reporting seem to be consistent with that of Islamic banking worldwide, as Sencal and Asutay (2020) suggest that SSBs' disclosure tend to include general statements that ignore important aspects that reflect Islamic substance. Overall, Saudi IBs tend to fail to disclose their SSBs' reports and, when they do, these reports tend to be uncritical and passive in nature.

8.3.5. The Compulsory Cleaning Scheme (CCS)

As discussed earlier, the CCS is an account that is established to purify income that is regarded as illegal from a Sharia perspective. It is true that IBs are Islamic because they abide by Sharia law and, therefore, the need for purification is, in theory, eliminated. Nevertheless, the findings of the interview analysis suggest that the contemporary environment within which IBs operate necessitates such an account, as Sharia violations seem inevitable. The CCS disclosure is important because it allows the users of the reports to assess the Islamic compliance of those IBs (Maali et al., 2006). The content analysis, however, reveals that IBs tend to overlook the issue of the CCS in their reports. Only two of the five IBs referred to the CCS; however, they did so from a pure technical accounting approach. The reference to the CCS was made in the auditors' report, where a paragraph was allocated to explain why some income has been moved from assets to liabilities. However, information, such as the necessity for undertaking these transactions, the SSB's opinion about those transactions and the process of disposing of the income (Maali et al., 2006), are completely omitted from the reports.

The silence of the other three IBs might suggest that these IBs do not generate any non-compliant Sharia income and, therefore, such an account in unnecessary. However, this seems very unlikely, especially in a dual-banking system, as the current environment within which IBs operate will eventually lead IBs to generate some non-Sharia income (Aribi et al., 2019). Further, some participants from all five IBs referred to the existence of the CCS within their own IB. Although full disclosure about the CCS is expected by those IBs, they seem keen to avoid discussing sensitive topics, such as the CCS and SSBs' reporting. Maali et al. (2006) argue that IBs tend to conceal such disclosure because it might attract criticism. Similarly, the interview analysis reveals some sensitivity about those two topics in particular. Overall, IBs seem hesitant to disclose such an important aspect of current Islamic banking conduct.

8.3.6. Barriers to Escaping the Western Hegemony

It might be easier to put all the blame for this Western driven Islamic banking conduct on Muslim governments. Nevertheless, there are some crucial non-governmental factors that might have contributed to the current situation. Cebeci (2012) argues that part of the social failure of IBs is due to certain internal factors, such as Western-driven executives running IBs and *Fatwa* processes by the SSBs. The findings of the interview analysis suggest that IBs' shareholders seem to be more comfortable with this approach of imitating Western banking. In other words, those shareholders seem to resist the idea of introducing a new function of Islamic banking, since this version is Sharia approved and 'profitable'. This approval is granted by SSBs, which reflects their utter importance in this matter. In order for IBs "to escape the centripetal pull of Western economic thought" (El-Gamal, 2006, p. 138), Alhussein (2008) argues that society, represented by SSB members and wealthy individuals, is the key. The importance of SSBs here is that they act as a buffer between Muslims, who demand Islamic banking, and wealthy individuals who wish to mimic the Western banking approach (Kahf, 2004):

> The government can prevent people from doing things (i.e., dealing in *Riba*) due to its power to impose relevant laws and punish violators. However, the government cannot command a matter (i.e. *Riba*-free institutions), and this commanded matter occurs. This is because command and prevention are two different concepts. In a command situation, the will of people is a prerequisite for the success of the commanded project. No government in the world has authority over people's will (Alhussein, 2008, the researcher's own translation).

Alhussein (2008) draws a clear distinction between command and prevention. He argues that the government cannot force Saudi society to develop and maintain genuine Islamic banking conduct by its own power unless society has the will to do so. Instead, the government can facilitate, support and endorse such an idea. Alhussein (2004) argues that this mission does not require much work by the SSBs. Indeed, it requires SSBs to stop working on this basis of reverse engineering and condition their cooperation with IBs' shareholders and mangers with an autonomy that enables the SSBs to introduce gradual genuine Islamic financial practices (Alhussein, 2004).

To conclude this section, although PLS might be the financing model that most accurately reflects the Islamic worldview, it is rarely implemented by IBs. Instead, debt-based financing models are implemented, which resemble the philosophy of conventional banking. The current globalised financial environment hinders the implementation of PLS due to its 'dysfunctional' nature; in other words, PLS is considered alien to the global financial environment, which is Western-driven. The current financial environment fosters debt-based financing, which is based on guaranteed capital and return. Therefore, a tendency to develop debt-based products that are in line with the Western philosophy of finance was noted by Saudi IBs through reverse engineering techniques. It was argued that such techniques disregard the Islamic substance, which might lead to IBs that are inherently indistinguishable from CBs. Further, it was argued that SSBs' role within IBs is to supervise those reverse engineering techniques and, therefore, enable this form of banking to thrive. Finally, it was argued that this globalised environment has created further conflicts for IBs, which necessitated special arrangements, such as the CCS. Yet, IBs chose not to address those conflicts publicly and disclose the relevant measurements. Therefore, it could be concluded that IBs, based on this discussion, cannot be considered an alternative to CBs. Rather, they are Sharia-approved banks that are far from the Islamic substance and closely aligned with the Western philosophy of banking.

8.4. CSR Perception, Practice and the Related Social Reporting in the Saudi Context: Western Hegemony or an Appreciation of Particularities

8.4.1. CSR's Perception by Saudi IBs

The findings of both methods have shed some light on the perception of CSR within the Saudi Islamic banking sector. The findings of the content analysis reveals that some IBs, at least once, have described their social responsibility as a notion that is derived from their Islamic identity. This understating might produce different responsibilities that align with the Islamic view of socially responsible behaviour, such as social justice and wealth redistribution. Further, the interview analysis suggests that some participants have described their understanding of CSR by drawing on certain Islamic concepts, such as *Takaful*, philanthropy and Islamic accountability. This is consistent with Aribi and Arun (2015), who argue that all of their participants, without exception, referred to *Zakah* or charity when describing CSR of Islamic financial institutions in Bahrain.

Nevertheless, the content analysis shows that the Islamic-driven CSR view was later replaced by a general view that is more global in nature. Similarly, the interview analysis reveals that CSR is seen, by the majority of the participants, as an international phenomenon that should be understood and practised in accordance with the international standards, irrespective of a possible Islamic linkage. Although this view links CSR to the globe rather than the West, CSR is still seen within its Western Anglo-American themes (Blowfield and Frynas, 2005). CSR, for the majority of the interviewees, is considered a tool that IBs can tap into to achieve certain objectives, most of which can be directly linked to capitalism. This view is what Garriga and Melé (2004) describe as instrumental theory, in which corporations endeavour to achieve their ultimate goal of profit maximisation through the utilisation of CSR.

Several participants explicitly referred to the West or Western CSR practices when describing their understanding of CSR. In this regard, CSR is a seen as a Western product that emerged with the new economic and business environment worldwide and was brought to Saudi Arabia through globalisation. These findings echo those of Kamla et al. (2012), who argue that CSR is seen by Syrians' accountants as a new, Western phenomenon. Globalisation is key to the spread of Western Anglo-American perceptions and practices of CSR to non-Western contexts (Blowfield and Frynas, 2005; Gallhofer et al., 2011; Kamla et al., 2012). In this regard, Osman et al. (2021) highlight the neo-liberal globalisation pressure on Egyptian banks to adopt a Western style of CSR reporting, despite acknowledging its drawbacks. Further, the interview analysis shows that the Western conceptualisation of CSR is sometimes referred to as the proper understanding of CSR. On these grounds, the participants argue that CSR must be perceived and practised within its modern shape (i.e., Western), which is wider than local and inferior practices (i.e., philanthropy). Sadiki's (2003) explanation of Arabs' perception of the West, as discussed earlier in the chapter, is helpful for understanding this tendency.

As discussed earlier in the chapter, IBs' institutionalisation is closely associated with the West. This might lead IBs to adopt a similar social and environmental orientation to the Western banking approach. Therefore, the Western influence on IBs' views of CSR is unsurprising. Nevertheless, these findings seem to conflict those of Koleva (2020), who argues that the understanding of CSR in Saudi Arabia, UAE and Oman does not reflect a Western view. She maintains that the CSR in these countries falls into the "altruistic area of activities", which is mainly driven by Islam (p. 11). Nevertheless, Koleva's (2020) conclusion might be less contradictory, considering her own position on Western CSR. She argues that 'the' Western CSR is associated with performance whereas understanding of CSR in the given context "is not constrained within the boundaries of corporate performance" (p. 18). She further states that CSR in those countries places great emphasis on social issues "to [the] extent where the C in CSR is not clearly defined and is rather absent" (p. 18).

Koleva's (2020) position on Western CSR seems to resemble the middle-ground theorising approach, which appears to dominate the CSR literature (Gray et al., 1998, cited in Gallhofer and Haslam, 2003). This approach accepts the *status quo* (Gallhofer and Halslam, 2003) and assumes that the purpose of CSR is to improve corporations' reputation (Gray et al., 1988, cited in Kamla, 2007). However, the case that CSR in these countries fails to meet the Western-middle-ground theorising, as she argues, does not necessarily mean that CSR in those countries follows a radical approach. In other words, CSR in Saudi Arabia does not emanate from an Islamic root, at the centre of which lie Islamic principles. Although the findings of the interview analysis suggest that IBs practise CSR in order to achieve certain Western-driven objectives, such as enhancing customer loyalty and improving their reputation, the interview analysis suggests that CSR in the Saudi Islamic banking context lacks strategic implementation, in which CSR mostly follows an initiative-based framework. Therefore, the findings of this research and those of Koleva (2020) do not principally contradict each other.

8.4.2. Social Reporting by Saudi IBs

Baydoun and Willett (2000) argue that demonstrating Sharia compliance should be an integral part of the reporting practices of Islamic organisations. The prefix 'Islamic' is expected to influence IBs' practices, and consequently, their social reporting (Baydoun and Willett, 2000; Kamla and Rammal, 2013). The findings of the content analysis show that IBs have provided Sharia compliance information through their disclosure. For example, all IBs have disclosed information about their SSBs, who are responsible for ensuring that the banks' operations are in line with Sharia. It could be argued, therefore, that IBs' reports are inclusive of certain particularities that cannot be found elsewhere. Yet, those particularities barely go beyond stating that those IBs are committed to Sharia. In other words, IBs' social reporting seems to lack a deep reflection on Islamic aspects that are fundamental to the fields of banking and finance. For example, although IBs, from a theoretical perspective, are distinguishable from CBs by their avoidance of *Riba* (Chapra, 1985), the content analysis shows that the issue of *Riba* was entirely overlooked by the IBs' reports.

Instead, IBs disclose their social responsibility in a conventional way. That is, CSR seems to be perceived within an initiative-based framework that reduces CSR to social and environmental activities that were conducted by those IBs during the year. This is consistent with Aribi and Arun (2015), who argue that IBs' social disclosure is narrow and dominated by non-systematic, charity-like activities. Beyond these social and environmental activities, which are sometimes clustered into programmes, the content analysis reveals that the IBs' reports tend to overlook the banks' actual social and environmental impact, as per the Sharia requirement. Likewise, Kamla (2007) argues that "the Western style, business-led voluntarist approach to social reporting by Arab companies has allowed these companies to largely displace important disclosures" (p. 149). Through this reporting approach, IBs tend to overlook fundamental aspects that differentiate them from conventional banking, such as *Riba*. Kamla and Rammal (2013) critically explore IBs' reports to assess their social justice emphasis. They argue that, although IBs' reports include a number of religious and cultural themes, such themes "are superficial and fail to touch upon the importance of meeting the needs of the poor in society" (p. 16). Similarly, Alotaibi and Hariri (2020b) analyse the Sharia compliant investment funds reports of Saudi Arabiaian firmsfrom a globalisation perspective to explore their social justice dimension. They conclude that such reports "do not embrace Islamic concepts of social justice" (p. 11).

The findings of the content analysis, therefore, suggest that the social reporting of Saudi IBs deviates from a reporting practice that reflects the fundamental role of IBs. This deviation might be explained by the settings of the Saudi banking sector, which were discussed earlier. Although the reports include certain Islamic aspects, they tend to be rhetorical (Kamla and Rammal, 2013). The Western influence on reporting practices in the Middle East in general and Saudi Arabia in particular has been suggested by prior studies. For example, Osman et al. (2021) argue that social reporting in the Egyptian banking context is significantly influenced by Western social reporting. They argue that Egyptian social reporting, therefore, is suggestive of similar problems that are associated with Western social reporting. Similarly, Alotaibi and Hariri (2020b) suggest that Western reporting practices have shifted the focus of the Sharia compliance funds' reports from a potential social justice emphasis to a performance and financial return emphasis.

Similarly, when IBs' CSR managers and employees were asked how they practise and disclose CSR, their answers resemble the initiative-based framework. In other words, the interview analysis suggests that CSR practices are performed in accordance with a framework that seems to reduce CSR to the physical activities that are carried out by those IBs. These practices, consequently, are reflected in the reports. Cebeci (2012) labels this framework as "charity-like" CSR practices and cautions IBs against its adoption (p.167). He maintains that the CSR practices of IBs should make "direct and enduring contributions to social development", unlike this framework, which tends to be motivated by public relations and marketing purposes (p. 167). The danger of this framework is that it might not recognise responsible banking conduct that is conscious of its social and environmental impact as CSR. In other words, as the findings of the interview analysis suggest, there was a general sense that the actual impact of IBs' financial operations is unrelated to CSR and that IBs are not accountable beyond those CSR initiatives. For example, several participants have made it clear that IBs are not accountable, from a CSR perspective, for the social and environmental impact of their product, as long as they comply with Sharia.

To conclude this section, it was argued in previous chapters that the Islamic worldview is expected to influence IBs and, therefore, yield socially responsible practices that are in line with such a philosophy. The findings initially indicated an Islamic-driven perception of CSR produced by some IBs' reports. However, these definitions were later replaced with more global definitions that emanate from the Western themes of CSR. Further, many participants believed that CSR, itself, is a Western concept that was brought to Saudi Arabia through globalisation and, therefore, the CSR manifestations should follow those of the West. In addition, it was argued that, although the social reporting practices of IBs is suggestive of certain particularities, these particularities do not account for the fundamentals upon which Islamic finance is built. IBs reporting, instead, resembles that of the West by disregarding critical aspects, such as the effect of *Riba* on society. Further, it was argued that many participants considered the Western conceptualisation of CSR as appropriate, superior, and worth adopting. Many local elements of CSR were disregarded based on the perception that the current environment requires such an approach. Therefore, it could be concluded that the CSR and social reporting practices of IBs cannot be seen as reflective of the Islamic worldview. Instead, the CSR and social reporting seem to be dominated by the Western conceptialisation and manifestation.

8.5. Conclusion

The chapter has presented and discussed the findings of the interview and content analysis chapters. The settings of the Saudi banking sector were discussed, in which the influence of globalisation is highlighted. Although the participants have seen the notion of globalisation as a restrictive force for maintaining Islamic characteristics, some perceive the notion as a potential route for IBs and the whole country. Further, the financing models of IBs (in theory and practice) were discussed. It is argued that the SSBs and the wealthy individuals within Muslim nations play a major role in maintaining IBs' current form, which is dominated by the Western, Anglo-American mindset. This domination is reflected in CSR and related reporting.

9. Chapter Nine: Conclusion

9.1. Introduction

This chapter concludes the thesis entitled “Corporate Social Responsibility and Related Social Reporting: The Case of Saudi Arabian Islamic Banks”. In this chapter, a summary of the findings will be presented, based on a question-answer format. In other words, every research objective will be allocated a subsection that summarises its specific findings. Then, the chapter moves on to highlight the research’s contribution to knowledge. Finally, the chapter concludes by providing the research limitations and recommendations for future research.

9.2. Summary of the Findings

There were four objectives set for this research. This section will present a summary for each objective.

9.2.1. Objective 1: Exploring the social reporting practices of Saudi IBs embedded within the context

The content analysis findings revealed that the IBs’ reports included certain social and environmental information. The reports also included certain particularities that are relatively rare in non-Islamic contexts. For example, all of the IBs reported that they are Sharia-compliant and that an SSB is responsible for such compliance. Nevertheless, one cannot confidently argue that such reporting is reflective of the Islamic worldview. In other words, those particularities barely go beyond stating the Sharia commitment of IBs. The reports appear to ignore the fundamentals that distinguish IBs from CBs, such as *Riba* and its implications for Saudi society. Other relevant Islamic considerations are entirely absent from the reports. IBs seem to overlook the actual impact of their operation on society, as Sharia specifies. Further, the content analysis has revealed five cases where a deviation from a potential Islamic-driven reporting practice is noted. Those cases are: (1) the disposal of authentic Islamic financial products; (2) questionable Islamic banking transformation; (3) the disposal of views that connect CSR to Islam; (4) the non-disclosure of SSBs' opinions; and (5) the hesitance to disclose relevant, Islamic sensitive matters, such as the CCS. The prefix 'Islamic' is expected to influence IBs' practices and, consequently, their reporting practices. However, the Islamic influence on IBs' reporting is barely evident. Rather, IBs tend to disclose their social responsibility as initiative-based CSR. It seems that IBs present their CSR in a conventional, Western style. That is, IBs tend to report their CSR in a public-relations, image-building style. This might suggest a displacement of the potential local reporting practices.

9.2.2. Objective 2: Exploring the perceptions and practices of CSR by Saudi IBs embedded within the context:

Although an Islamic-driven CSR perception was initially noted in the two-chapter analysis, such a perception seemed to be highly influenced by the West. An Islamic-driven CSR perception might suggest special approaches and manifestations, which might be inapplicable in the current financial environment. Thus, IBs seemed to adopt a Western mindset with reference to CSR. As discussed earlier in Chapter Three, Orientalism is built upon a binary perspective that separates the superior, civilised West from the inferior, uncivilised East. Sadiki (2003) argues that the East was unable to construct its own discourse about the West. Rather, the discourse was constructed through missionaries, orientalism and education, suggesting that the binary perspective exists in the East's discourse about the West. The interview analysis suggested that some participants explicitly linked CSR to the West, suggesting that CSR is a Western notion that emanates from the new economic and business environment. CSR, in this case, is mostly viewed through a capitalist lens as a mere tool for profit maximisation. This Western view of CSR often results in participants considering the Western practices of CSR as superior and worth adopting in the Saudi context. For example, certain participants justified their CSR practices (and non-practices) by explicitly referring to mainstream Western corporations that adopt (or ignore) these practices. Nevertheless, some opposition to this approach was identified by certain participants, who urged for more cultural consideration with regard to importing Western CSR practices. Further, the interplay between the Islamic view, which is rooted in the Saudi culture, and Western view, which seemed to overwhelm the CSR perception, suggested a struggle for some participants when practising CSR. This is because those participants believed that they should practice CSR that is modern (i.e., Western) and relevant to the local context. Further, the interview analysis revealed that IBs seem to practise CSR through an exclusively initiative-based approach, similar to what was found in the IBs' reports analysis. That is, for IBs to be socially responsible, they must carry out physical activities (i.e., initiatives) of a social or environmental nature. The danger of this approach is that it might not recognise socially responsible behaviour that goes beyond this framework. For example, many participants expressed a view that the social and environmental impact of IBs' product is irrelevant to CSR, as long as these IBs keep implementing CSR activities, which earn them the status of being socially responsible.

9.2.3. Objective 3: Exploring the influence of globalisation and the dual-banking system on IBs and, consequently, their CSR practices:

In Chapter Three, it was discussed how globalisation has facilitated the notion that 'one system fits all'. Ali (2010) argues that a unipolar world allows for hegemonic practices, in which certain economic policies are promoted to (imposed upon) less developed nations. The emergence of IBs in Saudi Arabia occurred 50 years after the first CB was established in the Kingdom in the 1920s. Further, the first Saudi IB emerged in a banking sector that contained eight CBs and was regulated in accordance with the conventional view of banking. Saudi IBs were required (and are still required) to operate in accordance with the BCL, which was orchestrated to regulate CBs within the Kingdom. Therefore, the evolution of Saudi IBs was remarkably influenced by such an environment. The interview analysis highlighted three factors related to globalisation and the dual-banking system, which seem to influence IBs and their CSR. Those factors are: (1) IBs' institutional structure, which mimics that of CBs; (2) an imagined global identity for banks, which is boosted by IASs and other global regulations; and (3) a desire to connect with the rest of the globe in order to advance and develop. There was a tendency among the participants to argue that development is achieved only through adopting CBs' institutional structure and fusing with the rest of the globe. Although globalisation is sometimes seen as an obstacle to conducting socially responsible, Islamic banking, the participants neither rejected nor opposed globalization with its 'one global system'. Instead, they attributed to it positive notions, such as 'the way to development'. Those factors, nevertheless, seem to create conflicts for Saudi IBs, which they need to address in order to survive and develop. For example, IBs find it almost impossible to implement genuine Islamic financial products because these are irrelevant in such a globalised environment. Instead, IBs tend to mimic the conventional financial products by implementing reverse engineering techniques. The danger of employing such techniques is that they might result in IBs that are almost indistinguishable from CBs. Indeed, the interview analysis revealed that the participants believe that IBs and CBs should be identical in all facets, except with regard to Sharia violation. In other words, some of the participants explicitly argued that IBs and CBs share a *raison d'être*, which is profit maximisation. This mindset provides a basis and justification for the reverse engineering approach.

9.2.4. Objective 4: Exploring the role that SSBs play in relation to CSR:

As discussed earlier, the 'one system fits all' has been promoted with globalisation. Although Saudi IBs seemed to be fully aligned with the system, some Sharia considerations are important because 'the system' might at times conflict with Sharia. This has led to the need for a procedure that ensures Islamic legitimacy while at the same time being in line with the system. The SSBs represent this procedure. Mimicking the global banking approach and adjusting it to fit Sharia law seems to overwhelm the SSBs. In other words, the interview analysis revealed that the SSBs seem to mobilise the majority of their resources, time and efforts towards adjusting this banking conduct to bring it into line with Sharia law. Aspects that are less likely to involve Sharia violations, which revolve around financial transactions, are paid less attention by the SSBs, including CSR. Therefore, it could be argued, based on the interview analysis, that the main role of the SSBs within Saudi IBs is to strike a balance between the Western banking approach and Sharia. This is consistent with the notion of reverse engineering, discussed earlier. Beyond this role, the SSBs are not expected to play a role as long as Sharia law is not violated. The danger of this mindset is that the SSBs' involvement are equated to a police-like job, whereby they intervene only when the law is broken. This mindset tends to overlook Islamic ethical, social and environmental aspects, which are already not embedded within 'the law'. Another problem with this mindset is that the SSBs are in a position where they directly represent Islam within those IBs. Therefore, if the Islamic worldview, with regard to CSR, to ever be incorporated into IBs, the SSBs are the key because they possess the required knowledge. The current approach of Sharia supervision limits the SSBs from influencing the ethical orientation of IBs. Instead, the SSBs focus on the technical aspects of financial transactions, which mostly revolve around reverse engineering.

9.3. Final Thoughts

IBs are obliged to apply Sharia. It is argued that IBs, in theory, should be considered an alternative to the worldwide conventional banking system (Alhussein, 2001). This implies that IBs should poses a different philosophy compared to CBs with regard to finance. This Islamic philosophy centres around creating financing methods that are built on sharing risks rather than debt-based financing products (Alhussein, 2001; Belal et al., 2015; El-Hawary et al., 2004; Khan, 2013; Mallin et al., 2014; Pollard and Samers, 2007; Yousef, 2004), which in turn might result in a different social and environmental impact. Further, it is argued that Sharia is concerned with social, environmental and ethical matters through emphasising social welfare and justice (Haniffa and Hudaib, 2007; Maali et al., 2006). This might suggest that IBs should, by default, be concerned about social, environmental and ethical issues. Nevertheless, IBs have been facing major criticism in this regard (e.g., Abdul-Baki and Uthman, 2017; Asutay, 2007, 2008, 2012; Cebeci, 2012; El-Gamal 2006; Kahf, 2004; Kamla, 2009; Kamla and Haque, 2019; Khan, 2010; Kuran, 2004).

It was argued in Chapter Five that the emergence of the Saudi economic environment was notably influenced by European colonisation, even though Saudi Arabia was never subjected to European colonisation. This is especially the case for the banking sector. When the first Saudi IB was granted a license to operate in 1987, there were eight conventional banks operating in the Kingdom, the oldest of which was established in the 1920s. The Saudi banking sector was, and remains, regulated in accordance with a conventional view of banking (Ramady, 2009). The banking control law (BCL), which was introduced in 1966 (and remains in place), is considered a conventional law, which is based on a Western banking perspective, simply because there was no Islamic banking model at that time. All IBs in Saudi Arabia were (and remain) required to operate in accordance with BCL and other relevant regulations, which do not always account for IBs' special nature.

The interview analysis revealed that globalisation has aggravated the situation for Saudi IBs in their quest for Islamic authenticity. Globalisation, at least for some commentators, has facilitated the spread of Anglo-American economic ideas and repressed local practices (i.e., authentic Islamic banking in this case) (e.g., see Gallhofer et al., 2011; Gallhofer and Haslam, 2007; Kamla, 2007, 2009; Kamla and Haque 2019). The thesis suggests that globalisation is seen as a massive force that must not be resisted; otherwise, IBs and the whole Kingdom might be severely disadvantaged. Globalisation is also seen as an advantage from which IBs and the whole Kingdom can and should benefit. In order to benefit from globalisation, the participants believed that IBs must not be alien to the globe. Therefore, IBs around the Muslim world have undergone a consistent transformation in order to align themselves with the norms of globalisation (Abdul-Baki and Uthman, 2017). Some argue that such transformations have gone so far that IBs are no longer different from CBs (e.g., Khan, 2010) and cannot function properly without the current economic structure (i.e., capitalism and economic liberalisation) (Kuran, 2004; Kamla and Haque, 2019).

One of the implications of globalisation is the imposition of the IASs on non-Western nations (Gallhofer and Haslam, 2007; Kamla, 2007; Gallhofer et al., 2011). The interview analysis revealed that the IASs are seen as a crucial aspect of the globalised economy. It is argued that the decision to adopt IASs in Saudi Arabia was manly driven by globalisation (Yamani and Almasarwah, 2019). Nevertheless, those IASs and other relevant 'international' regulations in the banking sector are seen as a barrier to implementing authentic Islamic banking practices. Another implication of globalisation within the Saudi dual-banking sector is IBs' imitative institutional structure. When IBs emerged in the 1970s, they adopted the conventional banking institutional structure, which might suggest that the fundamentals of IBs and CBs are parallel. Those fundamentals are driven by capitalism (Cebeci, 2012). This parallel is clearly evident in the shared *raison d'être* of IBs and CBs. The interview analysis revealed that IBs exist to maximise profits as long as they are consistent with Sharia texts. Unlike the classical economic perspective, where profit maximisation is deemed a healthy aim for society (cited in Carroll and Shabana, 2010), the Islamic perspective might have a different view of profit maximisation (Ali et al., 2013; Hasan, 2002). Chapra (1996) argues that the profit maximisation can lead to practices that damage society at large. In other words, profit maximisation may be inconsistent with the ultimate goal of serving society and eliminating exploitation (Ali et al., 2013). Therefore, reasonable profits are encouraged by Islam as long as they do not lead to exploitation and wrongdoing (Ali et al., 2013).

This parallel can also be seen in the case that CBs around the world are entering the Islamic banking sector. Some might argue that this step by CBs shows the potential of

Islamic banking. However, some commentators argue that this step highlights the exceptional similarity between CBs and IBs, which encourages these CBs to enter the Islamic banking market (Alhussein, 2008; Kamla and Haque, 2019). Although globalisation and its impacts (i.e., the IASs and IBs' institutional structure) are seen as barriers to implementing authentic Islamic banking, none or minor resistance is expressed in the interview transcripts. Some participants were slightly cautious about globalisation as a whole; nevertheless, the participants failed to display any resistance towards the IASs or IBs' imitative institutional structure. Instead, the participants argued that it is wise for Saudi Arabia to implement the IASs instead of the local standards, which accords with the literature, suggesting that the Anglo-American accounting practices are seen as superior and worth adopting (e.g., see Gallhofer et al., 2011). Further, accounting is seen by Arabs as neutral knowledge, suggesting that it is detached from the culture or value judgements of the West, where it developed (Gallhofer and Haslam, 2007; Kamla, 2007; Gallhofer et al., 2011). In terms of IBs' imitative institutional structure, the participants clearly preferred it to other potential Islamic-driven institutional structures. Indeed, the participants commented on this imitative institutional structure using terms such as “superior”, “effective” and “the only viable banking solution”. This unchallenging mindset might be better understood in light of Sadiki's (2003) argument that the Arabs' (Saudi Arabians in this case) perception was created by the West itself through orientalism rather than the Arabs' own discourse. Orientalism, as Said (1978) argues, portrays the West as the exact opposite of the East, with the West being superior, civilised, and developed. Thus, Western products (i.e., the IASs and the institutional structure) are seen by Saudis as superior, so adopting them might facilitate advancement and development.

The results of such immerse in this current environment is a form of Islamic banking that is highly criticised in the literature. The most authentic Islamic financing method, PLS (Pollard and Samers, 2007; Warde, 2000), is no longer applicable within the current environment (Nouman et al., 2018). Indeed, some participants clearly stated that PLS cannot function within the current banking sector. This led IBs to implement debt-based financing methods that imitate those of conventional banking. The interview analysis revealed that IBs prefer to mimic the well-developed products of conventional banking rather than invent authentic Islamic ones. This process is called reverse-engineering and is carried out by the Sharia employees under the supervision of the SSBs. Alhussein (2004) argues that this process is time consuming and might result in products that have the same economic substance as those of the CBs. Similarly, Hamour et al. (2019) suggest that there exists a substance gap in the process of IBs' product development. This has led some commentators to argue that IBs follow a form over substance approach with reference to Sharia (e.g., see Alhussein, 2001, 2007; Asutay, 2012; Belal et al., 2015; Hamour et al., 2019; Kuran, 2004; Rosly, 2010; Sencal and Asutay, 2020). Based on this approach, IBs are concerned with developing financial products that satisfy the Sharia texts, irrespective of those products' Islamic substance (Asutay, 2012). As mentioned earlier, the reverse-engineering process takes a long time (Alhussein, 2004), which might consume the SSBs' resources, effort, and time. The interview analysis similarly revealed that the SSBs are burdened with Islamising Western products, which significantly reduces their involvement in other important issues, such as the social and environmental decision making. The current function of SSBs tends to focus solely on financial transactions and their alignment with Sharia, irrespective of their Islamic substance (Sencal and Asutay, 2020). The SSBs should be equally concerned with the substance of IBs' products, in order to escape serving as a "buffer" between Western conventional banking and Muslim society (Kahf, 2004, p. 8).

This SSBs' passivity is also apparent from their tendency to avoid disclosing sensitive issues, such as Islamic compliance. Maali et al. (2006) argue that IBs tend to avoid such disclosure because it might attract criticism. Similarly, the content analysis highlighted that four Saudi IBs do not disclose their SSBs' reports. The interview analysis, further, explained that IBs tend to avoid engaging in such a practice because it might backfire on them. This might be due to the loosely defined Islamic banking concept of Saudi Arabia. Further, the only Saudi IB that discloses its SSB's report has changed its reporting style from criticality and transparency to a passive reporting approach, using a set phrase that recurs every year, which does not offer a deep insight into its Islamic compliance. This is also the case with the compulsory cleaning scheme (CCS), with only two IBs mentioning it within their reports. Nevertheless, these two IBs act in this way from a pure technical accounting perspective, ignoring other Islamic aspects, such as why those transactions took place in the first time and the SSBs' opinion of these transactions.

Based on the above discussion, the question arises of how IBs can change to a more authentic form that would create socially and environmentally responsible banks as far as Sharia is concerned? Alhussein's (2008) explanation appears sensible in this regard. The way for IBs to change starts with the SSBs first, since they are the enabler of this Western-driven banking form. The SSBs can then influence the wealthy Muslim individuals who own those banks. The role of the government in this case is to facilitate and support IBs' transformation. It might be argued that, for IBs to advance this imitative form of banking, a collaboration between different groups (government-shareholders-SSB members-bankers-communities) seems vital. This is because genuine Islamic banking might become viable if there were a true belief in it among the SSBs, a real desire among the shareholders and bankers to invest in it, and corresponding facilitation by the government.

9.4. Contribution of the Study

This research contributes to the literature in several ways. Overall, the research contributes to the literature by showing how the divergence from a potential Islamic banking conduct occurs, which is a notion that is almost entirely absent from the literature. The research provided insights into the divergence, and demonstrate how certain factors related to globalisation affect IBs and, therefore, divert them from Islamic-driven, socially responsible behaviour. Further, the research showed the effect of the lagging role of SSBs, which led to this dissatisfactory form of Saudi Islamic banking

Methodologically, this research employs two qualitative methods to explore CSR and the related reporting of Saudi IBs. Prior studies have mostly relied on secondary data. This research contributes to the literature by providing rich analyses of the interviews conducted with key personnel within the Saudi banking sector and the relevant parties. The CSR literature in Saudi Arabia is generally limited (Murphy et al., 2019). Thus, this research provides two-source analyses, attempting to fill this gap.

Theoretically, there has been a dearth of critical research on the Islamic economy (Kuran, 2004) and Islamic accounting (Kamla, 2009). This is especially the case with regard to a postcolonial perspective with an orientalism emphasis, with the exception of Kamla's work, which rarely covers the context of Saudi Arabia. This research echoes Kamla's work. This research adopts an orientalist perspective to explore CSR and the related reporting in Saudi

Arabia, a country that was never directly colonised by the European powers. The research provides, from a postcolonial perspective, a historical context for Islamic banking within Saudi Arabia and its neighbouring countries, which are argued to influence the evolution of IBs within Saudi Arabia.

Empirically, and as discussed in the previous chapter, many relevant studies, which are concerned with the social failure of IBs, have been theoretical in nature, lacking empirical data. This research contributes to this field of the literature by providing relevant insights from those in the field. It was important to give a voice to those in the sector to reveal their perceptions about a potential, genuine Islamic banking approach.

Further, this research incorporates the concept of a dual-banking system with regard to IBs' social responsibility, which is a concept that is rarely appreciated in the literature. The research suggests that operating within a dual-banking sector, that is overwhelmed by globalisation, has huge implications for IBs and, consequently, their social responsibility. This research suggests that the perception of key constituencies about CSR and the related reporting is notably influenced by the relevant Western conceptualisation. This research argues that the globalised Saudi dual-banking sector is influential in diverting Saudi IBs from genuine Islamic conduct. Yet, this research argues that globalisation, despite its restrictive nature, is seen as an enabler of development and advancement, which seem to be the ultimate goal by the participant. Also, this research incorporates the SSB concept and discusses it from a CSR perspective, which seems to be entirely overlooked by the literature. Consequently, the research suggests that Islamising Western banking conduct seems to exhaust the SSBs' time and resources and, therefore, CSR is neglected by the SSBs.

9.5. Limitations of the Study and Recommendations for Future Research

Similar to any research, this study is subject to certain limitations. One of the biggest limitations of the research might be its timing. Saudi Arabia, considering Vision 2030, is undergoing exceptional changes in its economic, social and cultural spheres. It is expected that Vision 2030 will have a huge impact on the Islamic banking sector, similar to any other sector of the Kingdom. The impact of such huge changes takes a relatively long time to materialise. When the primary data were collected, three years after the launch of Vision 2030, such an impact was not sufficiently evident in the participants' views. Therefore, a limitation of the research might be that it could not sufficiently account for the impact of Vision 2030 on Islamic banking in the future, which is expected to be profound.

Regarding qualitative research, gaining access to participants can be highly challenging. Although the researcher was able to secure 27 interviews, some potential interviewees could not be recruited. This is especially true with regard to board members and executive management personnel. Also, only one SSB member participated in the research. The researcher wished to include more SSB members to understand their views with regard to the fourth research objective. Nevertheless, the participation of four high-ranking Sharia department officials was relatively sufficient. The research also failed to recruit many female participants (i.e., only one woman participated). This might have been because of cultural considerations. In addition, and due to the critical nature of some of the interview questions, some participants were cautious regarding some of their responses. This might have limited the research from gaining deeper insights into critical issues. Further, this research, as discussed earlier, is concerned with the Saudi context. Although Saudi Arabia shares many characteristics with its neighbouring countries, the Kingdom has some distinctive contextual factors. Thus, the findings of the research might be limited to the Saudi context.

Future research might overcome some of those limitation. The field of CSR within Saudi Arabia is still in significant need of more research. Future research should incorporate the critical dimensions of the CSR research within Saudi Arabia. This is because the Kingdom is now undergoing a significant economic transformation. The government seems keen to open up the economy and privatise much of the public sector. Critical accounting research is significantly needed in such situations. Further, future research can explore the SSBs' relationship with the social dimensions in greater depth, as this aspect seems to have been entirely overlooked in the literature to date.

9.6. Conclusion

This chapter concluded the thesis entitled "Corporate Social Responsibility and Related Social Reporting: The Case of Saudi Arabian Islamic Banks". A summary of the findings was firstly presented. Then, the chapter moved on to highlight the research contribution. Finally, the research concludes by outlining the limitations of the study and making some recommendations for future research.

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Appendix 1: The Coding Frame for the Content Analysis

Main themes:	Description:
a. Sharia-related information:	This main theme is concerned with disclosure that is derived from Sharia. This can be a direct reference to Sharia, such as making a commitment to operate in accordance with Sharia law. Such disclosure can also refer to practices that are Sharia-driven, such as PLS. This sub-theme does not include any disclosure regarding the SSBs.
1- Islamic financial products:	This sub-theme is concerned with disclosure that provides information about authentic Islamic financial products, such as PLS and Qard Hassan. Such disclosure can have a social or financial emphasis.
2- The support of Islamic finance:	This sub-theme is concerned with disclosure regarding the support or attention of IBs to the spread of Islamic finance or the Islamic banking sector. This can include a commitment or actual activities carried out for that purpose.
3- Non-compliant Sharia income:	This sub-theme is concerned with the disclosure of any non-compliant Sharia income. This includes any relevant policies as well as the amounts generated through such methods. It also includes disclosure about a compulsory cleaning scheme and how IBs handle such an activity.
4- Islamic phrases and symbols:	This sub-theme is concerned with disclosure that utilises phrases that are of an Islamic nature, such as "In the Name of Allah, Most Gracious, Most Merciful". Furthermore, this sub-theme is concerned with disclosure that includes pictures, symbols and art with an Islamic origin.
5- Other Sharia-related disclosure:	This sub-theme is concerned with any Sharia-related disclosure that is not covered by the previous five sub-themes, such as NCB's transformation process.
b. The Sharia Supervisory Board (SSB):	This main theme is only concerned with disclosure regarding SSBs. Unlike the previous theme, this theme focuses on the mechanism through which IBs align themselves to Sharia (i.e., the SSBs). Such disclosure can include announcements of the existence of the SSB, related policies and relevant reporting practices.

1- The role of the SSB:	This sub-theme is concerned with disclosure that specifies the roles and responsibilities of the SSB members. This sub-theme explores whether any of those roles can be classified as relating to society.
2- Names and qualifications of the members:	This sub-theme is concerned with the disclosure of the names of the SSBs' members and their positions within the SSBs. It is also concerned with disclosure about other information regarding the members of the SSBs.
3- Quantitative data:	This sub-theme is concerned with any quantitative information provided about the SSBs' conduct, such as the number of meetings held, decisions made and the Fawas issued.
4- The SSB's report:	This sub-theme is concerned with anything regarding the SSB's reports. For example, this sub-theme explores the content, target group and style of the SSB's reports.
c. Reference to the Government:	This main theme is concerned with disclosure regarding how the government is referred to in the reports. This can include pictures of governmental personnel or showing an appreciation of the government. It also includes supporting governmental policies.
1- Appreciation of the government:	This sub-theme is concerned with disclosure showing appreciation and gratitude towards the government; for example, thanking the King or a governmental official.
2- Vision 2030:	This sub-theme is concerned with disclosure that shows IBs' responses to Vision 2030 and how they disclose these.
3- Supporting government policies:	This sub-theme is concerned with disclosure dealing with governmental policies such as 'Saudisation'.
d. Environmental disclosure:	This main theme is concerned with disclosure about the environment. This includes how IBs perceive, discuss and handle environmental issues.
1- Environmental policies	This sub-theme is concerned with disclosure about environmental policies and the related procedures to preserve the environment.
2- How the environment is perceived.	This sub-theme is concerned with IBs' views on the environment and how they discuss these.
3- Reducing energy and resources usage	This sub-theme is concerned with IBs' disclosure regarding reducing their energy usage as well as water conservation.

5- Initiatives	This sub-theme is concerned with initiatives implemented by IBs which are environmentally-driven.
d. Reference to Employees:	This main theme is concerned with disclosure that refers to employees. This theme can include many aspects relating to employees, such as training, showing appreciation and providing quantitative information about them.
1- Training	This sub-theme is concerned with disclosure about employees' training. It can include the nature of the training, the relevant policies and the number of employees who have benefited from such training. It also can include a commitment to developing the employees' skills.
2- Showing appreciation	This sub-theme is concerned with disclosure that shows appreciation and holds employees in high regard. It can include thanking employees and showing that IBs endeavour to increase their employees' satisfaction.
3- Quantitative information	This sub-theme is concerned with any quantitative information that is voluntary provided about employees. This can, for example, include details of the work force, such as the number of employees and new hires during the year.
4- Wages and benefits	This sub-theme is concerned with voluntary disclosure about the employees' wages and benefits. It does not include any related disclosure that is presented in the consolidated financial statements, as such disclosure is mandatory and presented from a purely technical accounting perspective.
5- Other employees-related information.	This sub-theme is concerned with any employees-related information that has not been covered by the previous sub-themes.
e. Social involvement:	This main theme is concerned with disclosure that is related to communities and CSR-type initiatives. This theme includes a commitment to serving the communities. It covers any reference to society on a voluntary basis.
1- How CSR is perceived	This sub-theme is concerned with how IBs see, define and discuss their social responsibility. Further, this sub-theme particularly explores whether being an Islamic bank influences IBs' understanding of their social responsibilities.
2- CSR policies	This sub-theme is concerned with disclosure relating to CSR policies and procedures.

2- Quantitative information	This sub-theme is concerned with any quantitative information provided about CSR activities. It can include the amount spent on CSR and the number of beneficiaries of these CSR programmes.
3-CSR initiatives	This sub-theme is concerned with the disclosure of the CSR initiatives that are implemented by the IBs.
4- Other society-related information	This sub-theme is concerned with any social-related information that has not been covered by the previous sub-themes.

Appendix 2: The Interview Guide

Theme	Questions
Participant information	1- Can you please tell us about yourself?
General CSR questions	2- How would you describe corporate social responsibility (CSR)? 3- In your opinion, why do Islamic banks practise CSR? 4- Which factors may prevent Islamic banks from practising CSR?
Islamic banking	5- In general terms, how would you describe Islamic banking and are there are differences between Islamic banking and conventional banking in practical terms? 6- What role, if any, should the Sharia Supervisory Board (SSB) play in forming CSR in Islamic banks? 7- There is a debate in the Islamic banking literature regarding whether or not authentic Islamic products, such as PLS, are socially responsible, unlike other products which may be Sharia-approved but have a similar economic substance as debt-based products. What is your view?
CSR in the Islamic context	8- In your opinion, how, if at all, does Islam influence the CSR practices of IBs? 9- In your opinion, what are the differences between Islamic banking and conventional banking's CSR?
Disclosure and Stakeholders	10- In your opinion, why do IBs disclose information about their employees? And what role, if any, does Islam play in this regard? 11- In your opinion, why do IBs disclose information about the environment? And what role, if any, does Islam play in this regard? 12- In your opinion, why do IBs disclose information about the community? And what role, if any, does Islam play in this regard?
	13- Do you disclose all of the information about CSR? If so, why and, if not, why not? 14- Some Islamic banks tend to publish a stand-alone SSB report that asserts the bank's compliance with Sharia. What is your view on this?
The Saudi context	15- In your opinion, what impact, if any, has Vision 2030 had on the CSR of Islamic banks and other enterprises as well?

	16- All Saudi Islamic banks tend to draw on the Saudization rate at their respective bank and somehow link it to their socially responsible behaviour towards the community. What is your view on this?

Appendix 3: Information about the Participants

Number	Participant Information	Code
IBs' representatives:		
1	CSR manager	P1
2	CSR manager	P2
3	CSR deputy manager	P3
4	CSR deputy manager	P4
5	CSR deputy manager	P5
6	CSR deputy manager	P6
7	Employee of the CSR department	P7
8	Employee of the CSR department	P8
9	Employee of the CSR department	P9
10	Employee of the CSR department	P10
11	Member of a Sharia Supervisory Board	P11
12	Sharia department manager	P12
13	Sharia department manager	P13
14	Sharia department manager	P14
15	Sharia department senior consultant	P15
16	Sharia department employee	P16
17	Board member	P17
18	Corporate governance manager	P18
19	Corporate governance manager	P19
20	CSR consultant	P20
Non-IB participants		
21	Member of a Sharia Supervisory Board in the financial sector	I1
22	Islamic economy expert in the Islamic banking sector	I2
23	Ex-corporate governance manager of an IB and current corporate governance manager of a company	I3
24	Governmental CSR representative	I4
25	Governmental CSR representative	I5
26	CSR activist	I6
27	A CSR's NGO representative	I7

Appendix 4: The Participants' Levels of Education

Level	Number
Diploma	1
Bachelor	9
Masters	11
PhD.	6

Appendix 5: The Participants' Educational Disciplines

Discipline	Number
Business-related disciplines	10
Sharia and Islamic economy	8
Public relations	3
Education	1
Sociology	1
Law	1
Undisclosed	3

Appendix 6: The participants' Ages

Age	Number
20-30	1
30-40	11
40-50	10
50-60	3
60-70	2