

# Social Reporting by Islamic Banks

[Bassam Maali](#)

University of Petra

[Peter Casson](#)

University of Southampton - School of Management

[Christopher Napier](#)

University of Southampton

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## **Abstract:**

The last thirty years have witnessed the appearance and rapid expansion of Islamic banking both inside and outside the Islamic world. Islamic banks provide financial products that do not violate Sharia, the Islamic law of human conduct. The Islamic principles upon which the banks claim to operate give an important role to social issues. Applying these principles, we develop a benchmark set of social disclosures appropriate to Islamic banks. These are then compared, using a disclosure index approach, the actual social disclosures contained in the annual reports of twenty-nine Islamic banks (located in sixteen countries) to this benchmark. In addition, content analysis is undertaken to measure the volume of social disclosures. Our analysis suggests that social reporting by Islamic banks falls significantly short of our expectations. The results of the analysis also suggest that banks required to pay the Islamic religious tax Zakah provide more social disclosures than banks