Building Organisational Social Capital through Investment in Corporate Social Responsibility to Stimulate the Effectiveness of Zakat Activities in Zanzibar

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This study attempts to explore the strategic framework on the process of building social capital through investment in corporate social responsibility for zakat management organisations. An in-depth interview with twelve executives from five zakat organisations in Zanzibar was undertaken for this project. This qualitative investigation utilised thematic analysis techniques to come out with themes that were implemented for this study. The findings revealed that the provision of public education and services and social commitment with positive and attractive behaviours are useful ways to enhance corporate social responsibility and stimulate the social capital of zakat organisations. The researchers have recognised that there is a gap of knowledge in this area, therefore, these findings have made a significant contribution to the existing body of literature and invite more studies to elucidate the situation. Moreover, quantitative research is required to test and measure items revealed from this study's findings.

Keywords: Social capital, CSR, Zakat, Zanzibar.

Introduction

Corporate Social Responsibility (CSR) is a multidimensional subject related to various groups of stakeholders and is influenced differently from one religion to another. In a nutshell, CSR incorporates the voluntary commitment to society, or what is categorically termed as doing good, and the avoidance of bad and negligent behaviour (Minor and Morgan, 2011). Corporate
Organisations with strong social responsibility (CSR) investment have become a demand by various stakeholders. Hence, more pressure is placed on organisations to increase their investment in CSR activities while continuously disseminating the related information to their stakeholders. Failure to efficiently navigate this situation may result in decreased support and demolished corporate reputation as a result of the perception of corporations as socially irresponsible organisations. Thus, a notable lack of investment in the CSR would lead to a declined performance of the organisation.

At present, the magnitude of the debate related to the socially responsible behaviour of organisations has increased dramatically. It has become one of the hot topics in management research. Hence, it became one of the most examined and expanding study areas in management and other academic disciplines (Aribi and Gao, 2011). It followed the logic that investment in corporate social responsibility is no longer a voluntary decision, whether in profit or non-profit organisations. However, discussions about CSR have been typically focused on profit-related organisations, while ignoring another perspective of the non-profit organisations (Lin-Hi, Hörisch, and Blumberg, 2015). Other researchers believe that this tendency is mostly due to terminological reasons as most authors do not consider those non-profit organisations as being corporations and thus do not qualify for CSR investment or even debate. However, this is an incorrect perception as almost all issues related to CSR such as sustainability, ethical consideration, stakeholders’ management, and accountability are linked and associated with the performance of the non-profit organisations. For example, Humphreys and Williams (2016) examined non-profit and stakeholder management, while Williams and Taylor (2013) focused on accountability. Previously, Weerawardena, McDonald, and Mort (2010) detailed sustainability issues, which are very crucial to the CSR literature. Moreover, being socially responsible is an obligation and beneficial for all organisations irrespective of their nature or motive.

With this in mind, there is intense interest in more scholarly efforts to explore the issues related to the CSR for non-profit organisations (Lin-Hi et al., 2015). Importantly, there is a need for special academic consideration in CSR concerning religious regimes, particularly zakat organisations (Javaid and Al-Malkawi, 2018). According to Arshad et al. (2012), the organisations which are functioning within the philosophies of Islamic law (Shariah) are more visible to the CSR activities. They argued that Muslims demand a higher level of disclosure practices while demanding more comprehensive information on the CSR that focused more on their religious values. Although there is an increase in engagement to CSR, there is no uniformity or accepted framework to substantiate and elaborate on this corporate behaviour (Aribi and Gao, 2011). To the best knowledge of the authors of this study, there is a shortage of research that relates the CSR, social capital enhancement, and zakat organisations in the general literature.
Therefore, the objective of this study investigated the process of how zakat managing organisations utilise CSR investment as their strategic way to enhance the social capital of their organisations. With the shortage of research under this theme, this study makes a significant contribution to the body of literature.

**Literature Review**

*CSR as a Concept and its Benefits*

CSR is not a new concept in the social sciences (Garriga and Melé, 2004). It has a very long history, and according to Freeman and Hasnaoui (2011), the term was first mentioned in 1926 by Clark, who notes that business has responsibilities to society. The idea of CSR has attracted substantial attention in recent decades. From a business viewpoint, most of the existing literature has focused on corporate engagement in social obligations (Lin-Hi and Müller, 2013). There is a belief that an organisation’s success hinges not only on its ability to manage its connections with its stakeholders, both financers and shareholders, but also customers, employees, and the general community.

Despite the rising attentiveness in this topic, there is still no universal agreement on the clear-cut meaning of CSR (Khan, Al-Maimani, and Al-Yafi, 2013). It is a broad term that comprehends various overlying perspectives, such as corporate citizenship, stakeholder theory, business ethics, and corporate sustainability (Freeman and Hasnaoui, 2011). For example, McWilliams and Siegel (2001) defined it as “actions that appear to further some social good, beyond the interest of the firm and that which is required by law”. Moir (2001) described CSR as the “enduring commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. On the other hand, Lin-Hi and Müller (2013) described CSR as doing good and avoiding harm, or what they termed as being corporate social irresponsible. From these descriptions, it can be determined that organisations must work in consideration of both shareholders, workers, and the community in general.

It is evident that a successful organisation is one that is efficient, profitable, and undoubtedly socially responsible. Being socially responsible is a religious obligation (Al-Qardawi, 2009; Khan *et al.*, 2013). Hence, CSR is a religious concept directing people and organisations to perform what is right and avoid doing what is wrong. In Islam, CSR stems from the idea of brotherhood and social justice. Justice prevents someone from doing harm and directs them towards doing what is right. Islam, as divine religion, stands for protecting health and life while actively prohibiting harmful dealing among people (Khurshid, Al-Aali, Soliman, and Amin, 2014). It is a Tawhidi related term demonstrating responsibility to the Almighty God, to human beings, and the environment in general (Muwazir, Muhamad, and Noordin, 2006). CSR offers
a holistic spiritual sight founded on the teachings of the Quran and the Sunnah, providing a better alternative philosophical framework for man's interaction with nature as well as his fellow men (Dusuki, 2008). Islam is a complete way of life which does not separate between religion, business, or any other aspect of human life, where everything is under guidelines from the Quran and Sunnah (Muhammad, Othman, and Abdullah, 2019).

Nowadays, CSR is an extensive phenomenon in the corporate world. Thus, organisations across all industries are dedicated to doing what is right and avoiding what is terrible. The primary reason for the considerable attention devoted to CSR is its ability to build lucrative value (Lin-Hi et al., 2015). CSR has gained popularity as most managers regard it as crucial for their future organisational success. Empirical works suggest vast benefits derived from doing what is right and avoiding harmful conduct. Lii and Lee (2012) argued that CSR is a crucial constituent of a business marketing toolbox for enhancing corporate performance and its reputation while also helping worthy causes. Also, Pfau et al. (2008) detailed it as the engagement of the CSR, which leads to a positive effect on the perceptions of the corporate image, reputation, and credibility.

Similarly, empirical evidence proved that irresponsible behaviour resulted from not “avoiding the bad side” of the CSR is destructive to corporate success (Lin-Hi et al., 2015). For example, Javaid and Al-Malkawi (2018) described the benefits of CSR as a macro performance that improves the environment and reduces social inequality, micro-performance representing enhanced reputation, increasing the ability to recruit and retain potential people, even by charging a higher price. Furthermore, adopting CSR can be beneficial to both corporate shareholders and stakeholders, meaning that it creates a potential win-win situation (Wu and Shen, 2013).

**CSR and Social Capital Development**

Social capital has currently gained popularity due to its ability to boost organisational performance. Like other types of capital, social capital is productive and essential to both individual or corporation (Servaes and Tamayo, 2017). It is a set of “features of social organisation, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions” (Putnam, 1993). Social capital is said to be an effective way of solving common action problems in all aspects of economic and political life (Jonker and Witte, 2006).

Even though it is very productive, ways to enhance it has remained under continuous debate. Significantly, there is no standard established view to look at how firms can build their social capital and the trust associated with it. However, scholars on this subject correlate the building of social capital to the efforts that promote the well-being of the firm’s stakeholders from all
groups. Hence, investments in corporate social responsibility (CSR) remit a stable building block of a firm’s social capital.

Several scholars agreed that organisational contribution to the social issues through CSR results in social capital by regaining its trust and a more considerable reputation. Cooke (2008, 2010) found that corporate social investment gives rise to enhanced organisational social capital, and concluded that through social giving and engagement, a firm initiates an unwritten contract with its stakeholders, which assures community support to this particular organisation. In recent findings, Lins et al. (2017) concluded that through CSR, firms could build their social capital, which will, in turn, enhance their performance. Supporting this, Servaes and Tamayo (2017) argued that organisational efforts cooperated with social responsibility are useful in building the social capital of particular organisations. For example, Brychko and Semenog (2018) highlighted that CSR investment enhances substantial organisational social capital, resulting in a high level of trustworthiness from all aspects of stakeholders.

It has been evidenced that the effectiveness of zakat as a poverty alleviation instrument is questionable (Shirazi, 2014), and ways to retrieve it to its required level are required (Johari, Ab-Aziz, and Ali, 2014; Ahmed, Johari, and Abulwahab, 2017). Hence, social capital enhancement is a powerful way to improve the position of zakat as a religious poverty alleviation instrument. In addition to the existing literature demand on CSR on behalf of the religious regime, particularly zakat organisations (Javaid and Al-Malkawi, 2018), this study explores the process through which zakat organisations enhance their social capital through investment in the corporate or the organisational social responsibility.

**Methodology**

This study adopted a qualitative research method, relying on primary data collected through in-depth interviews. The participants for this study were 12 executives from zakat organisations including UKUEM, JUZASA, MUZDALFAT, JUMAZA, and Zanzibar Waqf and Trust Commission. All participants were purposively selected based on their managerial role and experience on zakat management and practices in Zanzibar. In a qualitative study like this, there is no unique guideline for a suitable sample size. What is an appropriate sample depends on the type of data collection used, the study size, how themes are analysed and reported. Importantly, reaching data saturation, where there are no more codes, are extracted (Javadi and Zarea, 2016). All interview sessions lasted between 45 and 120 minutes to enhance detailed conversations between interviewer and interviewees. Each interview session was electronically recorded using a Sony recording device with pre-permission from each participant. Braun and Clarke's (2006) thematic analysis process was used to derive themes directly from the data. Thematic analysis is adopted as it provides a systematic way into qualitative research that
instils the process of coding and analysing qualitative data that was then allied to broader theoretical or conceptual issues (Braun and Clarke, 2012).

**Study Findings**

Study findings exposed that it is crucial for zakat organisations to build substantial organisational social capital and engagement on socially responsible activities. Two broad themes were derived, which include the provision of public education and services, and commitment to positive behaviour while dealing with the society in the total reflection of the Islamic teachings.

The first way to build social capital through CSR is the engagement in the provision of public education and services. Executives revealed that engaging in this aspect is a useful way to develop their acceptability and hence acquire the required support from society. Indicating to this, Participant 3 described the provision of public education and services as their strategic way to grab support and resources embedded within the community. He elaborated:

> One of our board members always told us to go to society in totality, not just for zakat. We did this; we provide some training and deliver some public lectures on different aspects of society from religious to economics. But we also participated in some health aspects, for example, during cholera eruption we are always in the front line to cooperate with others in delivering health education to the people. I believe by doing so, people’s perception of our commission will change and start having a positive impression and be ready to support us. (Participant 3, Organisation 1)

In the same way, Organisation 4 uses this approach as described by their Executive Secretary who commented:

> We normally do not wait for the zakat fund, which is currently not there. We should go to the people as they are the ones who have money to pay zakat. Let me give you an example; here in (AXY- not real name), we are engaged and did a lot of issues in our communities. We offered various training to our business people, enabling them to run their activities more professionally, and any time they are looking for our advice, we are there for them. It builds friendships and bonds between us. (Participant 9, Organisation 4)
The second way to build social capital is through being socially committed and portraying positive behaviour. Participant 2, who is a founder of the zakat unit and a current Head of Inheritance unit, described that they win over society by having excellent customer care services and always behaving in a proper manner. He said:

Now the primary focus is our society in general. As I have told you before, our Executive Secretary has initiated several strategies to get the society to be on our side. He trained all staff here on how to deal with our customers, and our customers are the society. We got customer care training, and Alhamdulillah people now enjoy a lot when they come here. Customer services are at a very high level. He trained us to have good behaviour while in our society, which will lead to higher expectations from us and show the community that this is their office. (Participant 2, Organisation 1)

Concurrently, Participant 8, and an Executive Secretary of Organisation 3 made the following clarification:

We used to be committed to Allah and our people, and on this, I trained my people to behave the way society will accept them and hence accept our organisation. (Participant 8, Organisation 3)

A similar view was raised by Participant 11, a Secretary of the zakat unit from Organisation four, who also revealed that commitment and the way they behave while dealing with society are very crucial in having the community involved in zakat activities. He remarked:

More importantly, we tell our people and ourselves that we are doing this as Allah’s job. We must do it sincerely and try everything we can to behave ethically in our communities. Our mistakes outside there could have a very negative impact on these organisations and to our religion in general. So, for this, we don’t hesitate to take action for any harmful doings from our fellow. People will be ready to work with us based on the judgment made by our society. (Participant 11, Organisation 4)

Participant 12 commented on the same issue and said:

People outside there want to see our commitment and seriousness in serving the community. For example, here in XYX (not real name), we are very helpful to the community, although our capacity is not good. We ask people not to publicise what we did for them, and we help university students, we differ from other institutions in that what we gain from Hajj activities, we use it to improve our society. (Participant 12, Organisation 5)
Hence, for a zakat organisation to cultivate resources embedded within a community, or what is termed as social capital, they must have the full engagement of the corporate social responsibility.

**Analysis and Discussion**

This study investigated the process through which zakat organisations build their social capital and connectivity with stakeholders and community in general through investments in corporate social responsibility. Several interviewees exposed that full engagement in corporate social responsibility is one of their strategic ways utilised to stimulate social capital, which is also supported by the literature. According to Cooke (2010), among the best ways to enhance social capital is for a particular organisation to participate fully in the corporate social responsibility. Corporate Social Responsibility (CSR) is a multidimensional issue integrating voluntary engagement for society and the preclusion of irresponsible behaviour (Lin-Hi and Müller, 2013). Organisations hold their property in trust for the benefit of humanity as a whole and eventually conquering the blessing of God. Thus, it is a religious obligation for all firms to inculcate good CSR practices in their activities, taking on issues such as good environmental practice, working safety, humanitarian and charitable contributions, and ensuring socially helpful and harmless activities and initiatives. Therefore, the moral and ethical principles derived from heavenly revelations are more stable, everlasting, and complete as Quran and Sunnah described the best way to practice CSR (Dusuki, 2008). These should serve as better guidelines for organisations in exercising their business and social responsibilities instantaneously. Therefore, zakat organisations should not be focused solely on the collection and distribution of zakat. Instead, they must behave as holistic religious organisations working for society in all aspects and throughout time. From this perspective, this study exposed two strategic ways utilised as a part of organisational social responsibility, which includes engagements in public education and services, and reflects social commitment with positive behaviour.

The provision of public education and social services is a useful way to capture CSR advantages and build social capital. Issues like participating in disease control campaigns, improving customer care and services, and provision of business-related training are methods utilised by zakat organisations to create connectivity with their stakeholders and their community in general. It followed the logic that, by providing social-related services other than the collection and distribution of zakat, they would manage to enjoy full support from society as society will perceive these organisations as their organisations. In supporting this, Kim and Ferguson (2014) emphasised the tendency of providing public education and the health-related course is a catalyst for social involvement and support to a particular organisation. Provisions of the public education services to stimulate CSR is fruitful, and according to Manthovani et al. (2019), these approaches provide positive results on CSR, which in turn influence social
support to a particular organisation. Moreover, more serious efforts that are required to improve the existing situations for enhancing the economic wellbeing of the society will also be developed, which will, in turn, stimulate their organisational social capital.

Being socially committed and becoming a reflector of positive behaviour is another useful strategic way to build CSR, which enhances the development of the social capital of zakat organisations. Unfortunately, the literature identified misbehaviour and unethical activities among employees of zakat organisations, which lead to declined public support on zakat activities. Interviewees opined that leaders and other staff within these organisations must represent an exact image of how Muslims must behave. Their behaviour and lifestyle both in their working areas and while outside in their communities must reflect the clear picture of the teachings of Islam in terms of faith and kindness, being supportive and ethical and avoiding anything that would create a negative perception to the public (Hassan and Salma Binti Abdul Latiff, 2009). Hence, they have to live under the Islamic teachings and provide positive reflection to society. Doing good and avoiding bad are very crucial aspects of corporate social responsibility (Lin-Hi and Müller, 2013; Lin-Hi, Hörisch, and Blumberg, 2015). As previously mentioned, the moral and ethical principles derived from divine revelations will produce an immeasurable impact on society. Therefore, the zakat organisation should put more emphasis on this aspect of enhancing organisational social responsibility.

Essentially, moral behaviour is a religious deed and part of worship, and obedience to God (Ahmad, 2003). In the same way, ethics, transparency, mutual understanding, legitimacy, and answerability, which are the subsets of it, are the basics of Islamic conduct and communication as they are today the fundamentals of successful corporate social responsibility (Kirat, 2015). Hence, the decision of zakat organisations to engage in corporate social responsibility, or what is termed as organisational social responsibility, is an essential aspect to enhance social participation in zakat activities, and thus, acquire a strong social capital base. While behaving positively, zakat organisations are supposed to be fully engaged with their stakeholders. According to interviewees, being committed to society will automatically attract the public toward supporting zakat activities. However, much needs to be done, as the current level is not at a satisfactory one. There is a gap between what these organisations have in their heads and what takes place in the field.

Conclusion

The engagement of social responsibility is very crucial for zakat organisations to get public involvement and support in zakat activities. The study findings revealed two broad issues that zakat organisations employ in building their social capital through investment in corporate social responsibility, which is the provision of public education and services and being socially committed with positive and attractive behaviour. Hence, the researchers argued zakat
organisations to be more than zakat collectors and distributors. They have to be fully Islamic socially responsible organisations so that the public will realise their availability and potential for the wellbeing of the society. From the study findings, we recommended more studies under different contexts as the social capital building process is contextual by its nature. While this is purely qualitative research, in the future, we call for quantitative studies to test and measure those items revealed in this study. This study has both empirical and practical contributions. Imperially, there is a shortage of studies relating to CSR, social capital, and zakat organisation. With no scholarly work found in this study context, findings from this study have added extensively to the existing body of knowledge.

Furthermore, zakat is one of the identified mechanisms for poverty alleviation in Zanzibar. Through Zanzibar Strategy for Growth and Reduction of Poverty (ZSGRP I, II, and 111), the government of Zanzibar has made it clear that zakat is a potential way to empower poor people. At the same time, since the establishment of the zakat fund in 2011, zakat organisations have found it very difficult to realise their objectives and failed to deliver any notable impact toward poverty alleviation. Hence, this study provides a road map toward productive zakat activities through enhanced social capital. By improving the effectiveness of zakat activities, findings from this study are helpful to the government, zakat organisations, and the public in general.


