



Corporate social responsibility, Waqf system and Zakat system as faith-based model for poverty reduction

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Abstract

Purpose – Poverty is a plague which has continental manifestation, but its impact is heavily felt in several Muslim majority nations (MMNs), where unemployment, illiteracy, chronic diseases, food shortage, sectarian wars and wave of militancy are surging at alarming rates. The purpose of this paper is to develop a faith-based model (FBM) to complement the conventional poverty reduction models. Experiences have shown that FBMs find more acceptability among Muslim nations because they have theoretical and theological underpinnings from the Qur'an and Hadith, as opposed to conventional models that are often viewed with suspicion, sequel to Islamic revivalism.

Design/methodology/approach – This research adopts a qualitative research method relying on secondary data/information sourced from CIA Factbook, previous scholarly works, working papers, case studies and relevant internet resources. In line with methodological approach of qualitative research, the secondary data/information were subjected to content and thematic analyses (CTA) from which facts, figures and presumptions were derived to support the FBM.

Findings – The paper justified the plausibility of integrating corporate social responsibility (CSR), Waqf system (WS) and Zakat system (TZS) as FBM for poverty reduction, enterprise development and economic empowerment in MMNs.

Research limitations/implications – The gap left behind by the paper is for future researchers to carry out an empirical investigation on the viability or otherwise of the FBM. This could include the governance structure, operational modalities and regulatory frameworks that would enhance the functioning of the FBM.

Practical implications – FBM framework is practically a corporate social investment (CSI), which would be heavily funded by Zakat payers, CSR donations and Waqf. The funds would be deployed to poverty reduction in a number of ways ranging from training, micro-credit support for SMEs, apprenticeships, setting up technology business incubation centres, cluster development, infrastructural development in industrial parks, as well as providing welfare support services to the poor, marginalised communities and other economically disadvantaged groups.

Originality/value – The theoretical research is a contribution to theory and practice of CSR in the field of management and Islamic economics. It has developed a FBM for adoption by MMNs who are hesitant in adopting western model for fear of compromising their ethical values.

Keywords Corporate social responsibility, Zakat, Poverty reduction, Faith-based model, Muslim majority nations, Waqf

Paper type Conceptual Paper



1. Introduction

Socio-economic deprivation otherwise called poverty is a global phenomenon irrespective of geographical locations (Khan, 2001). Worse still, 40 per cent of the world's seven billion people struggle with absolute poverty, a situation described as living on less than \$2 dollars per day (Todaro and Smith, 2012). Although poverty is global, it is more pronounced in Muslim majority nations (MMNs) where 44 per cent out of the 1.7 billion people in these nations live below poverty line (The Nation, 2013).

In a recent study, Mohsin (2013) identified two-digit poverty rates in nine MMNs, namely, Pakistan (24 per cent), Afghanistan (53 per cent), Indonesia (18 per cent), Iran (18 per cent), Bangladesh (45 per cent), Sudan (40 per cent), Yemen (45 per cent), Algeria (23 per cent), Egypt (20 per cent) and Nigeria (70 per cent). The total number of people neck-deep in poverty in the above-mentioned nations is 335 million. The root cause of poverty in the MNs is linked to ineffective governance policies causing “increasing income inequality” and unfulfilled citizen’s expectations (Carvalho, 2009). Other causes of poverty are backward culture, harsh climate, gender-related issues, constraint of markets and counter-productive public policies in developing nations (Khan, 2001).

Attempts to reduce poverty has occupied the attention of governments, scholars and international organisations for several decades (United Nations, 2000; Todaro and Smith, 2012; Raimi and Mobolaji, 2008). Some of the popular policies designed to reduce poverty include mitigation of income inequality and boosting of food security in the society (Ravallion, 2005). Another strategy is the supply of basic commodities by governments to the poor people, who spend about 80 per cent of their income on food (Barrette and Beardmore, 2000). Confronting poverty with socio-economic reforms strategies have proven to be useful in impoverished societies, where exclusion, caste systems and discrimination are prevalent (Kar, 2007; Rao, 2010). One other widely used strategy for poverty reduction is the provision micro-credits by Microfinance banks to the disadvantaged members of the society (Morduch *et al.*, 2003; Awojobi and Bein, 2011). It has been observed that all afore-mentioned strategies have not really been very effective at alleviating poverty; hence they needed to be fortified with more innovative economic and political strategies (Sen, 1995; Ahmad, 2001). These arguments led to the growing adoption of corporate social responsibility (CSR) as another potent mechanism for poverty reduction in communities with wide governance gap (Dartey-Baah and Amponsah-Tawiah, 2011). However, it has been observed in the literature that CSR alone cannot evidently tackle poverty in developing nations including the MMNs (Boyle and Boguslaw, 2007). This paper therefore responds to the call for a broad approach that integrates CSR with other strategies that could effectively mitigate economic deprivation. In doing this, the study carefully locates an interesting intersection between conventional business model (such as CSR) and ultra-modern religious concepts (Waqf and Zakat) to produce an integrated faith-based model (FBM) for the reduction of poverty. The integration of CSR with faith based concepts is not new in academic discourse. Brammer *et al.* (2006) and Dusuki (2008) had made contributions in this regards, stating that CSR model driven by religion deliver more rigorous solutions to difficult problems such as poverty and unemployment, which CSR alone cannot evidently tackle.

Faced with the challenge of poverty, the mainstream clerics and Islamic economists across the globe have argued that social justice, equity and redistribution of income could be achieved in the contemporary Muslim societies through Zakah, Waqf and interest-free loan called Qard Hasan (Cizacka, 2004; Ahmed, 2007; Mohsin, 2013). Zakat is a compulsory alms as well as the third pillar of Islam which entails giving out annually 2.5 per cent of an individual’s net monetary income or wealth to eight disadvantaged groups in the society (Doi, 1990; Adebayo, 2008). As a compulsory obligation, it is payable on at least 14 wealth items and assets of individuals that have attained the minimum taxable amount called nisab in Islamic jurisprudence (Mohsin, 2013). However, Waqf connotes a religious endowment established by the affluent to provide free relief services, socio-economic benefits and solace to the vulnerable members of the society (Ahmed, 2007; Zaim, 2012). For this research, Waqf (endowment), Zakat (compulsory alms) and CSR are the social constructs of interest.

This theoretical paper is premised on two objectives. The first is to highlight the problems and consequences of poverty in MMNs. The second is to integrate CSR, Waqf system (WS) and Zakat system (TZS) as faith-based intervention tool for poverty reduction in MMNs. This theoretical paper is discussed under six parts. Part I is the introduction; it provides concise background on the problem of the research. Part II explores the literature and previous scholarly works to provide grounds for formulation of research propositions. Part III casts a cursory look alternative model for poverty reduction. Part IV, discusses the three components of FBM. Part V justifies the research methodology as well as data analysis and presentation of results. Part VI concludes with research implication and gap for future research.

2. Review of literature

2.1 Poverty, dimensions, problems and consequences

Poverty is a complex multidimensional experience which stands as obstacle to economic opportunities and life enhancement of “poor people and communities” across the globe (Fukuda-Parr, 2006, p. 7). Besides, poverty connotes “a reaction to the stress of being poor”, a situation that is precipitated by several factors ranging from “political, economic, social, and cultural forces” which are dominant in most communities (Carney, 1992, p. 74). Townsend (2006) adds that poverty refers to an income-induced deprivation of different manifestations suffered by poor people. Furthermore, Chambers (2006) provided four interrelated meanings of poverty to include; inadequacy of income and lack of material things apart from food; lack of physical capacity and lack of assorted human needs ranging from material and non-material needs that are essential for quality wellbeing. However, Laderchi *et al.* (2006, pp. 10-11) argue that poverty conceptualisation have four multifaceted approaches, namely:

- (1) monetary approach (MA);
- (2) capability approach (CA);
- (3) social exclusion approach (SEA); and
- (4) participatory approaches (PA).

The MA views poverty as financial deprivation arising from inability to meet one's basic consumption due to paucity of income, low income and unfriendly inflationary impact on the economy. The second, CA perceives poverty as lack of capability to afford the basic things of life needed for minimum survival in the society. The SEA defines poverty as an unfair situation that precludes and marginalises people from having access to basic things of life like housing, health, water, good diet, etc. The PA defines poverty from the presumption that people remain poverty-stricken because they are not allowed to have input in the socio-economic and political decisions that affect their wellbeing as citizens. From the discourse above, poverty is a harsh social-economic condition where people are denied basic needs of life and infrastructural facilities requisite for quality of living and self-esteem.

Problems and consequences of poverty in MMNs are multi-faceted. In Somalia, there are heterogeneous Islamic groups seeking a return to Islamic rule because of inefficient governance; an agenda that left the country in shreds (Baadiyoow, 2013). In Nigeria, Jama'atu Ahlis Sunnah Lidda'awati wal-Jihad (People Committed to the Propagation of the Prophet's Teachings and Jihad) emerged as a violent group because of “poverty and suffering” which Boko Haram believed are caused by western civilisation

(Okpaga *et al.*, 2012, p. 82). Furthermore, poverty triggered political agitation for regime change and Arab Spring in Tunisia and Egypt. The success of regime change in Tunisia opened the floodgate of protests in other MMNs (Raimi, 2013). Apart from violence, children from poverty-ridden family suffer from poor educational quality in terms of poor learning environments; non-access to basic learning tools; severe impoverishment, and emotional distress at home and schools (Gerard and Buehler, 1999; Seccombe, 2000).

From public health perspective, poverty has prevented several families from having access to healthcare facilities thereby aggravating their health conditions (Feinstein, 1993; Seccombe, 2000). Budetti *et al.* (1999) reported that a total of 40 million sick people could not visit hospital because of excruciating poverty lifestyles. Worse still, at least 12 million children experienced acute hunger at specific period every month (Jackson, 1993). For pregnant women, poverty leads to infant and maternal mortality, iron deficiencies, hypertension, diabetes, vitamins deficiencies, rising cases of malnutrition and poor prenatal/postnatal care (Gerstan, 1992; Seccombe, 2000).

From socio-economic perspective, poverty has been linked with violent actions and extreme behaviours that threaten sustainable socio-economic development (Seccombe, 2000). This is true of many MMNs where endemic poverty and hopelessness are the catalysts that lured youth into radical politico-religious movements, hoping to reverse the social order through violent political changes (Kepel, 2003; Carvalho, 2009).

From macro-level angle, poverty-ridden nations are also the most heavily indebted. Mohsin (2013) noted that nine MMNs owed a total of as \$427.3 billion external debts to different international creditors. The import of the foregoing is that poverty precipitated violence, external debts and social malaise in MMNs, which require effective poverty alleviation policies.

On the strength of the facts above, the first research proposition could be stated as follows:

- P1.* Poverty, unemployment, low per capita income, large un-utilised population are the bane of crises in the MMNs across the globe.

2.2 Current approaches to poverty alleviation in MMNs

Several approaches and strategies have been implemented to alleviate poverty with varying outcomes. These strategies ranged from purely theoretical and developmental economic approaches to social-economic and political-economy approaches (Department For International Development, 2000; Raimi *et al.*, 2010). These strategies failed to tame poverty in MMNs owing to a number of factors ranging from weak reward system, dysfunctional institutional structures, unrefined social beliefs, widespread corruption, weak political will, poor execution of projects and inappropriateness of the poverty-reduction programmes initiated by policymakers (North, 1994; Bowles *et al.*, 2006; Raimi *et al.*, 2010). Besides, Bowles *et al.* (2006) linked endemic poverty in human society to prevailing social and political institutions that promote backward customs, beliefs and traditional practices which often keep people glued to poverty trap.

Recently, there is an increasing involvement of corporations in poverty-reduction efforts through the use of CSR programmes in developing nations (Boyle and Boguslaw, 2007). Evidences of private sector intervention in poverty issues exist in multinational corporations like General Electric, Microsoft, Chevron, NBC, and CISCO, IBM, Nestle, Google, Intel, Johnson & Johnson, Unilever and Wal-Mart, where CSR is utilised for community engagement, sustainable development agenda and shared value proposition (Murphy, 2010; Porter and Kramer, 2011).

However, the efficacy of CSR as a mechanism for poverty reduction is questionable because literature is replete with studies which question the motives for CSR activities by MNC with majority suggesting that firms only embark on CSR activity as a marketing device and as PR stunts rather than due to genuine concerns of their stakeholders (Garriga and Mele, 2004; Sweeney, 2009). Another problem with using CSR alone as a poverty reduction mechanism is the debate that corporations' involvement in issues such as poverty alleviation could serve as excuse for the government to abdicate its responsibility of fostering development and alleviating poverty (Karnani, 2010). This study responds to this call by presenting a FBM for poverty reduction based on the integration of CSR with religion concepts of Waqf and Zakat found in the Islamic faith. The next section discusses alternative model for poverty reduction.

3. Alternative model for poverty reduction

Previous discussion had justified prevalence of poverty in MMNs as well as the ineffectiveness of conventional poverty reduction approaches in tackling poverty. It has also been argued that to curb poverty scourge, several developing nations have adopted neoliberal private-sector driven CSR programmes, owing to failure of government-driven development programmes as well as widening governance gap in the economy (Natufe, 2011; Dartey-Baah and Amponsah-Tawiah, 2011). The literature admits failure of market forces in developing nations and need for sustainable private sector intervention for infrastructural deficits (Dartey-Baah and Amponsah-Tawiah, 2011). It is therefore imperative for developing nations to utilise private sector initiatives like CSR to redress socio-economic plights in the face of inefficient public authority (Mitlin *et al.*, 2007). On the basis of the assertion above, Visser (2008, p. 474) remarked that corporation are making positive contribution to governance by assisting the society in infrastructural improvement. Natufe (2011) lends credence to the submissions above, that Adidas, Nike, IBM, BP and several MNCs have passionately adopted CSR as a fashionable policy. This section argues in favour of a blended FBM, as an emerging framework that could serve as a potent mechanism for poverty reduction in MMNs. The choice of FBM for poverty reduction in MMNs is premised on the assertion that CSR is a unique concept that finds root across cultures, religions and nations (Carroll, 1999; Tounés *et al.*, 2011). Moreover, Ismail (2009) argues that CSR is an age-long practice. CSR cuts across continental cultures. The ideals of CSR are visible in Muslim's charity system of zakat and Sadaqat (Dusuki, 2008; Tounés *et al.*, 2011; Taman, 2011).

Apart from CSR, an additional ray of hope is the resurgence of Islamic Finance System (IFS) in many MMNs. On a daily basis, the financial transactions brokered by Islamic banks and financial institutions are worth \$180 billion (Steward, 2008; Raimi *et al.*, 2013a, b). Over 300 financial institutions across 75 countries across the globe had adopted IFS in one form or the other (Steward, 2008). According to Eagle (2009), the IFS has become a viable model in MMNs like Afghanistan, Algeria, Bangladesh, Egypt, Indonesia, Iran, Iraq, Kazakhstan, Malaysia, Morocco, Sudan, Pakistan, Turkey, Uzbekistan, Saudi Arabia, Syria and Yemen. The total deposits in the custody of Islamic financial institutions as reflected in their balance sheets are estimated to be growing at 25-40 per cent annually (Eagle, 2009; Raimi *et al.*, 2013a, b). These developments are indicators that ethical business and issues are becoming pervasive and dominant in MMNs.

With rising ethical businesses or IFS, the concepts of CSR and Zakat would become burner issues, as all the financial institutions would provide range of services for the economically disadvantaged groups; the institutions would also pay Zakat and utilise their CSR programmes to bridge poverty gaps in MMNs. These optimisms are

premised on the presumption that wealth creation in Islam goes with the obligation of payment of Zakat. Similarly, the contemporary corporate world expects responsive corporations to gain social license by providing support to the society through their CSR initiatives (Ismail, 2009). In Islam, the issue of non-compliance with social responsibility especially zakat is viewed as “an affront to God’s will, with all the attendant consequences in this world and in the Hereafter” (Dusuki, 2008, p. 22). Research and seminal works affirmed that all cultures and religions have semblance of social responsibility. It is right to conclude therefore that there exist traces and footprints of CSR across the globe (Carroll, 1999). With regards to the FBM being advocated, there is the need for extensive discussion on the components of FBM? In other words, what are the meanings of CSR, Waqf and Zakat social constructs? These issues form the basis the discussion in the following sub-sections.

From foregoing viewpoints, the second research proposition could be stated as follows:

P2. CSR, Zakat and Waqf could be integrated as FBM for poverty reduction in MMNs.

4. Components of FBM

Three social constructs form the basis of FBM. They are discussed hereunder.

4.1 CSR

In the global arena, the term CSR is described as nebulous; vague and debatable among scholars, environmentalists, international organisations, non-governmental organisation (NGOs) and corporations (Carroll, 1999; Ismail, 2009). CSR from the Anglo-Saxon perspective is an ethical duty placed on corporation, as part of their social obligations towards making their domains of business better than they met it (Luetkenhorst, 2004). Three other regional-wide definitions of CSR are as presented in Table I.

CSR is therefore a voluntary obligation like the sadaqah concept in Islam; it is an empathetic duty carried out by responsible and responsive individuals and corporate bodies. We find instances of responsible individuals who approached the noble Prophet (SAW) to seek clarity how he could help support to the society. Al-Qardawi (1968, p. 243) asserts:

[...] A man from the tribe of Tamim once came to the Prophet (SAW) and said, “O Messenger of God, I am a man with plenty of wealth, big family, and I am well-established. Tell me, how

SN	Definition and perspective of CSR	Country
1.	“CSR is about taking personal responsibility for your actions and the impacts that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability”	USA (North America)
2.	“CSR is about a corporation’s ability to respond to social challenges. It starts with developing good relations with neighbours. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community”	Argentina (Latin America)
3.	“CSR is about making a leadership commitment to core values and recognizing local and cultural differences when implementing global policies. It’s about companies endorsing the UN Convention on Human Rights and the ILO Rights at Work”	Netherlands (Europe)

Source: World Business Council for Sustainable Development (2000, pp. 9-10)

Table I.
Three regional-wide
definitions of CSR

should I spend, and what should I do?" The Prophet (SAW) said, "Pay your zakah, for it is a purifier that cleanses you. Extend aid to your kindred, and know and fulfil the right of he who asks, the neighbour, and the indigent" (Abu Daud).

On the basis of the above narration, Al-Qardawi concluded that the Messenger (SAW) established that the kindred, people who ask, the neighbour, and the indigent have rights and entitlements to the wealth in custody of rich members of the society apart from the zakah obligation. This point is consistent with the verse, "And give the kindred his right: so also the indigent and the wayfarer", and the saying, "He who asks has a right, even if he happens to come riding on a mare" begging you for assistance and support (Al-Qardawi, 1968, p. 243). The next sub-section casts a look at Waqf.

4.2 WS

According to Doi (1990), the term Waqf refers to valuable property and tangible assets set aside by the legal owners as gifts to Allah and His cause and for the benefit of humanity. Waqf also connotes an endowment/foundation established by the affluent individuals purposely to provide free relief services and solace to the vulnerable members of the society (Ahmed, 2007; Zaim, 2012). The assets dedicated as Waqf could be monetized as leasing facility for the purpose of earning streams of income, but cannot be sold. Agricultural produce and crops harvested from a field held as Waqf could be sold and the proceeds distributed as charity, while the field itself is held intact as the original investment (Doi, 1990; Raimi *et al.*, 2010). It is a poverty-reduction mechanism with root from Islamic jurisprudence, created to expand infrastructural development thereby stimulating and improving social wellbeing of the society (Raimi *et al.*, 2010).

Furthermore, Waqf in aid of health centre, education and social investment strengthen the state, as government expenditure could be conserved and used in areas of greater economic priority (Zaim, 2012). In essence, Waqf is inspired by moral and religious consideration and resolve by the dedicators to improve the social, political, and economic wellbeing of people living in the Muslim societies (Doi, 1990; Raimi *et al.*, 2010). The opinions enunciated above aligned with the viewpoints of Imam Sha'fi and Imam Malik who viewed Waqf, as extinction of ownership and transfer to another person (Raimi *et al.*, 2010).

Waqf are classified into two broad typologies, namely: Waqf al-Ahli and Waqf al-Khayri (Doi, 1990; Raimi *et al.*, 2010, 2013a, b). The term Waqf al-Ahli is an endowment set aside for the family of the person making an endowment (Waqif). It is so-called because it guarantees the economic security and welfare of near relatives of the dedicator as well as his family. The Waqif wants to ensure that the relations and dependants get their needs as long as he/she lives and thereafter the property/fund reverts to the vulnerable members of the society. The Waqf al-Khayri on the other hand refers to endowment set aside for general wellbeing of the poor, widows, orphans and other economically disadvantaged people. Apart from welfare, Cizakca (2004) recommends the use of Waqf as seeds capital for poor members of the society. Another proposition is the utilisation of proceeds from Waqf as interest free loan for supporting productive microenterprises by Islamic microfinance banks (El-Gari, 2004; Kahf, 2004; Ahmed, 2007).

4.3 TZS

Zakat is a compulsory charity payable by wealthy Muslims annually at the rate of 2.5 per cent or one-fortieth from taxable amount (Nisab) benchmarked by Islamic law at

20 Dinar (gold) or 200 Dirham (silver) by Islamic jurisprudence (Doi, 1990; Raimi *et al.*, 2010). With specific reference to Qur'an, Allah specified eight broad beneficiaries of Zakat in the society (Raimi *et al.*, 2010). The basis for Zakat is contained in the statement of Allah as contained in Qur'an 9:60 and Qur'an 9:103. The Prophet of Allah, Muhammad (SAW) explained further. According to Abdullahi Ibn 'Abbaas (RA), when the Prophet (PBUH) sent Mu'aadh (RA) to Yemen he said: "Tell them that Allah has enjoined Zakaah from their wealth" (Al-Bukhaari). Having provided in-depth explanation on the component of FBM, there is a need to discuss the modus operandi of FBM as applicable to MMNs.

5. Methods and materials

This research adopts a qualitative research method relying on secondary data/information sourced from CIA Factbook, previous scholarly works, working papers, case studies and relevant internet resources. In line with methodological approach of qualitative research, the secondary data/information were subjected to content and thematic analyses (CTA) from which facts, figures and presumptions were derived to support the FBM. This approach aligns with known research methodology (Cooper and Schindler, 2003; Saunders *et al.*, 2012). The outcomes of the data analysis represent the focus in subsequent sub-sections.

5.1 Results of data analysis

A content analysis of the sourced data revealed that poverty issues (pervade MMNs as shown in Table II.

From Table II, the research proposition "that poverty, unemployment, low per capita income, large un-utilised population are the bane of crises in the Muslim Majority Nations (MMNs) across the globe" is accepted and justified. MMNs indeed suffer worsening poverty rate, unemployment rate, low GDP and low per capita income combined with rising population. The unpleasant socio-economic profiles of MMNs precipitated widespread violence and fierce political agitations for regime change

SN	Country (MDNs)	Poverty rate (%)	Unemployment rate (%)	Population million	GDP billion	PCI/ranking
1.	Afghanistan	36	35	31,108,077	\$19.85	\$1,000 (216th)
2.	Algeria	23	10.2	38,087,812	\$206.5	\$7,500 (134th)
3.	Bangladeshi	31.51	40	163,654,860	\$118.7	\$2,000 (131st)
4.	Chad	80	na	11,193,452	\$9.723	\$2,000 (192n ^d)
5.	Egypt	20	24.8	85,294,388	\$255	\$6,600 (130th)
6.	Iraq	25	16	31,858,481	\$130.6	\$4,600 (160th)
7.	Lebanon	28	21.1	4,131,583	\$41.77	\$15,900 (78th)
8.	Libya	na	30	6,002,347	\$85.11	\$13,300 (94th)
9.	Mali	36.1	30	15,968,882	\$9.603	\$1,100 (214th)
10.	Niger	63	3.2	16,899,327	\$6.556	\$900 (220th)
11.	Nigeria	70	23.9	174,507,539	\$272.6	\$2,700 (176th)
12.	Sudan	46.5	20	34,847,910	\$51.58	\$2,400 (182nd)
13.	Syria	11.9	18	22,457,336	\$64.7	\$5,100 (153rd)
14.	Tunisia	3.8	30.7	10,835,873	\$44.7	\$9,700 (115th)
15.	Yemen	45.2	35	25,408,288	\$36.37	\$2,200 (189th)

Source: Central Intelligence Agency Factbook (2013)

Table II.
Socio-economic
profiles of Muslim
majority nations (MMNs)

sweeping through Middle East (Raimi, 2013). According to UNESCO-UNEVOC (2012), the rising poverty and unemployment in the Arab states, fuelled youth restiveness among educated but jobless segments of the society, which resulted into violent protests/demonstrations styled Arab Spring.

With regards to the second proposition, reviewed literature indicated that FBM is an emerging framework designed by scholars for tackling socio-economic problems in MMNs (Raimi and Mobolaji, 2008; Raimi *et al.*, 2010; Raimi, 2013). The nuance FBM is a potent religious-oriented construct built on Islamic economic principles for improving “Muslims’ socio-economic happiness through mutual cooperation for growth and development” (Raimi and Mobolaji, 2008, p. 130). Furthermore, FBM has become an intervention mechanism for complementing “contemporary poverty reduction strategies in use in many poverty-ridden nations where economic indicators have justified prevalence of poverty” in spite of the concerted efforts directed at tackling the scourge (Raimi *et al.*, 2010, p. 124). The core theological references underpinning FBM in the Qur’an and Hadith are:

And Cooperate among one another, on Virtuous acts and good, do not cooperate among one another on evil and rebellious acts (Qur’an 5:2).

The believers are protectors of one another, they cooperate among one another, enjoin good, forbid evil [...] (Qur’an 9:71).

The Prophet (PBUH) also said:

The example of the Believer in their mutual love and mercy is like the example of a body, if one part of the body feels pain, then all the body suffers in sleeplessness and fever (Al-Bukhaari and Muslim).

Prophet Muhammad (PBUH) in line with the divine directives confronted poverty incidences in his community using faith-based strategies. These include: Establishment of Baitil Mal (Islamic treasury), Zakat, Sadaqah (voluntary charity), Waqf, Hibah (Gift), Jizyay (Annual obligatory tax by non-Muslims), Kharaj (Tax on produce for non-Muslims), ‘Ushr (Tax on produce of the land), etc. (Doi, 1990; Raimi *et al.*, 2010). It was on the basis of the above, that Islamic scholars find justification for CSR (Taman, 2011).

Furthermore, Islamic scholars have written articles on the acceptability, relevance and appropriateness of CSR from Shari’ah Law Perspective (Sardar, 2003; Dusuki, 2008). FBM has also been prescribed as antidote to poverty and pauperisation among the Muslims (Raimi and Mobolaji, 2008; Raimi *et al.*, 2010). The acceptability of CSR is associated with its alignment with the concept of Zakat, a potent mechanism for empowerment and social justice in Islam (Weiss, 1986; Jawad, 2009). Another reason for its acceptability is because Islamic enterprises hold ethical principles and social responsibility sacrosanct (Dusuki, 2008).

Interestingly, Taman (2011, p. 5) informed that currently there exists avalanche of empirical findings that established a positive and strong link between religion and ethical issues in the fields of economics and business management.

From the foregoing discussion, the second research proposition that “CSR, Zakat and Waqf could be integrated as FBM for poverty reduction in MMNs” is accepted because the principles of CSR are consistent with Islamic jurisprudence or Shari’ah Law (Taman (2011). At present, that there are verdicts that CSR is desirable and permissible in Islam (Dusuki, 2008; Taman, 2011). The basis for this juristic verdict is that charging extra levies, dues and taxes from citizens and businesses apart the traditional Zakat obligations is permissible, provided the payers do so voluntarily

(Al-Qardawi, 1969). Kamali (1989) argued that CSR has a place in Islam, because the religion is flexible and permits adaptation of social issues like commerce or economics, methods of trading and other mundane acts (except rituals of worship). Similarly, Dusuki (2008) remarked that faith in Allah underpins all economic activities of Muslims. The bottom-line of the foregoing is that, the integration of CSR, WS and ZS is pragmatic and workable, if properly situated within the socio-cultural and religious interests of Muslim societies.

5.2 Framework of FBM and operational modality

The FBM as depicted as Figure 1 would provide welfare support services for poverty-ridden MMNs in a number of pragmatic ways. The model would be useful in engendering sustainable development thereby complementing the drive of these nations towards actualising the MDGs. The MMNs must embrace conventional models; they must accept diversity and competition because new concepts spark off innovation and stimulates quality (Hejazi, 2009). The MMNs must learn to adapt and assimilate values that align with their ideological postures. The FBM integrates three concepts: CSR, Waqf and Zakat. When the three social constructs are properly sequenced, FBM would fast-track efforts at poverty reduction, enterprise development and economic empowerment in the MMNs.

The role of the government under FBM framework above is to provide legitimacy and enabling environment for CSR implementation. Drawing lesson from Porter and Kramer (2011), the role of government is essentially regulation and rules which allow shared value to be firmly established with a capitalist system in order to allow businesses attain their full potentials. Beyond legitimacy issue, there is need for an inclusive governance and management structures. FBM requires a board and an executive manager to manage the projects under the FBM, as corporate social investment (CSI). The funds accumulated from CSR, Waqf and Zakat could be deployed as welfare support schemes in the MMNs for the chronically sick, those with creative ideas and the unemployed youth. The FBM would find acceptability within MMNs because activities of Muslim societies are situated within the framework of God-consciousness. By extension, fulfilling the social obligations as depicted by FBM becomes a highly rewardable action for wealthy individuals, corporations and successful entrepreneurs. FBM find theological backings as captured in the Q17:24-25

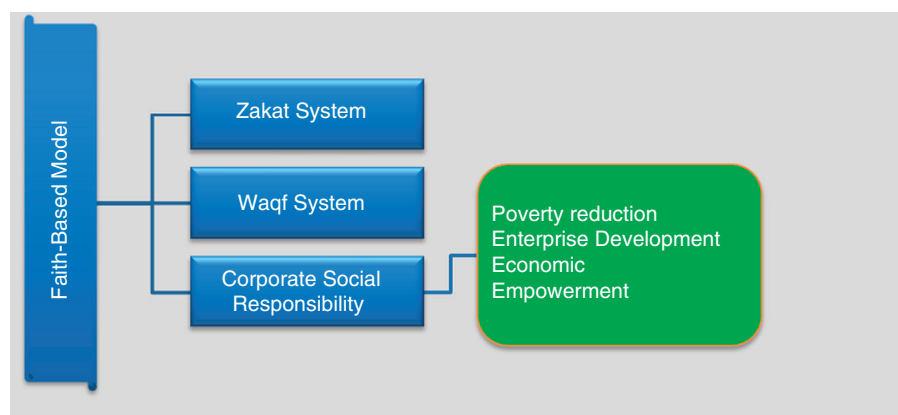


Figure 1.
Framework of
the faith-based
model (FBM)

Source: Raimi *et al.* (2013a)

and Qur'an 4:75. The Prophet (PBUH) also said: "The example of the Believer in their mutual love and mercy is like the example of a body, if one part of the body feels pain, then all the body suffers in sleeplessness and fever" (Al-Bukhaari).

6. Conclusion, implication and recommendations

This theoretical research sets out to integrate CSR, WS and TZS for poverty reduction, enterprise development and economic empowerment in MMNs. In line with the set objectives and conclusions from the reviewed literature, two research propositions were developed. In clear terms, the research linked the Zakat and WSs with CSR. This is achieved by content analysis, specifically by looking at the philosophy of CSR *vis-à-vis* Islamic concepts of Waqf and Zakat. At the end, the paper justified the plausibility of a FBM as a CSI, which could be deployed to poverty reduction in a number of ways ranging from training, micro-credit support for SMEs, apprenticeships, providing welfare support services to the poor, marginalised communities and other economically disadvantaged groups. The paper is a contribution to theory and practice of CSR in the field of management and Islamic economics. FBM is a pragmatic relief for MMNs who are hesitant in adopting western model for fear of compromising their ethical values. This model is ethical and Shari'ah-compliant. The model when operational would help resolve issue of non-compliance with CSR principles. The paper has also situated CSR within the realm of worship and faith. The gap left behind by the paper is for future researchers to carry out an empirical investigation on the viability or otherwise of the FBM. This could include the governance structure, operational modalities and regulatory frameworks that would enhance the functioning of the FBM.

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