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Evidence**

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The final, published version in Accounting Research Journal, 36 (4/5), pp. 327-348, 2023 is available at:

<https://doi.org/10.1108/ARJ-07-2022-0157>

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Islamic Banks' Sharia Compliance Disclosure: An International Evidence

Abstract

Purpose: Using a novel information disclosure framework, the paper investigates the disparity and compliance of information disclosures in Islamic banks (IBs). Specifically, the research examines IBs' compliance with Sharia disclosure requirements.

Design/methodology/approach: To determine the extent of disclosures and compliance with Islamic business principles, content analysis is applied to the annual reports of a sample of IBs from eleven countries. A comprehensive reporting framework has also been developed to assess the transparency and compliance of IBs with Islamic business principles. Institutional theory and core Islamic principles are used to inform the study and its findings.

Findings: The results reveal that IBs demonstrate limited transparency on the key Sharia compliance issues, and there is a wide variation in the level of reporting across the countries studied. Moreover, we find that IBs located in the single integrated regulatory (RF) countries disclose more information, followed by those located in dual RF countries and then those located in Islamic RF countries.

Originality/value: The study presents a unique and comprehensive framework to assess the areas of *Sharia* disclosure by IBs and provides a conceptual rationing for the actual level of IBs' *Sharia* reporting. The study also fills a significant gap in the literature, since most studies in this field are based on a single country study. The results are deemed of direct relevance to IBs' managers, investors, policymakers, regulators, and the wider public, particularly in the Muslim world.

Keywords: Disclosure; Islamic banks; Institutional theory; *Sharia* compliance

1. Introduction

Sharia compliance is deemed a crucial element for Islamic financial institutions and firms (El-Halaby *et al.*, 2018; Nainggolan and Trinugroho, 2018). The necessity to comply with the requirements of Sharia makes Islamic banks (IBs) distinctive. This is in addition to the potential benefits attributed to the adoption of Sharia compliance standards which include more access to religious-sensitive investors' savings (Karimov *et al.*, 2020), a reduced financial distress (Kammer *et al.*, 2015), an enhanced loyalty and trust (El-Halaby *et al.*, 2018), and improved customers' satisfaction (e.g., Dusuki and Abdullah, 2007; Kayed and Hassan, 2011). The potential benefits of IBs' Sharia compliance and the need to meet IBs stakeholders' expectations in this sphere require IBs to disclose the relevant Sharia elements, as set by the accounting and governance bodies (e.g., AAOIFI). In accordance with the assertions made above, the primary objective of this study is to examine the extent to which Islamic banks (IBs) really comply with the *Sharia* disclosure requirements. By evaluating the level of disclosure of Sharia elements and compliance we are able to identify the Sharia areas that are not appropriately captured in IBs' annual reports and to what extent this is not meeting IBs' information users' needs, including customers and policy makers. These users are not involved in the day-to-day running of the banks and the information contained in the annual reports, including those related to Sharia compliance, serves as the primary source to evaluate the religious compliance of IBs and to make informed decisions.

To address the study research objective, we create a comprehensive reporting framework that captures the various areas of *Sharia* reporting. The institutional theory and the Islamic principles are used to explain the results of the study and to support the assertions made regarding the variations observed in the Sharia disclosures of the IBs. In doing so, we address three main research gaps in the literature: the absence of a holistic reporting framework for IBs' *Sharia* disclosure, the lack of international studies on IBs *Sharia* reporting, and the scarcity of studies providing conceptual rationing for the current level of IBs' *Sharia* reporting.

Due to the agency problem, which is more prominent in IBs, the extent of their reporting is expected to be more significant to fulfil the information needs of their different stakeholders (Archer and Karim, 2009). This is unlike the conventional approach to corporate reporting, where more emphasis is placed on meeting the information needs of those who provide financing. From an Islamic perspective, institutions, such as banks, are also not viewed as pure profit-seeking organizations, which has implications for the way they report to their stakeholders. IBs, as a whole, are expected to adhere to their religious obligations by being fully transparent and accountable to the different parties with whom they deal and to hold to

their ethical identity. In line with this expectation, Baydoun and Willett (1997) note that the key principle of corporate reporting in Islam is to exhibit compliance with *Sharia* rules.

To fulfil their religious commitments, IBs are supposed to follow the principles set by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in the preparation and presentation of their financial accounts and to include other relevant information that stakeholders need to know about the institution, such as the role of the *Sharia* supervisory board (AAOIFI, 2010). The newly accounting policies are developed, taking into account *Sharia* rules, which are internationally accepted (Ahmed et al., 2019). The standards have the objective of enabling financial statements comparability and making published reports more transparent. A study by Grais and Pellegrini (2006) shows that AAOIFI standards are widely adopted or endorsed, reflecting their significance as the primary benchmark under which IBs disclose their information to various stakeholders. However, Ullah et al. (2014) present different evidence of low compliance with AAOIFI standards, particularly in the areas of *zakat* (Islamic levy), *qarad-hasan* (benevolent loan), investment accounts, and *Sharia* governance system. While another recent study, using the Malaysian context, has shown that the disparity between international financial reporting standards and those set by the Malaysian Accounting Standard Board and the central bank is narrowing but not entirely eliminated (Ahmed et al., 2019). Similarly, a study by Mukhlisin and Fadzly (2020) reveals a disparity in the institutional logic of organisations involved in promoting Islamic finance and reporting and proposes an institutional logic to address the issue.

Another critical issue facing IBs reporting is the *Sharia* Supervisory Board's (SSB) role in reviewing the financial reports, which is deemed to influence how these banks disclose information in their reports (Wan Abdullah et al., 2015; Shariari, 2020). The stakeholders place high emphasis on the SSB in ensuring that IBs are observant of the *Sharia* rules (Van Gruening and Iqbal, 2008) and fulfilling their moralities and business virtues (Platonova et al., 2018). As a rule of thumb, IBs should be highly transparent and disclose any relevant information to address *Sharia* compliance. Therefore, their information disclosure should be wider and cover areas such as community, social responsibility and sustainability, environment, employment practices, product permissibility, *zakat*, and any involvement in prohibited dealings (e.g., Al-Bassam and Ntim, 2017; Haniffa and Hudaib, 2007; Maali et al., 2006).

Recognizing the distinctiveness envisaged in IBs' reporting, this paper aims to make several contributions to knowledge into this evolving research area. First, we introduce a novel framework to measure *Sharia* information disclosure in IBs. The framework takes a holistic view of what needs to be reported to fully comply with *Sharia* requirements. Second, the study

extends the work of Haniffa and Hudaib (2007) and Belal *et al.* (2015), which have the drawbacks of using a very small sample and applying their research over a shorter time horizon, by including a much larger sample and conducting the study over a longer period. This provides us with the opportunity to identify any changes in the way IBs disclose any *Sharia*-based information to their stakeholders compared to what has been claimed in previous studies. Third, the study allows us to comprehensively capture Islamic business principles presented in IBs' financial reports including *zakat*, *qard-hassan*, prohibited transactions, dealing with insolvent borrowers, employee relations, social and environmental responsibility. In this regard, we deem the reporting framework created for the study to be broader than the ones applied in other papers and enables us to properly examine the quality of IBs' *Sharia* reporting. The framework allows us to encapsulate areas of *Sharia* compliance that are essential or desirable, leading to more in-depth analyses of IBs reporting to meet *Sharia* expectations. Besides, our study enables us to compare *Sharia* reporting across countries based on their regulatory framework (RF). Finally, from a conceptual perspective, the research allows us to test the institutional theory on the level of IBs' *Sharia* disclosures. This is achieved by aligning the level of reporting to the institutional framework adopted across the sample countries. In doing so, we provide an understanding of the influence of accounting standard rules, national and international, on the level of reporting by IBs.

The study revealed a number of key results. First, the findings indicate that there is a low level of disclosure regarding the responsibilities of the *Sharia* board. This strengthens previous arguments questioning IB's honesty and integrity in terms of their activities and the extent to which their products and services are actually compliant with the *Sharia* principles (e.g., Safieddine, 2009; Maali *et al.*, 2006; El-Halaby *et al.*, 2018). Second, the results on the desirable areas of *Sharia* compliance exhibit a very limited level of disclosure on *qard-hassan* (Benevolent Loan), dealing with insolvent borrowers, and environmental responsibility reporting. Third, our study findings show that the overall level of disclosure on *zakat* is low, which is unexpected as IBs need to be fully compliant with this key principle of Islam as per the *Quran* and the Prophetic narrations. Finally, the results indicate that, largely, there is more disclosure by IBs in the single integrated RF countries, followed by the dual RF and then by Islamic RF. These findings correspond to key attribute of the institutional theory that emphasizes on the role of political and regulatory forces in guiding the norms followed by institutions, such as IBs, in order to be legitimate.

The rest of the paper is organized as follows. In the second section, we explain the study theoretical framework. Section three discusses the literature review and research propositions. In section four we explain research design, data collection methods, and analysis. We present and discuss the findings of the study in section five. The final section concludes the research paper and provides relevant study implications and limitations.

2. Theoretical Framework

IBs disclosure can be considered within the realm of the institutional theory as IBs are expected to follow social structures. The institution is defined by Jepperson (1991, pp. 143-145) as “an organized, established procedure often represented as the constituent rules of society”. It represents social order that has a state of durability and results from certain actions taken to create, sustain and disrupt the institution (Lawrence and Suddaby, 2006). According to Hampel *et al.* (2017), institutions’ aspects can take various forms, such as practices, boundaries, values or standards. Like their conventional counterparts, Islamic banking consists of certain practices and the discourse associated with them. Following the global financial crisis of 2007-2008, calls have been made to harmonize accounting standards to enable comparability between the financial reports produced by Islamic firms or banks (Gillis *et al.*, 2014) and to enhance the reliability and credibility of these reports (AAOIFI, 2010). Since then, extensive efforts have been made at the national and international levels to improve the disclosure of IBs. AAOIFI, for instance, issued 100 standards covering different areas of Islamic banking reporting (AAOIFI, 2018). Similarly, IFSB issued a number of guidelines on *Sharia* governance, capital adequacy and risk management. In conjunction with AAOIFI and IFSB efforts, countries like Bahrain, Iran, Malaysia, Qatar, United Arab Emirates, and Saudi Arabia have issued further guidelines for reporting IBs.

Although there are claims that IBs simply engage in the modification of conventional banking practices (Haniffa and Hudaib, 2010), the idea IBs disclosure and practice could be considered as a creation of a new institution, which consists of various activities such as interest-free, risk-sharing and the avoidance of certain financing (Siti-Nabiha and Adib, 2020). Hampel *et al.* (2017) assert that institutions can be a social pattern in one country but not in others. Based on this argument, the practice of IBs is perceived to be institutionalized as part of the social order or pattern, as it has become accepted and taken for granted in most countries, especially in the Middle East and South-East Asia, and it has a substantial impact on global finance and banking (Khan and Bhatti, 2008). IBs are also subject to this institutional

dimension, which is defined as “the purposive action of individuals and organizations aimed at creating, maintaining, and disrupting institutions” (Lawrence and Suddaby, 2006, p. 215). Therefore, examining the IBs *Sharia* disclosures requires the consideration of both social order and actors’ role and reaction towards the institutionalized changes. In this study, the three institutional elements suggested by Lawrence and Suddaby (2006) - political, technical and cultural - are used to justify the research findings. Lawrence and Suddaby (2006) proposed that political-institutional elements primarily involve the formulation of rules and regulations. The main forms of political elements are advocacy, defining and vesting. In advocacy, the actors influence the norms followed by regulators and politically support the social reassurance. Actors involved in the political-institutional elements also seek to influence the formalization of the rule system and the determination of what constitutes compliance. This results in the establishment of future and potential institutional structures. Another form of political-institutional elements is vesting, in which the actors work towards the creation of rule structures that give property rights and vest new actors/bodies with regulatory and coercive powers.

The technical institutional elements cover the construction of the cognitive part of institutions (Scott, 1995). Actors involved in technical institutional elements use different mimicry approaches to create links between a new practice and the established practices, and through theorization, they establish abstract models of an institution, educating and teaching others about using these new practices (Lawrence and Suddaby, 2006).

Whereas the cultural institutional elements encompass the common ways of acting and behaving (Scott, 1995), they involve communicating the new practice in a way that is appealing to the broader group of actors beyond those who are interested or have a stake in the practice (Lawrence and Suddaby, 2006).

In this study, we adopt the institutional theory elements listed above while being conscious of the gaps that are still observed between international financial reporting standards and those designed for IBs even though the overall *de factor* and *de jure* similarity is found to be improving at least in some countries, such as Malaysia (see Ahmed *et al.*, 2019).

3. Literature Review and Research Propositions

Although Islamic banking research has grown rapidly since the 1980s, studies examining *Sharia* disclosures in IBs' annual reports and whether they adequately satisfy different stakeholders' needs remain scarce and inconclusive. The purpose of this section is to discuss

two main streams of literature: (1) Sharia compliance and its effect on *Sharia* disclosure, and (2) IBs' *Sharia* related disclosure and the country regulatory framework.

3.1. IBs Disclosure and Compliance with Sharia Requirements

IBs are required to conduct their operations and activities in accordance with *Sharia* principles. In line with this statement Grassa (2018) assert that *Sharia* governs all aspects of IBs and this directly supports and adds value to their corporate governance structure. Other studies have also documented the importance of *Sharia* compliance in providing assurance related to IBs' religious identity and meeting the needs of different stakeholder groups particularly Muslim investors (e.g., Ashraf and Lahsasna, 2017; Azmat *et al.*, 2021; Grassa, 2018). Therefore, it is critical that Islamic banks disclose information concerning *Sharia* compliance to their stakeholders in order to manage banks' reputation and assure the stakeholders that they are *Sharia*-compliant. This will increase the confidence of shareholders investing in these firms (see for instance, Ben Abdallah and Bahloul, 2021; Neifar *et al.*, 2020; Tabash, 2019). In the same vein, Paino *et al.* (2011) suggest that transparency, disclosure, and accountability are the three pillars of corporate governance, which ensure protection to all stakeholders.

A review of the extant literature shows that there are limited empirical studies examining the quality of information disclosure in IBs' annual reports and whether they actually satisfy different stakeholders' needs. For example, Haniffa and Hudaib (2007) constructed an ethical index to identify any disparities between the actual information provided in the banks' annual reports and those that are supposed to be genuinely based on Islamic ethical values. Their results reveal that the information presented in the annual reports of most banks included in their research sample is not compliant with the ideal Islamic ethical precepts. Similar findings are reported in a later study by Zaki *et al.* (2014) covering IBs based in Asia. Besides, the existing literature reveals that IBs are mainly focusing on the information need of their shareholders rather than the whole spectrum of the bank stakeholders (e.g., Platonova *et al.*, 2018).

A number of studies focused primarily on the ethical and social reporting of IBs (e.g., Belal *et al.*, 2015; Haniffa and Hudaib, 2007; Kamla and Rammal, 2013; Maali *et al.*, 2006; Zaki *et al.*, 2014). For instance, Maali *et al.* (2006) used a disclosure index to examine the extent of IBs' social reporting. The index contained nine specific areas of disclosure: (1) views and judgments of the Sharia Supervisory Board; (2) permissibility of the transactions undertaken; (3) sources and payment of *zakat*; (4) the extent of using benevolent loans; (5)

charity and social contributions; (6) employee relations; (7) insolvency and late payment practices; (8) bank role towards the environment; and (9) community-related activities. They find that there is a lack of social disclosures by IBs, with disparities observed between those paying *zakat* and those not doing so, with those not paying *zakat* showing even less social disclosures. Furthermore, Kamla and Rammal (2013) assert that while IBs' disclosures are meant to have a religious input, as they claim to follow *Sharia's* teachings, the evidence show that there is a lack of disclosure(s) on poverty eradication and social justice which ultimately question IBs' claim.

Another stream of research on IBs' disclosures is devoted exclusively to IBs' corporate governance disclosures (e.g., Abdeldayem, 2009; Platonova *et al.*, 2018; Wan Abdullah *et al.*, 2015). Research in this area has focused primarily on the mandatory and voluntary disclosures of IBs, as well as the factors that affect their governance disclosures, such as firm size, the legal system, and accounting professional bodies. Among the main findings emerging from this research is the crucial role of professional bodies, such as AAOIFI, in enhancing the quality of disclosure in IBs. Besides, a significant correlation is observed between corporate social responsibility reporting and IBs' financial performance. However, the extent of this relationship varies across the different dimensions of CSR and is far below what is actually expected based on Islamic ethical standards (see, for instance Platonova *et al.*, 2018).

Similar to corporate social responsibility reporting, *Sharia* principles stipulate that firms should conduct business activities in a transparent manner, ensuring that every aspect of these activities is clearly explained to stakeholders (Alsaadi *et al.*, 2017). Thus, *Sharia* compliance provides investors with reliable and relevant information that allows them to make informed investment decisions based on both their economic situation and their religious beliefs (see for example, Azmat *et al.*, 2020; Haniffa and Hudaib 2007). IBs respond to institutional pressures, such as those brought by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB), by engaging in *Sharia*-related disclosures to gain corporate legitimacy (Albarrak and El-Halaby, 2019; Tabash, 2019). The two bodies develop and issue accounting, auditing, ethics, and governance standards and guidelines that are *Sharia* compliant. Accordingly, AAOIFI and IFSB are in a position to establish the institutional arrangements for IBs to disclose their information while being observant to *Sharia* principles. Although these arrangements are non-mandatory, they tend to have a normative influence on IBs. Therefore, IBs who do not observe them are not fined for non-compliance.

Further underlining the distinctiveness of IBs, Neifar *et al.* (2020) find that disclosure in Islamic financial institutions can significantly reduce information asymmetry. While Tabash (2019) reports that AAOIFI disclosures have a significant positive impact on IBs' performance, suggesting that higher disclosure levels lead to improved operating performance, lower equity costs, and higher market values. Similarly, Albarrak and El-Halaby (2019) find *Sharia* disclosure to be positively associated with IBs' financial performance. They assert that transparency and responsibility improve trust among interest parties, which in turn improves financial performance. On the other hand, Elgattani and Hussainey (2020) report that there is no significant relationship between the adoption of AAOIFI standards and IBs' financial performance. Taking into account the above discussion and mixed findings, we formulate the following first proposition:

Proposition 1: IBs level of Sharia disclosures is associated with IBs observance of Sharia compliance standards

3.2. *IBs Sharia Disclosure and Regulatory Framework*

The regulatory framework for IBs can be defined as the *Sharia* governance framework which regulates and supervises the Islamic financial institutions to ensure their compliance with *Sharia* law across all their operations (Elasrag, 2014). Globally there are three distinctive approaches for the regulatory frameworks applied to IBs: fully Islamic; dual system; and single integrated approach. In the fully Islamic approach countries only accept banking institutions which are based on *Sharia* principles, and they prohibit conventional banking institutions altogether. Iran is an example of a country applying fully Islamic framework. In dual system, the countries allow conventional banks to operate alongside Islamic banks and there are two separate independent regulatory frameworks (i.e., one for IBs, and another for conventional banks). Examples of countries adopting dual system are Bahrain and Malaysia. For a single integrated RF, countries apply a single RF to all banks and is normally governed by the central bank laws (Song and Oosthuizen, 2014).

Although the development of Islamic financial industry necessitates countries' regulators to enact rules that specifically govern the industry, a number of studies have been critical of Islamic finance and its failures to meet the prime objectives of Islamic law (Asutay, 2012; Aydin, 2018; Azmat and Subhan, 2022). These studies argue that Islamic finance should maintain its distinction from conventional finance and follow its moral values (Chapra, 2008). The moral proposition of Islamic economics is driven by the attributes of Islamic law and

Sharia (e.g., Ahmad, 1992; Asutay, 2007; Auda, 2008; Aydin, 2018; Chapra, 2008). According to these studies the purpose of the Islamic financial institutions is not merely to achieve higher profit but rather to deliver on their Islamic moral responsibilities including justice, fairness, ethics and social development (Azmat and Subhan, 2022).

The extant literature while it confirms, at least in theory, the distinctiveness of IBs vis-à-vis conventional banks in terms of their business objectives, it brings to our attention that the current practice of IBs is primarily on generating profit instead of fully complying with the *Sharia* (Hamoudi, 2007). Based on this literature, IBs use investors' pressure and the need to generate profit or positive return as a constraint to delivery on their religious objectives (Azmat and Subhan, 2022). This notion assumes that IBs as part of a larger economic and RF and not operating in isolation (Chapra, 2008). One of the gaps observed in this stream of literature, however, is while it has been critical of the applied RF in the IBs, few studies explain how IBs' disclosure levels are actually influenced by the applied RF. In this study we argue that the disclosures in IBs, which are largely driven by the need to comply with Islamic law, may be different or affected by the adopted RF and institutional environment that aims to fulfil certain economic objectives. Based on the above assertion linking IBs' *Sharia* disclosures to the country regulatory framework, the second proposition of the study is as follow:

Proposition 2: IBs level of Sharia disclosures is associated with the country regulatory framework

4. Research Methods

Building on the theoretical narrative presented in the previous section and the primary research objectives we introduce a reporting framework that encapsulates the main Islamic business principles that allow us to test if the bank(s) is compliant with the precepts of Islam or not. To do this, we have considered any disclosed information on payment of *zakat*, prohibited transactions, provision of *qard-hasan* (benevolent loan), insolvent borrowers' treatment, employee relations and social and environmental duties. For each area, we compiled any *Quran* texts, *Hadith* (saying of the Prophet Muhammad peace-be-upon-him) and any relevant literature (e.g., Belal *et al.*, 2015; Haniffa and Hudaib, 2007; Maali *et al.*, 2006; Ullah *et al.*, 2014) to construct what needs to be covered in order to be religiously compliant. The reporting items are split into an essential and desirable form of disclosures based on AAOIFI and IFSB requirements. Table 1 below lists the Islamic bank's supporting statements and items to include to fulfil its religious obligations.

[Insert Table 1 about here]

We further split the list of countries included in the study based on their banking RF. We use Song and Oosthuizen (2014) and Syarif (2019) to support the classification. The first group of countries includes those that adopt a single integrated banking framework, which is the largest group of eight countries (Bahrain, Jordan, KSA, Kuwait, Pakistan, Qatar, Turkey and UAE). The second group comprises two countries, Indonesia, and Malaysia, and these use a dual banking RF. The remaining group is made of one country only, Iran, and adopts a fully Islamic RF.

The two propositions built in the literature review section are tested using content analysis. We follow a key principle of adopting propositions which is to create insights or knowledge through logical deduction of relevant concepts/ideas (in this study these are *Sharia* compliance, disclosure, and regulatory framework) and then test the validity of the propositions set. This type of research is adopted in accounting related studies including those on accounting information and disclosure (e.g., Hall, 2010) and is viewed to be effective at guiding empirical studies as it allows the research to be informed by the relevant literature and to be aligned with the theoretical framework (Merchant *et al.*, 1995).

We use content analysis as the main research instrument to examine the study data. Adopting content analysis is found to be effective in accounting research as it allows to examine text systematically and to review the text both objectively and subjectively (see Kamla, 2007, 2009; Steenkamp and Northcott, 2007). Content analysis is also powerful at drawing meanings and valid interpretations of the study phenomena (Smith, 2003). However, this does not mean that the method is free from limitations as interpretations could be influenced by the researchers' own views of the text (Weber, 1990). To ensure correct analysis of the text in this research, we map our interpretations with the relevant literature that used the same research methodology (e.g., Haniffa and Hudaib, 2007; Kamla and Rammal, 2013), adhere to the principles set by the *Sharia* and relevant professional bodies such as AAOIFI and follow the reporting framework set for IBs (see Table 1).

For the study sample, we started with 35 banks, but due to the missing of reports for some banks, we ended with 22 banks. Most of these banks are from the Gulf region, which is the main hub for IBs. The selection of these banks is based on their size as measured by total assets and income. On the whole, our study includes almost all countries that have sizeable Islamic banking assets. The list of banks and their country of origin included in the study is given in Table 2 below.

[Insert Table 2 about here]

The sample selected remains fully representative of the global Islamic banking industry as banks included in the study are among the largest worldwide in terms of asset size and market share. The countries included in the study covers 86.7% of the Islamic banking assets. The key regions in which the Islamic banks operate are also fully covered. In addition, the sample selection is consistent with other studies on Islamic banking reporting (e.g., Belal *et al.*, 2015; Haniffa and Hudaib, 2007).

We apply content analysis to each bank's annual report for the period spanning from 2010 to 2016 – the period is selected based on the data availability for the banks used in the study. The average number of pages for each report evaluated is 70 pages per year. In each annual report, we identify the main *Sharia* themes covered and how they relate to the bank stakeholder's information need. In line with Silverman (1993), we draw meanings from the themes by quantifying their presence in the text and then creating contextualized inferences of the report text. The frequency of each theme indicates its importance.

Six categories, namely *zakat*, *qard-hasan*, prohibited transactions, dealing with insolvent borrowers, employer relations and social responsibility, are used to assess IBs level of disclosure according to the Islamic business principles. This is applied for each year and by country. The number of words is used to determine the level of disclosure for each of the six categories. We also follow the stages proposed by Elo *et al.* (2014) to ensure the trustworthiness of the content analysis method. These are preparation, organization, and reporting phases, and they are conducted in chronological order.

For each Islamic business principle or category, the yearly disclosure score is computed as the sum of words in which the item is reported divided by the number of banks used in the study sample (Table 3) – this gives us the average of the item per bank. While the country disclosure score is calculated as the sum of words in which the Islamic business principle is reported divided by the number of years covered by the study (Table 4) – this gives us the average of the item per country.

To ensure consistency in data collection and analysis and follow the guidelines specified above for the sample banks' reporting, frequent meetings were held between the researchers to discuss the approach used in the data collection and how the data is presented and analyzed. The lead investigator further reviews this. Therefore, we deem that the data used, and discussion of the results are true reflections of IBs disclosure disparity and compliance.

5. Results and Discussions

5.1. IBs level of disclosure based on Sharia compliance areas

Accounting for the essential areas of *Sharia* compliance, the results obtained (see Table 3) show a slight fluctuation in the level of disclosure for the element of *zakat*. One of the areas experiencing the highest increase in *Sharia* based disclosure is the statement showing the method and calculation of *zakat*. Results depicted in table 3 further show that the level of disclosure varies across the source and uses of *zakat* and approval of the *Sharia* supervisory board of the *zakat*. The method of calculating *zakat* emerges as the main area of disclosure, followed by uses of *zakat* and the approval of the *Sharia* supervisory board, respectively. Overall, there is an upward trend in ‘*zakat* calculation’ disclosure. This is less apparent in the case of ‘the source and use of *zakat*’ and ‘the approval of *Sharia* supervisory board’ for the *zakat*. The finding indicates that IBs are, to large extent, more interested in meeting the disclosure requirements set by the professional accounting bodies, such as AAOIFI. This result is consistent with previous studies (Neifar *et al.*, 2020; Platonova *et al.*, 2018; Tabash, 2019) suggesting that IBs respond to institutional pressures by disclosing *Sharia*-related information, especially on the *zakat* calculation, to gain corporate legitimacy.

As for the reporting on ‘dealing with prohibited transactions’, the results signify that this is poor. Out of the four statements used, the ‘statement(s) showing the *Sharia* Supervisory Board opinion on the prohibited transactions’ emerges at the top, followed by the ‘statement(s) showing prohibited transactions undertaken’. The results also reveal that the extent of social responsibility disclosure is very scarce in almost all disclosure categories, especially on the statement(s) showing the sources of money used in charitable activities and statement(s) exhibiting the amount given for social and community activities. The only exception is for ‘statement(s) displaying the type of donations and charitable work of the bank’. These results are in line with several studies (e.g., Belal *et al.*, 2015; Haniffa and Hudaib, 2007; Kamla and Rammal, 2013; Maali *et al.*, 2006; Zaki *et al.*, 2014) that reveal a lack of social disclosures by IBs. This evidence contrasts with the *Sharia* paradigm, as IBs are expected to be socially responsible and fully engaged with their communities. Similarly, fulfilling all categories of stakeholders’ need and expectations by IBs seems lacking as the results suggest that society or community is considered as secondary in IBs strategic objectives. This further demonstrates that IBs do not observe the cultural institutional elements as previously assumed.

[Insert Table 3 about here]

When accounting for the desirable areas of *Sharia* compliance, we find that disclosure of *qard-hasan* is minimal and declining across the whole period for the three statements used: ‘policy in providing *qard-hasan*’; ‘amount given as *qard-hasan*’; and ‘sources and uses of *qard-hasan*’. Taking into consideration the main lines of business by IBs, this result is to some extent unanticipated, as we would expect a high emphasis on *qard-hasan* by IBs to portray their image as supporters of individuals who are in hardship and as contributors to society in which they operate (Kamla and Rammal, 2013). The disclosure related to dealing with insolvent borrowers is even worse. It is almost non-existent, especially for statement(s) showing ‘how penalties are applied’ and statement(s) on ‘the *Sharia* Supervisory Board opinion on the bank policy towards insolvent borrowers. This evidence tends to corroborate the evidence of the related literature (such as, Alsaadi *et al.*, 2017; Haniffa and Hudaib, 2007; Kamla and Rammal, 2013; Platonova *et al.*, 2018), in that the absence of reporting in dealing with insolvent borrowers represents a significant deficiency in compliance with *Sharia* principles, because IBs are expected to pay attention to this category. With the lack of disclosure in this area it is not possible to establish if IBs approach is actually fulfilling the remit of *Sharia* to be mindful with the borrowers who become insolvent and the extent to which they meet their social responsibilities.

Employee relations comes out as the most reported area of the Islamic business principal disclosure items. The reporting related to employee relation is set across four main areas: ‘statement(s) on equal opportunities’, ‘statement(s) showing bank policy towards employees’ wages payments and benefits’, ‘statement(s) showing employees working environment’ and ‘statement(s) on the bank approach towards employees training and education’. The statement(s) showing bank policy towards employees’ wages payments and benefits is the most reported, followed by the statement(s) on the bank approach towards employees training and education. Although the reporting on the other two areas, ‘equal opportunities’ and ‘employees’ working environment’, is increasing, it is still limited.

The results also reveal that the extent of environmental responsibility disclosure is scarce in almost all disclosure areas, especially on ‘the amount of funds given to environmental projects or those given to non-environmentally friendly projects’ statement. Similar to other areas of Islamic business principles disclosure, this result is not consistent with the *Sharia* paradigm as IBs are expected to be socially and environmentally responsible and fully engaged with their communities. Our results support the evidence of Platonova *et al.* (2018), who find that Islamic banks disclose lower levels of CSR information than is expected in terms of being shaped by Islamic ethics. They suggest that IBs give greater priority to the disclosure of

information to their shareholders than they do to the interests of a broad range of stakeholders. Our results also denote that IBs focus on social orders is limited as they mainly engage in the mimicry of their conventional counterparts by prioritizing financial gains over fulfilling their social and environmental responsibilities.

5.2. *IBs Islamic business principles disclosure by country*

At country level, the results show a high level of variation in the Islamic business principles disclosure across the eleven countries included in the study. In particular, five countries exhibited moderate disclosure for this area: Bahrain, Kuwait, Malaysia, UAE, and KSA. Meanwhile, banks from Iran, Jordan, Pakistan, Iran, Indonesia and Turkey reveal limited disclosure for this area. This supports the previous literature asserting that IBs reporting on *Sharia* related areas is minute and not adhering to the Islamic reporting bodies' requirements (e.g., Maali et al., 2006). Below, we provide a detailed analysis of each Islamic business principles disclosure item.

[Insert Table 4 about here]

Starting with *zakat*, the reporting on this item reveals that the 'statement showing the method of *zakat* calculation' is the most disclosed, followed by 'the statement showing the sources and uses of *zakat*'. Unexpectedly, the disclosure on 'the statement indicating the *Sharia* Supervisory Board approval of *zakat*' is very low except for Bahrain and Indonesia. In four countries – Iran, Jordan, Pakistan and Turkey – the banks included in the study did not report any specified information on *zakat*. The overall low level of disclosure on *zakat*, which is the third pillar of Islam, is very surprising as IBs are expected to be fully adherent to this key component of the Islamic religion. Failing to do so is a significant drawback in the conduct of IBs. While explanations have been stated for not giving *zakat* by individuals, such as the absence of enforcement laws (Al Jaffri Saad and Haniffa, 2014) and knowledge of *zakat* (Abu Bakar and Abdul Rashid, 2010), the evidence on IBs non-*zakat* compliance is still emerging and require further research investigation. The finding also indicates IBs focus on the regulatory and technical aspects of reporting while not fulfilling the cultural institutional elements in their actual practice.

In addition, the reporting on 'dealing with prohibited transactions' is poor or absent in most countries included in the study. The countries where there is no disclosure observed in this area are Iran, Pakistan, Turkey, Indonesia, and Jordan, although there is a clear variation in the level of reporting in the four statements used to judge if the bank(s) located in the country

do report on dealing with prohibited transactions. Out of the four statements used, the ‘statement(s) showing the prohibited transactions undertaken if any’ emerges at the top, followed by the ‘statement(s) showing the Sharia Supervisory Board opinion on the prohibited transactions’. The low level of disclosure in this area raises concerns on IBs honesty and integrity in terms of their activities and the extent to which their financial deals are actually fully *Sharia*-compliant.

The results reveal that the extent of social responsibility disclosure is mostly limited in the majority of countries, particularly on the amount given for social and community activities. Overall, Indonesia, Pakistan and UAE are among the countries with the highest level of reporting in this category, with more disclosure on the statement(s) showing the donations and charitable work of the bank. Whereas Iran, KSA, Qatar and Turkey all exhibit a low level of disclosure. Similar to other areas of Islamic business principles’ disclosure, this is in contrast to the *Sharia* paradigm as banks needed to be socially responsible and fully engaged in their communities. The introduction of country-specific standards such as the Malaysian accounting standards based on IFRS that apply to IBs would improve reporting quality, as shown in a study by Ahmed et al. (2019). The findings also indicate that IBs give high emphasis to the regulatory and financial elements compared to other areas of responsibility although this is improving over time by the introduction of specific rules on CSR in IBs.

Similarly, the findings indicate that the reporting on the second item of Islamic business principle, *qard-hasan*, is very limited in scope in most countries. Four countries - KSA, Qatar, Indonesia and Turkey - did not show any reporting in this area. In the countries where some level of disclosure (e.g., Kuwait, UAE and Jordan) is observed, there are clear differences in the reporting on each statement used to identify the reporting on *qard-hasan*. Out of the three statements, the ‘statement showing the bank policy in providing *qard-hasan*’ is the most disclosed. This lack of reporting on *qard-hasan* is not in line with what is envisaged for IBs as they are expected to be able to support individuals who are in hardship and contribute to the society in which they operate (see, for instance, Kamla and Rammal, 2013).

The disclosure on dealing with insolvent borrowers is even worse and is almost non-existent in the eleven countries used in the study. Only limited reporting is observed in the case of Kuwait, Qatar and KSA for the three categories of statements used to capture the level of disclosure in this area. In Kuwait, a very small degree of reporting is detected for the first two categories of statements and in the case of Qatar and KSA only for the first category. As explained in the reporting framework, Islam expects individuals and institutions to be mindful towards those who are insolvent, and IBs are expected to have a clear policy in this regard.

Similar to the results attained by the key reporting items, employee relations emerge as the most reported area in all countries included in the research investigation. Even though there is evident variation in the level of reporting across the four statements used to identify the extent of employee relations' disclosure. Pakistan, Indonesia, Bahrain, KSA, Kuwait, Turkey, and Malaysia have the highest level of disclosure in this area. Whilst Iran, Jordan and Qatar are the countries with the lowest level of disclosure. The statement(s) showing bank policy towards employees' wages payments and other benefits is the most reported, followed by the statement(s) on the bank approach towards employees' training and education. In most countries, the reporting on equal opportunities and employees' working environment is limited.

The reporting by IBs on environmental responsibility is very scarce in all countries investigated, especially on the statement(s) showing the amount of funds given to environmental projects or those given to non-environmentally friendly projects. Although with minute disclosure, the only statement is on the bank policy towards the environment. Malaysia, followed by Qatar and Pakistan, exhibit a certain level of reporting for this statement. The very low level of disclosure on environmental responsibility contradicts the true values of Islam as asserted in the *Hadith* and *Sharia* in general (see the formulated reporting framework). Therefore, it is paramount for IBs to show how they contribute to environment and sustainability through, for example, the financing of environmentally friendly projects, contributing to national and international initiatives aimed at lowering emissions, and supporting the green economy. The environment reporting needs to be linked to the strategic objectives set for IBs and for the country as a whole. As evidenced in an article by Mahmood and Masih (2018) IBs performance is significantly related to emissions and IBs can demonstrate in their reports how this is actually attained, which is likely to lead to better alignment between IBs and their role in the society.

Finally, when the results are reviewed by the type of banking RF, under the essential elements of *Sharia* compliance, we observe more reporting on 'zakat' in the dual RF countries while the disclosure is higher for the 'prohibited transactions' and 'social responsibility' in the single integrated RF ones, except for the statement 'showing the type of donations and charitable work of the bank'. In the desirable elements of *Sharia* compliance, we observe more reporting for 'qard-hasan', 'dealing with insolvent borrowers', and 'employee relations' in the integrated RF countries. Whereas more disclosure is noticed for the 'environmental responsibilities' in the countries with dual RF. On the whole, there is more reporting in the single integrated RF countries, followed by the dual RF and then by Islamic RF. The findings complement the first element of the institutional theory suggesting the role of political and

regulatory forces in influencing the norms followed by the institutions, such as IBs, in meeting their stakeholders' societal and environmental information needs. In other words, IBs are more interested at meeting the requirements set by regulators and take the political settings in which they operate as key factors to influence their decisions when they report to stakeholders.

From the above discussion, it emerges clearly that IBs' disclosures, which are largely driven by the need to comply with Islamic law, are affected by the country adopted RF and institutional environment. However, the variation and the scarcity of disclosures for various items (e.g. dealing with prohibited transactions, *qard-hasan*, dealing with insolvent borrowers and environmental responsibility) confirm that IBs are, to large extent, failing to fulfil the prime objectives of Islamic law (Asutay, 2012; Aydin, 2018; Azmat and Subhan, 2022).

6. Conclusions and Research Implications

The paper introduced a novel information disclosure framework for IBs. Using the content analysis method, the study reveals several intuitive results on the IBs' disclosures. At the outset, our research shows clear variation in the level of reporting on the sources and uses of *zakat* as well as the approval of the *Sharia* supervisory board of *zakat*. The most disclosed area is the method of calculating *zakat* with an upward trend in terms of its reporting. On the other hand, the reporting on *qard-hasan* is limited across all banks, which is not in line with the principles of *Sharia* as IBs are expected to support individuals who are in hardship (Kamla and Rammal, 2013). The disclosure on 'dealing with prohibited transactions' is also poor raising concerns on the IBs' integrity and the extent of their compliance with the social norms of Islam. The same is evident on the information provided on dealing with insolvent borrowers. Likewise, the extent of social and environmental responsibility disclosures is very scarce with the limited information given on IBs' donations and charitable activities. This, unfortunately, contradicts with what is anticipated from IBs who are expected to play more prominent role in the communities in which they operate.

At country level, differences are observed on the extent of reporting on each category of Islamic business principle covered. *Zakat* calculation emerges as the most reported area followed by the sources and uses of *zakat*. As a whole, the reporting on *zakat* is found to be limited, which is a significant drawback in the reporting of IBs. The study results further exhibit that the reporting on benevolent loans is scarce in most countries and totally absent in KSA, Qatar, Indonesia, and Turkey. Similarly, the disclosure on dealing with prohibited transactions is poor with five countries not showing any reporting on this area. The disclosure on dealing

with insolvent borrowers is even worse and is completely absent in ten countries. The lack of reporting on these three areas is infringing the values set by *Sharia* as IBs are expected to observe social norms and to be fully transparent in their financial dealings (see the essential *Sharia* compliance in Table 1).

The study also shows that employee relations is among the areas most reported by IBs across all countries. However, variations do exist on the level of disclosure from one country to another with most of reporting focusing on employees' wages, benefits, training and education. While the reporting on equal opportunities and work environment is limited. Likewise, the disclosure on social responsibility is inadequate in the majority of countries.

As a whole, the findings support the two research propositions put forward, although as noted above variations are observed in terms of the *Shaira* disclosure areas with certain items being reported more than the others. IBs located in the single integrated RF countries, to large extent, disclose more information, followed by those located in dual RF countries and then those located in Islamic RF countries.

The results mentioned above will be of benefit to investors, banks' managers, policy makers and regulators as they identify the areas requiring further attention in terms of IBs *Sharia* reporting. Professional bodies, such as AAOIFI and IFSB, can also use the results to inform their future decisions in revisiting current standards or issuing new ones with aim to improve the *Sharia* disclosures of IBs and meet the information needs of different stakeholders.

In terms of future research, and as the main focus of this study is on the aspects of IBs reporting based on the institutional theory and Islamic core principles, other scholars might be interested to examine IBs' disclosure based on another theorem, such as stakeholder theory, and empirically examine IBs reporting while capturing the organizational characteristics of IBs. In addition, we propose applying the comprehensive reporting framework presented in this study to explore further the way IBs disclose their financial and non-financial information and to compare the different providers of Islamic banking products (pure Islamic banks vis-à-vis conventional banks with Islamic windows) based on their compulsory and voluntary disclosures. Moreover, future research can consider testing how *Sharia* RF compliance can affect performance and competition while comparing IBs with conventional banks. Future research can also consider evaluating the impact of the recent pandemic on the reporting of IBs. Methodologically, we suggest future research to consider adopting qualitative research methods, in the form of structured or semi-structured interviews, to critically examine and identify the actual reasons behind the disparity in the IBs' disclosure of the relevant *Sharia* elements and the failure to fully comply with the *Sharia* requirements and expectations.

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Table 1: Islamic Business Principles and Items to Disclose

Essential for Sharia Compliance	Islamic Business Principles	Supporting Statements on the Practice	Items to Disclose
	<i>Zakat</i> (Islamic form of levy)	<ul style="list-style-type: none"> - “Who believe in the unseen, observe the prayers, and from our provisions to them, they give to charity”. (<i>Quran</i>, 2:3) - <i>Supported by the current AAOIFI requirements.</i> 	<ul style="list-style-type: none"> - Statement showing the method of <i>zakat</i> calculation. - Statement on the sources and uses of <i>zakat</i>. - Statement on the <i>Sharia</i> Supervisory Board approval of the <i>zakat</i>.
	Prohibited transactions	<ul style="list-style-type: none"> - "Selling should be only by mutual consent." (<i>Hadith</i>) - "Do not sell what you do not have (or possess)." (<i>Hadith</i>) - <i>Supported by the current IFSB requirements.</i> 	<ul style="list-style-type: none"> - Statement on the prohibited transactions undertaken if any. - Statement on the <i>Sharia</i> Supervisory Board opinion on the prohibited transactions. - Statement on the amount received on these transactions and how the bank is dealing with such funds
	Social responsibilities	<ul style="list-style-type: none"> - “Surely Allah commands justice and the doing of good (to others), and giving to the kindred, and He forbids indecency and evil and rebellion. He admonishes you that you may be mindful”. (<i>Quran</i>, 16:90) - <i>Supported by the current IFSB requirements.</i> 	<ul style="list-style-type: none"> - Statement on the type of donations and charitable work of the bank. - Statement of the sources of money used in charitable activities. - Statement on the amount given for social/community activities.
Desirable for Sharia Compliance	<i>Qard-hasan</i> (benevolent/good loan) provision	<ul style="list-style-type: none"> - “Establish regular prayer and give regular charity and give Allah <i>qard-hasan</i>”. (<i>Quran</i>, 73:20) 	<ul style="list-style-type: none"> - Statement on the bank policy in providing <i>qard-hasan</i>. - Statement on the amount given as <i>qard-hasan</i>. - Statement on the sources and uses of <i>qard-hasan</i>.
	Dealing with insolvent borrowers	<ul style="list-style-type: none"> - “If the debtor is in a difficulty grant him time till it is easy for him to pay. But if you remit it by the way of charity that is best for you if ye only know”. (<i>Quran</i>, 2:280) 	<ul style="list-style-type: none"> - Statement on the bank policy on dealing with insolvent borrowers. - Statement on <i>Sharia</i> Supervisory Board on applying penalties if any and use of collected penalties.
	Employee relations	<ul style="list-style-type: none"> - Islamic banks should deal fairly with its employees including payments, training and working environment. (Maali et al, 2006) 	<ul style="list-style-type: none"> - Statement on equal opportunities. - Statement on bank policy on employees’ wages payments. - Statement on employees’ working environment. - Statement on employees’ training and education.
	Environmental responsibilities	<ul style="list-style-type: none"> - "There is none amongst the believers who plants a tree, or sows a seed, and then a bird, or a person, or an animal eats thereof, but it is regarded as having given a charitable gift". (<i>Hadith</i>) 	<ul style="list-style-type: none"> - Statement on the bank policy towards environment. - Statement on the amount of funds given for environmental projects. - Statement on amount given to non-environmentally friendly projects if any.

Source: Created by authors

Table 2: List of Islamic Banks Included in the Study and their Country of Origin

Country	Bank Name
Kingdom of Saudi Arabia	Al-Rajhi Bank; Alinma Bank; Bank Al-Bilad; Bank Al-Jazira
Iran	Karafarin Bank; Tejarat Bank; Eghtesad Novin Bank
Qatar	Qatar Islamic Bank; Qatar International Islamic Bank; Barwa Bank
United Arab Emirates	Dubai Islamic Bank; Abu Dhabi Banking Group
Malaysia	BIMB Holdings; Malayan Banking Berhad
Kuwait	Kuwait Finance House; Boubyan Bank
Bahrain	Al-Baraka Banking Group; Al Salam Bank
Pakistan	Meezan Bank
Turkey	Kuvweyt Turk Bank
Indonesia	Bank Muamalat
Jordan	Jordan Islamic Bank for Finance & Investment

Source: Created by authors

Table 3: Islamic Banks Level of Disclosure by each Islamic Business Principle

	Area of Disclosure	2010	2011	2012	2013	2014	2015	2016	Average
Essential for Sharia Compliance	Zakat								
	- Statement(s) showing the method of <i>zakat</i> calculation	3.4	3.8	4.1	4.4	4.1	4.9	4.3	4.1
	- Statement(s) showing the sources and uses of <i>zakat</i>	2.1	2.1	2.8	2.0	3.0	2.3	2.5	2.4
	- Statement(s) indicating the Sharia Supervisory Board approval of the <i>zakat</i>	0.4	0.6	0.4	0.4	0.6	0.6	0.4	0.5
	Prohibited Transactions								
	- Statement(s) showing the prohibited transactions undertaken if any	0.4	0.4	0.4	0.6	0.6	0.5	0.5	0.5
	- Statements showing the <i>Sharia</i> Supervisory Board opinion on the prohibited transactions	0.8	0.5	0.7	0.6	0.7	0.6	0.4	0.6
	- Statement(s) showing the amount received on prohibited transactions	0.3	0.4	0.3	0.2	0.2	0.2	0.1	0.2
	- Statements showing how the bank is using the funds collected from prohibited transactions	0.4	0.4	0.5	0.4	0.4	0.4	0.5	0.4
	Social Responsibility								
	- Statement(s) showing the type of donations and charitable work of the bank	2.6	2.9	3.3	3.4	4.0	4.3	6.3	3.8
	- Statement(s) showing the sources of money used in charitable activities	0.7	0.7	0.7	0.9	1.2	1.3	1.2	1.0
- Statement(s) showing the amount given for social and community activities	1.3	1.4	1.4	1.0	1.0	1.3	1.0	1.2	
Desirable for Sharia Compliance	Qard-Hasan (Benevolent Loan)								
	- Statement(s) showing the bank policy in providing <i>qard-hasan</i>	0.6	0.5	0.3	0.4	0.4	0.5	0.4	0.4
	- Statement(s) showing the amount given as <i>qard-hasan</i>	0.3	0.2	0.1	0.4	0.2	0.2	0.2	0.2
	- Statement(s) showing the sources and uses of <i>qard-hasan</i>	0.5	0.5	0.4	0.4	0.3	0.3	0.3	0.4
	Dealing with Insolvent Borrowers								
	- Statement(s) showing the bank policy on dealing with insolvent borrowers	0.1	0.1	0.1	0.2	0.3	0.2	0.2	0.2
	- Statement(s) showing how penalties are applied and use of money collected from penalties	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
	- Statement(s) on the <i>Sharia</i> Supervisory Board opinion on the bank policy towards insolvent borrowers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Employee Relations								
	- Statement(s) on equal opportunities	1.4	2.0	2.3	2.8	3.6	3.4	3.9	2.8
	- Statement(s) showing bank policy towards employees' wages payments and other benefits	6.2	7.3	7.8	9.4	13.6	13.1	16.0	10.5
	- Statement(s) showing employees working environment	1.9	2.0	2.0	2.8	3.4	3.8	4.7	2.9
	- Statement(s) bank approach towards employees training and education	3.3	3.7	4.8	4.7	6.1	8.2	9.1	5.7
	Environmental Responsibility								
	- Statement(s) showing the bank policy towards environment	2.2	2.0	2.2	2.2	2.6	3.2	2.2	2.4
- Statement(s) showing the amount of funds given to environmental projects	0.2	0	0.1	0.3	0.2	0.1	0.1	0.1	
- Statement(s) showing the amount of funds given to non-environmentally friendly projects if any	0.1	0	0	0.1	0.2	0.2	0.2	0.1	

Source: Created by authors

Table 4: Islamic Banks Level of Disclosure by Country for each Islamic Business Principle

	Area of Disclosure	Single Integrated RF									Dual RF			Islamic RF
		BHR	JOR	KSA	KWT	QAT	PAK	TUR	UAE	AVG	IDN	MYS	AVG	IRN
Essential for Sharia Compliance	Zakat													
	- Statement(s) showing the method of <i>zakat</i> calculation	7.1	0.0	4.6	5.9	2.5	0.0	0.0	13.2	4.2	1.0	4.4	2.7	0.0
	- Statement(s) showing the sources and uses of <i>zakat</i>	3.6	0.0	3.9	1.2	2.4	0.0	0.0	4.1	0.7	1.0	4.7	2.9	0.0
	- Statement(s) indicating the Sharia Supervisory Board approval of the <i>zakat</i>	1.3	0.0	0.6	0.5	0.4	0.0	0.0	0.4	0.4	1.0	0.9	1.0	0.0
	Prohibited Transactions													
	- Statement(s) showing the prohibited transactions undertaken if any	1.9	0.0	0.6	0.0	1.3	0.0	0.0	0.0	0.5	0.0	0.2	0.1	0.0
	- Statements showing the <i>Sharia</i> Supervisory Board opinion on the prohibited transactions	1.4	0.0	1.1	0.8	0.5	0.0	0.0	1.1	0.6	0.0	0.1	0.1	0.0
	- Statement(s) showing the amount received on prohibited transactions	1.6	0.0	0.0	0.2	0.3	0.0	0.0	0.2	0.3	0.0	0.0	0.0	0.0
	- Statements showing how the bank is using the funds collected from prohibited transactions	1.4	0.0	0.2	0.6	1.3	0.0	0.0	0.1	0.5	0.0	0.2	0.1	0.0
	Social Responsibility													
- Statement(s) showing the type of donations and charitable work of the bank	2.4	6.9	2.2	3.0	2.8	5.4	0.9	3.0	3.3	21.3	4.0	12.7	3.5	
- Statement(s) showing the sources of money used in charitable activities	1.6	0.0	0.8	1.5	1.6	1.0	0.4	1.6	1.1	0.8	0.3	0.6	0.2	
- Statement(s) showing the amount given for social and community activities	1.4	1.0	0.7	0.4	0.3	1.0	0.6	5.6	1.4	1.0	0.6	0.8	0.6	
Desirable for Sharia Compliance	Qard-Hasan (Benevolent Loan)													
	- Statement(s) showing the bank policy in providing <i>qard-hasan</i>	0.6	1.0	0.0	0.8	0.0	0.6	0.0	1.5	0.6	0.0	0.5	0.3	0.3
	- Statement(s) showing the amount given as <i>qard-hasan</i>	1.1	1.0	0.0	0.1	0.0	0.6	0.0	0.0	0.4	0.0	0.1	0.1	0.3
	- Statement(s) showing the sources and uses of <i>qard-hasan</i>	0.3	1.0	0.0	1.6	0.0	0.3	0.0	1.0	0.5	0.0	0.1	0.1	0.3
	Dealing with Insolvent Borrowers													
	- Statement(s) showing the bank policy on dealing with insolvent borrower	0.0	0.0	0.5	0.6	0.2	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
	- Statement(s) showing how penalties are applied and use of money collected from penalties	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	- Statement(s) on the Sharia Supervisory Board opinion on the bank policy towards insolvent borrowers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Employee Relations													
	- Statement(s) on equal opportunities	6.7	0.0	0.7	0.5	2.9	15.4	4.0	3.4	4.2	0.0	3.3	1.7	0.3
- Statement(s) showing bank policy towards employees' wages payments and other benefits	10.7	4.4	13.5	11.8	5.6	38.3	7.4	14.0	13.2	6.8	8.1	10.9	3.1	
- Statement(s) showing employees working environment	2.3	0.0	2.1	4.1	2.6	18.1	8.4	0.4	4.8	0.0	1.6	0.8	1.4	
- Statement(s) bank approach towards employees training and education	3.9	5.6	5.3	2.8	2.1	28.9	9.4	1.1	7.4	17.2	5.9	11.6	3.2	
Environmental Responsibilities														
- Statement(s) showing the bank policy towards the environment	1.6	0.7	0.5	1.6	3.2	2.0	0.6	1.3	1.4	0.7	7.0	3.9	0.7	
- Statement(s) showing the amount of funds given to environmental projects	0.1	0.0	0.0	0.1	0.2	0.6	0.0	0.0	0.1	0.7	0.9	0.8	0.1	
- Statement(s) showing the amount of funds given to non-environmentally friendly projects if any	0.0	0.0	0.0	0.0	0.1	0.6	0.4	0.0	0.1	0.0	0.0	0.0	0.0	

Note: BHR: Bahrain; JOR: Jordan; KSA: Kingdom of Saudi Arabia; KWT: Kuwait; QAT: Qatar; PAK: Pakistan; TUR: Turkey; UAE: United Arab Emirates; IDN: Indonesia; MYS: Malaysia; IRN: Iran

Source: Created by authors