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Distinguishing Islamic Social Finance from Corporate Social Responsibility: Evidence from a case study of the Maldivian banking sector

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ABSTRACT

Purpose – This study investigates the conceptual and operational distinctions between Islamic Social Finance (ISF) and Corporate Social Responsibility (CSR) within the Maldivian banking sector, drawing on a qualitative case study of ISF implementation at the Bank of Maldives and selected policymaking institutions. The study seeks to evaluate bankers' levels of knowledge, awareness, perceptions, and their capacity to distinguish between ISF and CSR.
Design/Methodologies/Approach – Data were obtained through in-depth, semi-structured interviews with senior management of Islamic banking institutions, complemented by strategic consultations with policymakers, and were analysed using content and thematic analysis methods.
Findings – The findings reveal that CSR is largely perceived as a voluntary, image-oriented, and short-term practice, whereas ISF is conceptualised as a faith-based, ethical, and sustainable financial mechanism aligned with the objectives of *Maqasid al-Shariah*. Furthermore, the establishment of the Maldives Islamic Social Finance Initiative (MISFI) has contributed to increased institutional awareness of ISF and stimulated the development of ISF instruments. Nevertheless, significant gaps persist in staff capacity-building, governance arrangements, and the availability of standardized implementation frameworks.
Originality/Value – The study is based on an empirical analysis of Islamic Social Finance in the Maldivian banking sector. It offers a rare perspective from a small island development state.
Research Limitations/Implication – The study is limited by its small qualitative sample focused on two banks. Moreover, as the ISF implementation in the Maldives is in its initial stage, the results primarily reflect the initial perceptions.
Practical Implications – This study contributes to the limited empirical literature differentiating ISF from CSR and provides policy and managerial insights for strengthening ISF governance and promoting sustainable socio-economic development in emerging Islamic finance contexts.
Keywords – Islamic Social Finance; Corporate Social Responsibility; Islamic Banking, Maldives, MISFI
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INTRODUCTION

It is of paramount importance, particularly when Islamic Social Finance (ISF) is integrated into the banking framework, to develop a clear and nuanced understanding of the fundamental distinctions between ISF and Corporate Social Responsibility (CSR). Despite the increasing incorporation of ISF within financial institutions, bank personnel must possess a comprehensive awareness of how ISF differs from CSR. A lack of conceptual clarity poses a significant challenge, as failure to distinguish between the two may impede the effective realisation of the core objectives of Islamic Social Finance.

At a fundamental level, ISF and CSR differ not only in their underlying objectives but also in the scope, depth, and sustainability of their social impact. CSR is primarily driven by corporate interests, with a focus on enhancing organizational reputation, responding to stakeholder expectations, and achieving sustainability targets (Lantos, 2001). Its effectiveness is often assessed through its implications for financial performance, whether by improving profitability or generating additional short-term costs. Furthermore, CSR initiatives may yield ancillary benefits such as tax incentives and enhanced public perception (Rubach, 2022). However, CSR is frequently perceived as a peripheral or discretionary activity, adjunct to core business operations rather than an integral component of corporate governance.

In contrast, ISF is firmly grounded in Islamic economic and ethical principles and is explicitly oriented toward achieving *Maqasid al-Shariah* (the objectives of Islamic law), particularly through the promotion of socio-economic justice and poverty alleviation (Zain et al., 2017). ISF extends beyond compliance or reputational considerations; it represents a moral and religious obligation rooted in the values of compassion, justice (*ʿadl*), and excellence (*ihsan*). It emphasizes mechanisms such as wealth redistribution, voluntary charitable giving (*sadaqah*), benevolent interest-free loans (*qard al-hasan*), and the establishment of endowments (*waqf*) for the collective welfare of society, with particular attention to vulnerable and marginalized groups (Mustafa et al., 2022).

Unlike CSR, which may align with corporate marketing strategies or regulatory requirements, ISF embodies a holistic and ethically driven financial paradigm that prioritizes societal well-being over profit maximisation (Mansor et al., 2017). As such, ISF constitutes a core element of an Islamic bank's mission rather than a supplementary initiative aimed at public relations or fiscal advantages. Given these substantive differences, it is essential that management and staff at all organizational levels within Islamic banks are adequately informed about the distinctive purpose and implementation of ISF. Without such understanding, institutions risk conflating ISF with CSR, thereby undermining the transformative and redistributive potential of Islamic Social Finance.

This distinction is particularly salient in the context of Maldives, which has recently embarked on integrating ISF into its formal financial system. Two banks in the Maldives have initiated the implementation of ISF within their operational frameworks, marking a significant development in the country's financial landscape. The launch of the Maldives Islamic Social Finance Initiative (MISFI) represents a pivotal milestone in this process. MISFI aims to address pressing socio-economic challenges while adhering to Islamic principles of justice and benevolence. It leverages a range of Islamic philanthropic instruments, including *waqf*, *zakat*, and Islamic crowdfunding, to foster a sustainable and inclusive financial ecosystem capable of generating tangible social impact (Maldives Monetary Authority, 2025).

Given the ambitious and far-reaching objectives of MISFI, the successful implementation of ISF depends critically on widespread awareness and conceptual understanding among employees of Islamic financial institutions, from senior management to front-line staff. If ISF continues to be perceived merely as another form of CSR, its fundamental mission to empower communities, uplift the underprivileged, and establish an ethically grounded financial system will remain unfulfilled.

Accordingly, this study seeks to examine the level of knowledge and understanding among senior management within Maldivian Islamic banks regarding the distinction between Islamic Social Finance (ISF) and Corporate Social Responsibility (CSR). Clarifying this differentiation is essential to ensuring the effective implementation, institutionalisation, and long-term success of ISF initiatives within the banking sector.

LITERATURE REVIEW

Concept of Islamic Finance

Islamic Social Finance is a subdomain of Islamic economics, which is grounded in principles that harmonize financial objectives with social responsibility and social impact (Abubakar et al., 2021; Muhammad et al., 2023; Rosman et al., 2022). According to Rehman (2019), Islamic Social Finance refers to financial practices rooted in Islamic ethics and specifically designed to serve social welfare. In contrast, Mustafa et al. (2022) and Marzuki et al. (2023) view Islamic Social Finance as a form of corporate social responsibility, encompassing humanitarian and social development initiatives undertaken by Islamic financial institutions and corporations.

Several scholars, including Widiastuti et al. (2022), Cattelan (2019), Rosman et al. (2022), Zain et al. (2017), and Razak et al. (2020), argue that although Islamic Social Finance shares similarities with conventional social finance, its defining characteristic lies in its adherence to Shariʿah principles. Kuanova et al. (2021) further highlight its role in empowering the social economy within communities. Broadly, the term *Islamic Social Finance* refers to the philanthropy-based, non-profit segment of the Islamic financial system (ISDB, 2020).

Traditionally, the core instruments of Islamic Social Finance include *zakat* (almsgiving), *sadaqah* (voluntary charity), *waqf* (endowment), and *qard hasan* (interest-free loans) (Abubakar et al., 2021; Mustafa et al., 2022; Rosman et al., 2022; Ismail et al., 2021; Shamsudheen et al., 2024; Zain et al., 2017; Razak et al., 2019; Al-Daihani et al., 2025; Hossain et al., 2025; Awang et al., 2025).

With its modern evolution, Islamic Social Finance has expanded to incorporate additional instruments such as Islamic microfinance (Hossain et al., 2025; Ismail et al., 2021; Widiastuti et al., 2022; Rosman et al., 2022), *sukuk* (Islamic bonds), *takaful* (Islamic insurance) (Zain et al., 2017; Razak et al., 2019; Rehman et al., 2019), and *microtakaful* (Shamsudheen et al., 2024). These contemporary instruments are increasingly recognized as effective mechanisms for addressing pressing societal challenges and promoting inclusive socio-economic development.

The primary objective of Islamic Social Finance is to promote socio-economic justice through the equitable redistribution of wealth (Mustafa et al., 2022; Ascarya, 2021). According to Cattelan (2019), Islamic Social Finance seeks to foster a prosperous and inclusive society by supporting the poor and vulnerable. It also aims to empower communities by improving their socio-economic conditions (Kuanova et al., 2021). As noted by Widiastuti et al. (2022), Hamed (2020), and Faturohman et al. (2021), another key objective is the alleviation of poverty and the reduction of unemployment. Furthermore, the World Bank (2019) and Hossain et al. (2025) emphasize its role in enhancing overall social well-being. In addition, Islamic Social Finance aspires to address broader social challenges while contributing to community and environmental well-being (Razak et al., 2019).

Zain et al. (2017) emphasize that Islamic Social Finance plays a critical role in preserving and safeguarding the Islamic jurisprudential principle of *Maqasid al-Shariah*. Under this principle, six essential dimensions necessary for human survival must be protected and preserved: *deen* (religion), *nafs* (life), *nasl* (progeny), *ʿaql* (intellect), *maal* (property), and *ʿird* (honour).

According to Rosman et al. (2022), Islamic Social Finance currently lacks a clear and universally accepted definition, as much of the existing literature focuses primarily on its instruments rather than its conceptual foundations. Nevertheless, most scholars converge on its overarching objective: the promotion of human well-being and the attainment of socio-economic justice.

The philosophical foundation of Islamic economics, which underpins Islamic banking and finance, places greater emphasis on social welfare than on profit maximisation (Ibrahim et al., 2017). One of the key mechanisms through which Islamic banking can fulfill this mandate is Islamic Social Finance. Accordingly, the principal aim of Islamic Social Finance should be the betterment of society rather than the pursuit of profit by Islamic banks. This perspective is widely supported in the scholarly literature on Islamic Social Finance.

Concept of Corporate Social Responsibility

There is no universally accepted definition of the concept of Corporate Social Responsibility (CSR) (Carroll, 2015; Hayat et al., 2022; Nimani et al., 2022; Licandro et al., 2023). Generally, CSR is regarded as a proactive business strategy and an effective marketing tool for maintaining competitiveness in the marketplace. Khoury et al. (1999) defined CSR as the overall relationship between corporations and their stakeholders. Similarly, Dahlsrud (2008) described CSR as a concept whereby an enterprise is accountable for its impact on all relevant stakeholders.

According to Marco-Lajara et al. (2022), CSR refers to the voluntary commitment of companies to contribute to a better society and a cleaner environment. Rubach (2022) further characterised CSR as the process through which a company seeks to balance economic, environmental, and social imperatives while addressing the needs of both shareholders and stakeholders.

However, Lantos (2001) offered a contrasting perspective by conceptualising CSR as a strategic activity integrated into a firm’s management plan with the objective of profit generation. Riano et al. (2019) argued that CSR represents a responsibility shared by both profit-oriented and non-profit organisations to positively influence stakeholders, the natural environment, and society at large. CSR is typically voluntary in nature and operates both within and beyond market and commercial transactions. As noted by Jones (1980), CSR initiatives are not legally mandated but are undertaken at the discretion of organisations. Taken together, these perspectives illustrate the absence of a uniform and universally agreed-upon conceptual framework for CSR.

Franklin (2008) suggested that organisations engage in CSR primarily to derive commercial value and achieve competitive advantage through socially oriented activities. Bhattacharya (2013) similarly observed that CSR is often treated as a business opportunity rather than a moral obligation and is frequently positioned as a strategic component of corporate operations. In contrast, Friedman (2007) argued that the primary social responsibility of business is to maximise profits.

Several scholars, including Rubach (2022), O’Rourke (2003), Goranova et al. (2014), and Mkadmi et al. (2024), have identified multiple motivations for businesses to adopt CSR practices, such as enhancing brand image, attracting and retaining employees, and increasing appeal to investors. Sial et al. (2018) further noted that CSR initiatives can also generate direct financial benefits for firms.

Key Differences Between Islamic Social Finance and Corporate Social Responsibility

Based on the discussion above, the ultimate objective of Islamic Social Finance is the promotion of socio-economic justice, whereas Corporate Social Responsibility (CSR) is often perceived as a strategic instrument aimed at enhancing corporate profitability. This fundamental divergence in objectives clearly demonstrates that Islamic Social Finance extends beyond the conventional scope of CSR.

Nevertheless, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines CSR as encompassing all activities undertaken by Islamic financial institutions to fulfil their religious, economic, legal, ethical, and discretionary responsibilities as financial intermediaries serving individuals and institutions. In this regard, AAOIFI has established specific standards for Islamic CSR, under which instruments of Islamic Social Finance are frequently implemented (Franzoni et al., 2018).

Some scholars contend that Islamic Social Finance closely resembles CSR (Mustafa et al., 2022). For instance, Muslihati et al. (2018) report that Islamic banks commonly utilise *zakat* funds sourced either from the institution itself or from employees as well as corporate funds to support CSR initiatives. In addition, certain Islamic banks allocate tainted funds for CSR-related purposes (Farhan et al., 2024).

Zafar et al. (2022) further argue that CSR within Islamic banking is more holistic than its conventional counterpart. In Islamic financial institutions, CSR encompasses broader considerations such as social justice, equitable wealth distribution, and sustainable development. This perspective suggests that CSR practices in Islamic banks are more closely aligned with the overarching objectives of Islamic Social Finance than with traditional CSR models.

The conceptual ambiguity between Islamic Social Finance and CSR may be attributed, in part, to the relatively recent adoption of the term *Islamic Social Finance* within Islamic banking discourse, particularly during the COVID-19 period in countries such as Malaysia whereas discussions surrounding CSR date back to the 1950s (Schoff, 2024).

Hossain et al. (2025) note that the application and governance of Islamic Social Finance vary considerably across jurisdictions, largely due to the absence of universally accepted standards and regulatory frameworks. Such inconsistencies not only affect the effectiveness of implementation but also undermine trust among beneficiaries. Rooted in Islamic economics, Islamic Social Finance represents a distinctive integration of divine mandate, ethical principles, and practical financial instruments aimed at enhancing socio-economic welfare.

By contrast, CSR is grounded in various theoretical perspectives, including Institutional Theory, Stakeholder Theory, Social Contract Theory, and Political Theory, and is generally regarded as a voluntary, business-driven activity (Kulkarni et al., 2022).

Despite its increasing prominence, scholarly efforts to clearly distinguish between CSR and Islamic Social Finance remain limited. Addressing this gap is particularly important given the rapid growth of Islamic Social Finance. Establishing a clear conceptual distinction between the two is essential for Islamic banks to operate effectively and to fulfil their mission of advancing socio-economic justice.

Islamic Social Finance Initiatives in Maldives

The Maldives Islamic Social Finance Initiative (MISFI) was officially launched in May 2025 by the President of the Maldives (Maldives Monetary Authority, 2025). This initiative represents a transformative milestone in the country’s efforts to integrate Islamic Social Finance into its formal financial system. MISFI is designed to address pressing socio-economic challenges while adhering to the fundamental Islamic principles of *ʿadl* (justice) and *ihsan* (excellence).

By consolidating a diverse range of Islamic philanthropic instruments, including *zakat*, *waqf*, and Islamic crowdfunding, MISFI aims to establish a sustainable and socially impactful model for national development (Maldives Monetary Authority, 2025). The initiative seeks not only to address immediate community needs but also to lay a robust foundation for long-term socio-economic resilience.

Islamic Social Finance within the Maldivian banking framework remains at an early stage of development. Consequently, it is imperative for banks to clearly distinguish between Corporate Social Responsibility (CSR) and Islamic Social Finance to ensure a more effective, targeted, and meaningful contribution to the nation's socio-economic development.

RESEARCH METHODOLOGY

Research Framework

Figure 1 presents the research framework for this study. The framework focuses on four key dimensions that guide the achievement of the study's objectives: knowledge, awareness, perception, and differentiation ability**.** Knowledge refers to the extent of information and understanding that respondents possess regarding Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF):

1. Awareness assesses whether respondents are conscious of the distinction between CSR and ISF.
2. Perception explores how respondents view CSR and ISF, particularly whether they perceive the objectives of the two concepts as similar or distinct.
3. Differentiation ability examines respondents' capacity to clearly distinguish between CSR and ISF in terms of their underlying principles, objectives, instruments, and implementation within the banking context.

This study adopts a qualitative research methodology, with data collected through in-depth interviews with senior management of banks and strategic conversations with policymakers at the central bank in the Maldives. The data were analysed using two complementary qualitative techniques: content analysis and thematic analysis.

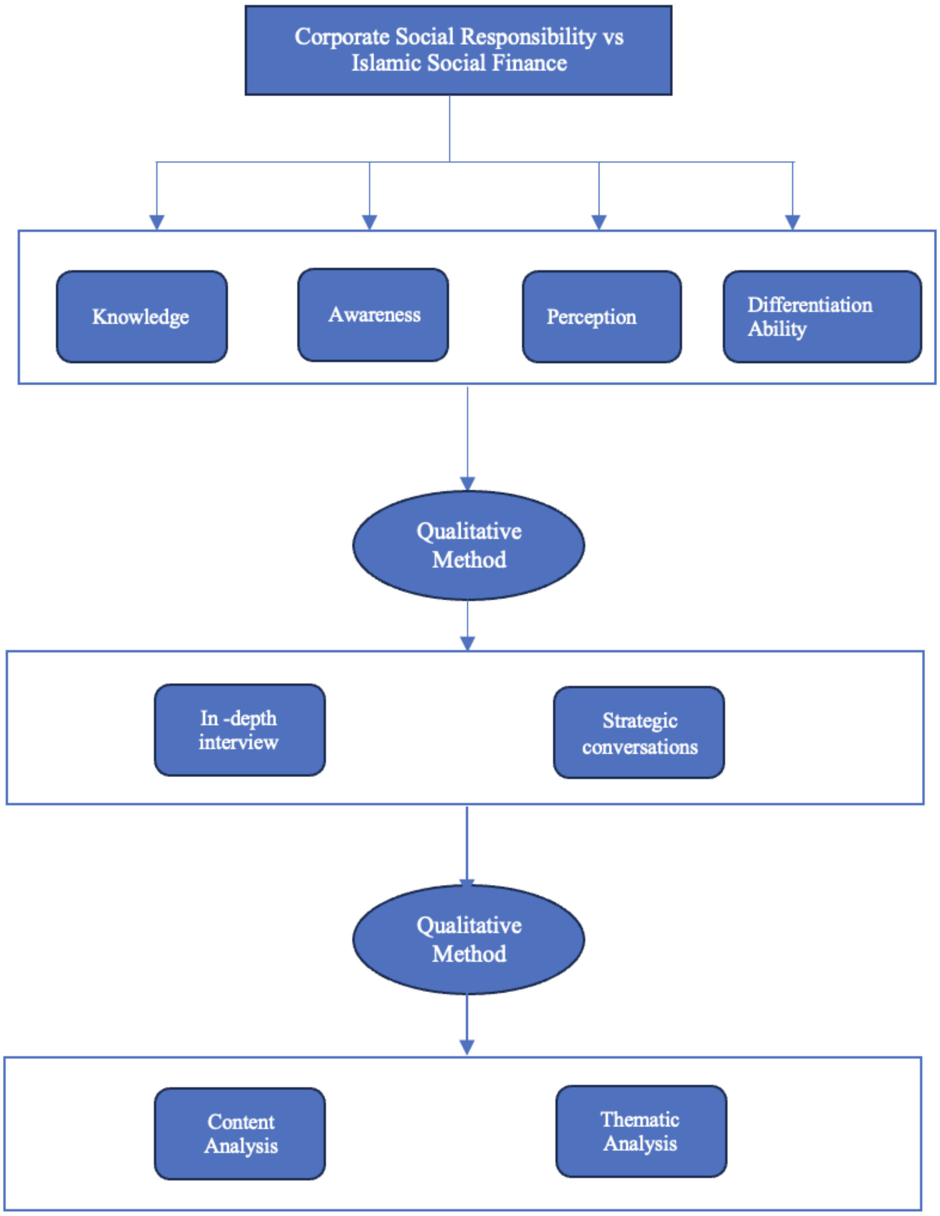

Figure 1: Research framework

Data Collection Method

Document Review

Document review was employed as a complementary data collection method. The documents reviewed included policy publications issued by the Maldives Monetary Authority, the Maldives Islamic Social Finance Initiative (MISFI) framework, publicly available reports related to Islamic finance development, and internal bank guidelines and materials related to Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF), where accessible. These documents were selected based on their relevance to ISF governance, CSR practices, regulatory direction, and institutional implementation. The document review enabled the study to examine how ISF and CSR are formally conceptualized and operationalized at the institutional and policy levels.

In-Depth Interviews

In-depth interviews were conducted with bank personnel from relevant departments identified for this study. A semi-structured interview guide was used to facilitate data collection while allowing flexibility to explore emerging insights.

Strategic Conversations

Strategic conversations were held with the policymakers of the central bank. These conversations aimed to gain a deeper understanding of the policy direction and strategic perspectives of the central bank.

Data Analysis Method

Content Analysis Method

This method was employed to examine the presence and frequency of specific words, themes, and concepts within interview transcripts and strategic conversations. In addition, it was applied to the review of relevant documents to systematically categorise and interpret qualitative data.

Thematic Analysis

Thematic analysis was used to identify, analyse, and interpret recurring patterns or themes across the collected data. This systematic approach facilitated the organisation and meaningful interpretation of unstructured data derived from interviews and discussions.

Content analysis was primarily applied to the reviewed documents to identify recurring concepts, policy priorities, governance structures, and references to CSR and ISF implementation. Thematic analysis was applied to interview transcripts and strategic conversations to identify patterns related to knowledge, awareness, perceptions, and differentiation between CSR and ISF. Findings from document analysis, interviews, and strategic conversations were subsequently integrated to enhance the credibility and consistency of the results.

In summary, this study employed a qualitative approach to explore bankers' knowledge, awareness, perception, and ability to differentiate between Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF). Data was gathered through in-depth interviews and strategic conversations to ensure a comprehensive understanding of the subject. The analysis was conducted using content and thematic analysis methods, allowing for a systematic examination of key themes and patterns. This approach provided valuable insights into how CSR and Islamic Social Finance are understood and distinguished within the banking sector.

FINDINGS AND DISCUSSION

The findings of the research explore the perspectives of nine participants from the policymaking authority and two banks from the Maldives on CSR and ISF. The findings are structured around four themes: knowledge, awareness, perception and ability to differentiate between CSR and ISF.

Table 1: Profile of respondents

Participant Code	Gender	Institution
A	Male	Central bank
B	Female	Central bank
C	Male	Central bank
D	Male	Bank A
E	Male	Bank A
F	Female	Bank A
G	Male	Bank B
H	Male	Bank B
I	Male	Bank B

Knowledge

Findings derived from interviews and strategic conversations with policymakers indicate that participants possess a general understanding of both Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF), although the depth and application of this understanding vary across institutions. Interview data from bank representatives consistently revealed that CSR is perceived as a practice largely focused on sponsorships, donations, and image enhancement, rather than long-term community impact. Participant F from Bank A noted that CSR has "two components: one for community contribution and another for corporate image," while Participant G from Bank B described CSR as a "goal for enhancing corporate image," often implemented without sustainable outcomes.

In contrast, ISF was widely understood as a faith-based and ethically grounded mechanism aimed at promoting socio-economic justice. Interview participants emphasized ISF's role in empowering individuals through financial inclusion and poverty alleviation. Participant E from Bank A highlighted that ISF seeks to "make people bankable and financially independent," while Participant H from Bank B stressed its focus on providing "affordable finance to underprivileged individuals without interest."

Document analysis supports these perceptions, particularly through the MISFI framework, which explicitly positions ISF instruments such as zakat, waqf, and Islamic crowdfunding as tools for sustainable socio-economic development rather than charitable giving alone. Policy documents reviewed emphasize governance, accountability, and long-term impact, reinforcing the distinction between ISF and conventional CSR practices. Strategic conversations with policymakers further confirmed that ISF is viewed at the regulatory level as a structured social finance mechanism aligned with Maqasid al-Shariah, rather than a voluntary corporate activity.

Awareness

Evidence from interviews and strategic conversations suggests that awareness of CSR and ISF is emerging but has yet to be systematically embedded within institutional capacity-building frameworks. Interview participants from both banks and the policymaking authority acknowledged that they had not received structured or regular training specifically focused on CSR or ISF. Most participants reported that their understanding of these concepts was developed primarily through individual exposure, professional experience, or involvement in recent ISF-related initiatives rather than through formal institutional programs.

Despite the limited training, awareness of ISF has increased notably following the introduction of the Maldives Islamic Social Finance Initiative (MISFI). Interview participants from both banks indicated that MISFI-related meetings and discussions had significantly enhanced their awareness of ISF concepts and instruments. Participants noted ongoing efforts to develop internal guidelines aligned with MISFI, suggesting growing institutional attention toward formalizing ISF implementation. Strategic conversations with policymakers further confirmed that MISFI was designed not only as a policy framework but also as a mechanism to raise awareness and encourage institutional engagement with ISF across the banking sector. Document analysis supports these findings, revealing that while MISFI documents provide clear guidance on ISF instruments, objectives, and governance principles, there is limited reference to structured training requirements or standardized implementation procedures for banks. Similarly, internal CSR-related documents reviewed showed an absence of comprehensive frameworks linking CSR activities to long-term social outcomes. This gap between policy direction and institutional capacity indicates that although awareness of ISF is improving, systematic training and internal dissemination remain underdeveloped.

Perception

Across interviews and strategic conversations, participants consistently perceived Islamic Social Finance (ISF) as a more ethical, inclusive, and impactful approach to social development compared to Corporate Social Responsibility (CSR). CSR was frequently described by interview participants as market-driven, short-term, and primarily focused on enhancing corporate reputation. Policymakers and bank representatives alike characterized CSR as a peripheral activity, often implemented through one-off donations or sponsorships without long-term empowerment outcomes. This perception was reinforced by Participant E from Bank A, who described CSR as “a one-off thing that is not sustainable.”

In contrast, ISF was perceived as a faith-based obligation rooted in Islamic ethical principles and aligned with socio-economic justice. Interview participants emphasized ISF’s potential to address structural socio-economic challenges through instruments such as zakat, waqf, microfinance, and microtakaful. Participant D from Bank A referred to ISF as a “divine obligation” that promotes equity and justice, while Participant F highlighted its role in uplifting communities through structured and sustainable mechanisms. Strategic conversations with policymakers further emphasized that ISF is intended to operate as an institutionalized social finance system rather than an ad hoc charitable activity.

Document analysis supports these perceptions. MISFI policy documents explicitly frame ISF as a long-term, governance-driven mechanism aimed at achieving sustainable socio-economic impact in alignment with Maqasid al-Shariah. The documents emphasize accountability, transparency, and impact orientation, distinguishing ISF from conventional CSR practices. The convergence of interview data, policymaker perspectives, and document evidence underscores a shared perception that ISF represents a more comprehensive and transformative approach to social finance than CSR within the Maldivian banking context.

Ability to Differentiate

The findings indicate that participants across all institutions demonstrated a clear ability to differentiate between Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF). Interview data reveal that CSR was consistently understood as a voluntary, corporate-led activity typically funded through corporate resources and driven by reputational or marketing considerations. In contrast, ISF was recognized as a faith-based mechanism grounded in Islamic principles, emphasizing equity, sustainability, and long-term socio-economic impact. Participant A from the policymaking authority succinctly captured this distinction by stating that “CSR is corporate funds, whereas ISF is public funds.”

Participants from both banks articulated that ISF focuses on empowering individuals and households rather than providing generalized community assistance. Interviewees highlighted ISF's emphasis on poverty reduction, financial inclusion, and capacity building, noting that ISF initiatives aim to make beneficiaries economically independent rather than dependent on recurring assistance. Strategic conversations with policymakers reinforced this distinction, emphasizing that ISF is designed to function within a structured governance framework supported by regulatory oversight, whereas CSR remains largely discretionary in nature.

Document analysis further supports participants' ability to differentiate between the two concepts. MISFI-related documents clearly distinguish ISF instruments and objectives from CSR activities, outlining specific mechanisms, governance structures, and expected social outcomes associated with ISF implementation. In contrast, CSR-related documents reviewed lack comparable impact measurement frameworks or long-term development strategies. Collectively, these findings demonstrate that while CSR and ISF may coexist within banking institutions, they are understood as fundamentally distinct in purpose, funding structure, and societal impact.

DISCUSSIONS

This study examined the conceptual and practical distinctions between Islamic Social Finance (ISF) and Corporate Social Responsibility (CSR) within the Maldivian banking sector, focusing on bankers' knowledge, awareness, perceptions, and ability to differentiate between the two approaches. The findings indicate that senior management and policymakers possess a clear conceptual understanding of the differences between ISF and CSR, with ISF consistently perceived as a faith-based, ethical, and sustainable mechanism aimed at promoting socio-economic justice. In contrast, CSR is largely viewed as a voluntary, image-driven activity with limited long-term impact. These findings demonstrate that, even at an early stage of implementation, ISF is not perceived merely as an extension of CSR within Maldivian banks, but as a distinct social finance framework.

The findings further reveal that the introduction of the Maldives Islamic Social Finance Initiative (MISFI) has played a pivotal role in enhancing institutional awareness and engagement with ISF. Interview data and strategic conversations with policymakers indicate that MISFI has provided a reference framework that guides banks in conceptualizing and designing ISF instruments. This supports earlier studies that emphasize the importance of regulatory and institutional support in strengthening ISF governance (Rosman et al., 2022; Hossain et al., 2025). However, the findings also indicate that while awareness has increased, gaps remain in structured training and standardized implementation, suggesting that MISFI's effectiveness depends on continued capacity-building efforts.

Although MISFI has provided valuable guidance on implementing Islamic Social Finance (ISF) within the banking framework, regular and comprehensive training on ISF remains crucial for bank staff to perform effectively in the execution of ISF projects. This supports Rosman et al. (2022) and Hossain et al. (2025), who argue that the effectiveness of ISF implementation is often constrained by limited understanding, inconsistent governance practices, and the absence of universally accepted standards. Banks should continue to invest in continuous knowledge development and skill enhancement to ensure that ISF initiatives are implemented efficiently and sustainably. Furthermore, a deeper understanding of both ISF and Corporate Social Responsibility (CSR) among banking institutions will enable them to better communicate these concepts to their customers and to design ISF products that are both suitable and impactful. Such efforts are crucial given that Islamic Social Finance remains conceptually underdeveloped in comparison to CSR, with much of the literature focusing more on instruments than on comprehensive frameworks (Rosman et al., 2022).

Overall, banks in the Maldives demonstrate significant progress in implementing Islamic Social Finance (ISF) initiatives. They have shown both a clear understanding of ISF principles and the capability to effectively execute related projects. This indicates the banks' strong commitment to advancing ISF within their institutions. The implementation of ISF aligns closely with the concepts of the Islamic economic system, in which each sector Siyasi (government), Tijari (private), and Ijtima'i (welfare), plays a vital role in contributing to societal well-being and achieving socio-economic justice (Ascarya, 2021). The collective efforts of these three sectors in addressing socio-economic challenges are expected to positively influence the nation's overall economic development.

POLICY IMPLICATIONS

Given the growing prominence of Islamic Social Finance (ISF) within the Maldivian banking landscape, there is an increasing need for policy measures that reinforce its institutional foundations and operational effectiveness. Prior studies emphasize that ISF operates most effectively when supported by a strong regulatory and governance framework that aligns financial practices with socio-economic justice and public welfare objectives (Ascarya, 2021; Rosman et al., 2022). Insights from the study emphasize the importance of aligning regulatory support, capacity development, and strategic collaboration among key stakeholders to ensure the long-term sustainability of ISF initiatives. Policymakers, particularly the central bank and other financial authorities, play a pivotal role in fostering an enabling environment where banks can effectively integrate ISF principles into their operations while advancing broader socio-economic welfare (Ibrahim et al., 2017; Mustafa et al., 2022).

One critical aspect that warrants attention is the introduction of regular and comprehensive ISF training programs for financial institutions. The literature consistently indicates that limited technical knowledge and uneven understanding of ISF instruments constrain effective implementation (Rosman et al., 2022; Hossain et al., 2025). Hence, such programs, coordinated by the policymaker in partnership with international Islamic finance organizations and educational institutions, would enhance the technical competence and practical understanding of bank personnel. Continuous capacity building is essential to ensure that ISF initiatives are implemented efficiently, effectively, and in a manner that supports their long-term sustainability (Widiastuti et al., 2022; Shamsudheen et al., 2024).

In addition, policies should encourage banks to allocate a portion of their Corporate Social Responsibility (CSR) funds to ISF-oriented projects. Previous studies suggest that Islamic banks frequently utilize CSR mechanisms, including zakat and other charitable funds, to support social development initiatives (Muslihati et al., 2018; Farhan et al., 2024). This integration would ensure that CSR resources contribute to sustainable socio-economic development while aligning with Islamic ethical values, ultimately fostering a more cohesive and impactful financial ecosystem (Cattelan, 2019; Ascarya, 2021).

Moreover, policymakers should urge financial institutions to promote greater public awareness and understanding of ISF concepts among customers and communities. This is particularly important given the absence of a universally accepted definition of ISF and the conceptual confusion that often exists between CSR and ISF in practice (Rosman et al., 2022; Schoff, 2024). Enhancing financial literacy in this area can strengthen public trust, increase participation, and enhance the social credibility and inclusiveness of the banking system (World Bank, 2019; Hossain et al., 2025).

Finally, the central bank should develop standardized tools and frameworks for assessing the social and economic impact of ISF initiatives. The lack of consistent measurement and reporting standards has been identified as a key challenge affecting the governance and effectiveness of ISF across jurisdictions (Hossain et al., 2025; Rosman et al., 2022). Regular evaluation and reporting would enhance transparency, ensure accountability, and provide data-driven insights that inform the refinement of future ISF strategies, thereby maximizing their contribution to public welfare and national development (Zain et al., 2017).

CONCLUSIONS

This study examined the conceptual and practical distinctions between Corporate Social Responsibility (CSR) and Islamic Social Finance (ISF) within the Maldivian banking sector using a qualitative case study approach. The findings demonstrate that CSR and ISF are understood and operationalized as fundamentally distinct approaches to social contribution. CSR is largely perceived as a voluntary, corporate-driven activity oriented toward short-term community support and reputational objectives, whereas ISF is viewed as a faith-based, ethically grounded, and structured social finance mechanism aimed at long-term socio-economic empowerment and financial inclusion.

The findings further indicate that senior management and policymakers possess a clear conceptual understanding of ISF and its alignment with social justice and sustainability principles. The introduction of the Maldives Islamic Social Finance Initiative (MISFI) has played a significant role in enhancing institutional awareness and engagement with ISF by providing a policy framework that distinguishes ISF from conventional CSR practices. However, despite positive perceptions and increasing awareness, the institutionalization of ISF remains at an early stage, with gaps in structured training, standardized implementation procedures, and impact measurement mechanisms across banking institutions.

This study contributes to the Islamic social finance literature by providing empirical evidence from a small island developing state, a context that remains underrepresented in existing research. The findings reinforce the argument that ISF should not be treated as an extension of CSR but as a distinct governance-driven system aligned with the objectives of Maqasid al-Shariah. From a policy and practical perspective, the study highlights the importance of sustained regulatory support, capacity-building initiatives, and institutional integration to enhance the effectiveness of ISF. Future research could build on these findings by incorporating quantitative methods and expanding stakeholder perspectives.

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DECLARATION

Credit Authorship Contribution Statement

Aishath Sinaau: Introduction, data collection, data analysis, findings, discussion.

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Aminath Shaznie: Review of the paper.

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The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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Not Applicable

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