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Social Capabilities and Corporate Zakat Commitment: Evidence from Mission-Driven and Stakeholder Management Perspectives

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Abstract: This study investigates the influence of social capabilities on corporate zakat commitment, drawing on the Social Resource-Based View (SRBV) framework. While corporate zakat represents an important Islamic social finance mechanism, its implementation remains largely voluntary, resulting in inconsistent participation among firms. This study focuses on two key dimensions of social capabilities, mission-driven capabilities and stakeholder management capabilities, to explain variations in corporate zakat commitment among zakat-paying companies in Malaysia. Using survey data collected from the senior management of 142 corporate Zakat payers, the study applies partial least squares structural equation modelling (PLS-SEM) to test the proposed relationships. The findings indicate that stakeholder management capabilities have a significant positive effect on corporate zakat commitment, whereas mission-driven capabilities do not exhibit a statistically significant influence. These results suggest that effective stakeholder engagement, communication, and accountability mechanisms are more critical to motivating corporate Zakat practices than the formal inclusion of Zakat within organisational mission statements. The study contributes to accounting and Islamic governance literature by providing empirical evidence on the role of social capabilities in shaping voluntary zakat commitment. From a practical perspective, the findings highlight the importance of stakeholder-oriented governance strategies for zakat institutions, regulators, and corporations seeking to enhance zakat compliance and reporting practices.

Keywords: *Social Capabilities, Corporate Zakat Commitment, Mission-Driven, Stakeholder Management Perspectives*

1. Introduction

Corporate zakat is an important Islamic social finance instrument with substantial potential to support poverty alleviation, social welfare, and sustainable economic development. Despite this potential, zakat collection from the corporate sector remains relatively low compared with individual zakat contributions. While governments and zakat institutions continue to encourage greater corporate participation, the absence of strict regulatory enforcement means that corporate zakat payments largely depend on voluntary commitments. This raises an important question as to why some companies are willing to commit to paying zakat, whereas many others are not.

According to the Director, Dato Dr. Azmi Omar of the International Centre for Education in Islamic Finance (INCEIF), the corporate sectors have a big potential to contribute to the zakat funding. Nevertheless, the government and zakat institutions are struggling to convince companies to commit to and pay zakat. Without company regulation and enforcement, the former parties do not have a concrete and clear basis to push the latter to commit to corporate zakat. The lack of clear push factors for corporate zakat commitment is the primary issue addressed in this study. Governments have widely discussed the reluctance of businesses and corporations to commit to and pay zakat. The government expects companies to commit to and pay corporate zakat to alleviate poverty, especially during economic crises. Corporations typically contribute a significant amount of zakat, and by committing to and paying zakat appropriately, they can significantly increase zakat collection. Understandably, during the global economic crisis, most companies focused on the survivability of their businesses, especially cash flows. It is also normal for companies' economic goals to maximize profits for the benefit of their shareholders. For these two reasons, many companies were seen as passively participating in voluntary activities, particularly committing to and paying zakat. According to the Mufti of Federal Territory,

Dr. Zulkifli, the government hopes that more companies will pay zakat during the introduction of the moratorium in 2021 (Amly, 2020).

In addition to fulfilling Islamic beliefs, it is unclear what makes certain companies willing to pay zakat, even though they are not obliged to do so. They will not be punished if they do not pay corporate zakat. Like CSR, since zakat payment is voluntary, this study expects that certain CSR driving factors could motivate companies to adopt corporate zakat commitment. In this study, corporate zakat commitment means that companies undertake certain strategies to perform duties related to zakat. Zakat commitment is not limited to zakat payments to zakat institutions, as it also includes other activities such as zakat contributions for education, microfinancing for businessmen, and health services provided to the community. The zakat contribution is part of CSR activity, which is considered Islamic CSR. The problem lies in the unclear drivers that are expected to motivate certain companies to pay zakat, whereas others do not. There has been little explanation in the literature on the relationship between CSR drivers' influence, which includes institutional pressures, social capabilities, and slack resources, as the motivational elements for companies to practice corporate zakat commitment. Therefore, this study aims to investigate the impact of social capabilities on corporate zakat commitment. The result of the study would help the zakat institutions to understand the impact, which could be used to encourage non-paying zakat companies to commit to zakat payments. The belief is that non-paying zakat companies might not practice the social capabilities of corporate zakat commitment as much as zakat-paying companies. Since corporate zakat enforcement is not strict, in which those who fail to pay zakat will not be penalized, many companies do not consider zakat commitment necessary. Thus, while it is difficult to push non-paying companies to pay zakat when it is not compulsory, it is even more important to show strategies that motivate others to do so.

The literature suggests that corporate zakat may be viewed as part of Islamic Corporate Social Responsibility (ICSR), where companies voluntarily contribute to social well-being beyond their financial objectives. However, existing studies provide limited explanations regarding the specific internal drivers that motivate corporations to commit to zakat payments. Particularly, the exploration of the roles of social capabilities, specifically mission-driven capabilities and stakeholder management capabilities, in the context of corporate zakat remains inadequate. Social capabilities refer to a company's ability to manage its internal and external relationships with stakeholders for the benefit of the company, particularly in terms of sustainability. Social capabilities enable companies to leverage their relationships with stakeholders, align organizational missions with social objectives, and generate shared value across economic and social dimensions. Nevertheless, empirical evidence on how these capabilities specifically influence corporate zakat commitments remains scarce. Therefore, this study examines the extent to which mission-driven and stakeholder management capabilities influence corporate zakat commitment among zakat-paying companies. By identifying the relevant social capability drivers, this study seeks to contribute to the theoretical advancement of the corporate zakat literature and offer practical recommendations to policymakers, zakat institutions, and corporations in strengthening zakat governance and compliance. The findings of this study will highlight the capabilities that affect a company's performance through the payment of corporate zakat. The identified capabilities can then help companies commit to and pay corporate zakat by utilising them. The utilization of capabilities could also encourage other non-zakat-paying companies to use them as a strategy to practise corporate zakat commitment, which will give them a competitive advantage.

2. Literature Review

Corporate zakat commitment

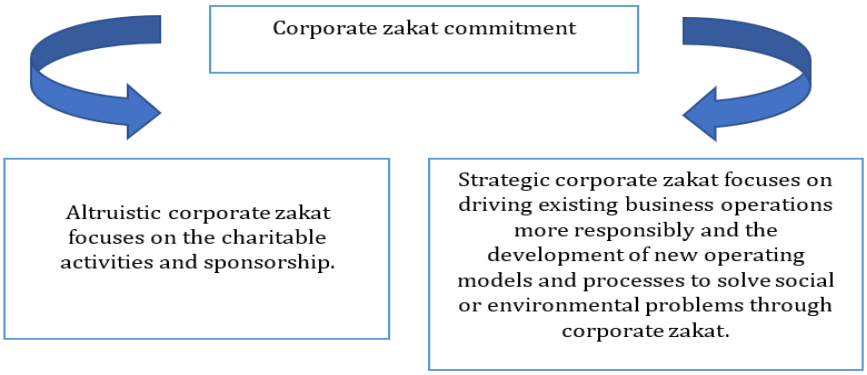
Companies with higher commitments to CSR activity prioritised their shareholders' requirements and their broader set of critical stakeholders to fulfil their needs (Dare, 2016). Anser et al. (2020) proclaimed that the higher the level of CSR commitment, the higher the chances of companies participating in and implementing CSR activities. In other words, CSR commitment involves how the company strategically engages in CSR to maximise benefits (Tang et al., 2012a), take a proactive approach towards stakeholders in terms of new organisational policies and invest the company's resources in CSR activities (Nwoba et al., 2021).

Corporate zakat commitment can be viewed as a component of the company's overall CSR commitment. Corporations in Saudi Arabia consider the payment of zakat both as an Islamic obligation and part of their CSR

practices. The literature has argued that organisations paying the zakat are already practicing CSR and supporting philanthropic aims (Jamali, 2014; Nurunnabi et al., 2019). The AAOIFI supported the treatment of corporate zakat as part of the CSR activity by introducing financial reporting and governance standards (AAOIFI 2010). According to the standard, IFIs are expected to disclose Islamic ethical behaviour, and good governance, including an efficient board of directors, Shariah supervisory board, and good customer relations (Bakar & Md Yusof, 2014; Rosman et al., 2019). Bakar & Md Yusof (2014) investigated the practice of corporate zakat as part of IFIs' CSR in Malaysia. Corporate zakat commitment will be used throughout the study based on the action-oriented strategy introduced by Halme & Laurila (2009) under the CSR context.

Following what had been recommended by Chtourou & Triki (2017) This study categorises corporate zakat commitment as altruistic and strategic. Altruistic corporate zakat focuses on charitable activities and sponsorship. In contrast, strategic corporate zakat drives existing business operations more responsibly and develops new operating models and processes to solve social or environmental problems. Companies can have either one or both types of corporate zakat commitment. Figure 1 illustrates the two types of corporate zakat commitment, as understood by this study.

Figure 1: Corporate Zakat Commitment



Source: Chtourou and Triki (2017)

The strategic corporate zakat could be achieved through the introduction of *wakalah* zakat by the zakat institutions. The concept provides a mandate to the companies to distribute the zakat by themselves. The *wakalah* zakat can be channelled to their CSR fund, benefiting the stakeholders (Sharif & Wahid, 2019). For example, BIMB practices strategic zakat using *wakalah* zakat to assist in surgeries at IJN, installing solar power systems in collaboration with the Institute Latihan Perindustrian Kepala Batas, and helping micro-entrepreneurs among B40 families in purchasing business equipment.

Corporate zakat commitment is the practice of corporate zakat based on the action-based typology. The corporate zakat commitment will be measured using an instrument by Chtourou & Triki (2017) that measures the concept of CSR commitment. The authors divided the CSR commitment into three categories: philanthropic, integration, and innovation. In order to accommodate the concept of corporate zakat, this study will use the term altruistic zakat to refer to philanthropic CSR and strategic corporate zakat that covers the integrations and innovation CSR. There are three items under philanthropic CSR and nine items under integration and innovation or strategic CSR. Since the motive of corporate zakat commitment is unknown between altruistic and strategic, the combination of altruistic and strategic commitment was asked to represent the corporate zakat commitment. The corporate zakat commitment measures whether the companies commit to paying zakat or if it is just a one-off payment, focusing mainly on religious duty. Companies committed to the corporate zakat placed zakat strategically in their business conduct to obtain a better impact from the zakat payment.

Social Capabilities

Scholars have identified the business benefits of CSR as existing only under certain conditions. These include the following: when CSR is integrated into a company's mission statement, where it is aligned to a company's strategic orientation, when CSR is focused on the primary stakeholders of the company, when it is effectively

communicated, when it is focused on shareholder value creation, or when CSR is proactively carried out (Torugsa et al., 2013a).

Company performance is driven by resources and capabilities that can be a source of competitive advantage (Hart, 1995). Therefore, companies must have certain capabilities to manage, control, and deploy various tangible and intangible resources in the economic, social, and environmental dimensions to enhance their performance (Sinthupundaja, Chiadamrong, et al., 2020). According to Freeman (1984), among valuable resources, companies have been human, physical, and organizational assets. In this context, social capabilities are explicitly meant for human resources. Under the social Resource-Based View Theory, Tate and Bals defined social capabilities as leveraging the relationship with internal and external stakeholders to gain mutual exchange. Information, products, labor force, financial means, and intangible elements, such as compassion, education, and care, can be exchanged. Companies must balance their financial performance by incorporating social and environmental performance to manage these capabilities effectively (Tate & Bals, 2018). Eventually, social capabilities could increase financial performance by improving relationships with stakeholders such as employees, customers, suppliers, and communities (Kao et al., 2018; Klassen & Vereecke, 2012; Rettab et al., 2009; Yoon & Chung, 2018). Therefore, this study examines two types of social capabilities: mission-driven and stakeholder management.

Mission-Driven Capabilities

A mission is an essential component of an organisational framework that aids the public in comprehending how corporations align their value with the values of stakeholders (Dee, 2016). Mission-driven management capability functions as a consistent guide for decision-making and a company's dedication to various activities, including corporate social responsibility initiatives (Tate & Bals, 2018). The mission acts as a navigational tool, directing corporate planning and averting the decline of CSR initiatives or strategies. Explicit missions that incorporate corporate principles and stakeholder interests have demonstrated efficacy in sustaining organisational objectives and benefiting society. Lashitew, Bals and van Tulder (2020) stated that mission-driven skills may serve as foundational elements that promote social innovation and validate organisations' objectives regarding economic and social purposes. The mission-driven capability underscores the importance of commitment and innovation within a company's competencies.

Overall, researchers have begun to acknowledge that it is essential for social enterprises to acquire resources and develop capabilities to obtain and maintain a competitive advantage to accomplish their social and environmental missions (Bacq & Eddleston, 2018). Sinthupundaja, Kohda, and Chiadamrong (2020) studied the capabilities of social entrepreneurship in shared value creation. They observe that social entrepreneurship encompasses a range of capabilities, including mission-driven strategies, stakeholder involvement, cross-sector collaboration, and environmental management. Companies with no proper mission for CSR activities most likely adopt CSR activities occasionally and are perceived as not having a genuine motive by stakeholders (Tang et al., 2012b). Donnelly and Wickham (2020) suggested that companies include strategic CSR principles in their mission as a powerful signal to internal and external stakeholders of their significance in the company's decisions. The mission becomes a signal of commitment to the company's stakeholders. Incorporating a clear mission into a company's strategy leads to positive responses from stakeholders, such as reputation and promotion of a respectable image from customers (Flota Rosado & Ocampo Figueroa, 2016).

The mission is a strategic resource in which companies build their identities and develop other resources, such as reputation and social capital. This mission-driven capability predicts that companies will have better financial performance with more commitment to CSR activities (Bacinello et al., 2020; He & Shen, 2019). When the stakeholder relationships are based on high-level confidence and a low threat of manipulation, CSR activities can increase companies' revenue (Flota Rosado & Ocampo Figueroa, 2016). Therefore, mission-driven capabilities enable companies to engage in social activities that create shared values in terms of financial gain, which benefits companies, and social gain, which benefits society (Porter & Kramer, 2006; Tlemsani & Matthews, 2020).

However, to achieve CSR activities' goals of bringing benefits to the company, companies need to build capabilities in all dimensions of CSR: economic, social, and environmental (Torugsa et al., 2013b). Researchers believe that making significant commitments to various aspects of CSR (economic, social, and environmental) will make the outcomes of all CSR activities easier to detect (Pan et al., 2020). Without a clear CSR mission,

companies are likely to engage in CSR activities only occasionally, leading stakeholders to perceive them as lacking genuine motivation (Tang et al., 2012b). Consequently, these companies do not obtain the expected benefits from CSR activities.

The concept of a mission in companies can be seen through the mission, activities, and reporting of the companies' social activities (Lashitew et al., 2020). Since CSR and corporate zakat are part of companies' voluntary activities, they are seldom disclosed in the company's annual report or any platform related to the companies. Thus, this study employs questionnaires to investigate the implementation of a zakat policy within a company's mission and its effect on zakat commitment.

Hassan and Mahlknecht (2011) suggested that in the application of a company's zakat policy, the ICSR standard mandates a zakat policy in every Islamic institution deemed to be an obligation of the IFI. The policy shall include an explanation of the collection and payment of zakat by the companies. The standard also acts as a recommended basis for ICSR for IFIs that do not have to pay zakat. This suggestion is meant to complement the existing standard (FAS 9) of AAOIFI, which does not include such requirements.

Public companies, specifically IFIs, place greater emphasis on incorporating the payment of zakat into their mission (Hafez, 2015), owing to the Shariah-based nature of their businesses. The mission statement demonstrated the IFIs' strong dedication to zakat commitment issues, which are fundamental principles of Islamic finance, as well as the banks' philosophy and core principles, highlighting their values and beliefs. The mission statement may also outline a desired and possible future state or long-term aim, setting a stage for the company's purpose and strategy. The importance of the mission statement is reflected in the positive relationship between the dimensions and the future financial performance of the examined banks (Platonova et al., 2018). Therefore, the mission statement motivates IFIs to fulfil their corporate Zakat commitments with greater dynamism.

This vision and mission statement are supposedly in line with the Syariah objectives (Mohammed, Tarique, & Islam 2015). This study attempted to measure the performance of IFIs using Maqasid Shariah measurement, which includes the preservation of religion, life, intellect, wealth, and progeny. The concepts of CSR and Zakat distribution were considered in line with the protection of human dignity, which is crucial. Therefore, a clear intention of wanting to help others is among the keys to Zakat distribution among IFIs.

Privately owned companies (normally operating as family businesses) are socially responsible for maintaining a reputable image. Yusof, Mohd Nor, and Edward Hoopes (2014) discovered that family businesses in Malaysia operate based on value and culture, which is not necessarily strategic all the time. The attention of the business was given to maintaining the virtues in the company practices and among family members. Hence, it is not surprising that family businesses have become more involved in social activities, given their basic values and virtues. However, Islam encourages Muslims to contribute money privately to receive greater rewards from God and to avoid riya (showing off), which is prohibited. Accordingly, the best i-CSR practice is to support society without involving the media to avoid riyas (Alfakhri et al., 2018). This might be why many companies pay zakat but choose not to report it (Rashid, 2017).

Stakeholder Management Capabilities

According to the RBV, complex social structures built over time are often key resources that contribute to company success (Wickham & Wong, 2009). Stakeholder management capability functions as corporate governance, requiring the company to prioritize the interests of its stakeholder groups at its core (Wickham & Wong, 2009). This is considered a strategic action by the manager, which requires extensive market research to understand the nature and source of interest. The process involves engaging stakeholders in the company's strategic decision-making process through boardroom discussions, allowing them to contribute to the company's resources.

Hart (1995) defined stakeholder management as an organizational capability that involves learning about product life cycles from suppliers and customers and developing environmentally friendly products and services. Meanwhile, according to Freeman (1984)a company's value can be determined by its strategic action to satisfy stakeholders' expectations and interests. The challenge for a company is to develop this capability

effectively with various stakeholders who have competing aims, claims, and demands (Harrison & Freeman, 1999). Companies that identify a wide range of stakeholders are more likely to be proactive in communicating with stakeholders than those focusing on a narrow range of stakeholders. A widely focused stakeholder management capability supports active engagement with the main stakeholders, such as partners, customers, and shareholders (Sinthupundaja, Kohda, et al., 2020). This capability also encompasses other stakeholder categories to manage and reduce CSR concerns (Sharma et al., 2007; Torugsa et al., 2013b).

Sharma and Vredenburg (1998) defined stakeholder management capabilities as establishing trust-based collaborative relationships with various stakeholders, especially those with non-economic goals. They highlighted several stakeholders' management capabilities, such as early sensing, positive relationships with environmental stakeholders, collaboration with stakeholders in the environmental domain, and the ability to steer new neighbors' developments effectively through CSR activities. When any stakeholder relationships are based on high-level confidence and a low threat of manipulation, the relationship can increase a company's revenue (Flota Rosado & Ocampo Figueroa, 2016).

Corporate philanthropy shapes stakeholder perceptions of a firm, encompassing investors, consumers, suppliers, current or prospective workers, and the nonprofit sector (Brammer et al., 2006). Engaging stakeholders is an essential developmental activity that improves mutual comprehension of sustainability and broadens the scope of cognitive, moral, and emotional growth. Centralising stakeholders in corporate sustainability and reconciling their interests to achieve equitable outcomes has proven essential to the methodological advancement of corporate sustainability. Gao & Zhang (2006) assert that stakeholder involvement fosters a more equitable understanding of the organization as a network of human interactions and competencies that extend beyond its boundaries. It may also provide the opportunity to establish a significantly larger and more dynamic idea of sustainable organization.

Corporate philanthropy can be managed in a variety of ways from a strategic standpoint. Top-down strategies are based on discretionary contribution, according to management preferences, and bottom-up strategies are based on managing stakeholder demands or considering the impact of companies' actions on them (Arco-Castro et al. 2020). Bhattacharyya (2020) stated that companies must align with non-business stakeholders such as NGOs and local communities to access valuable resources that fit the company's mission and values, which is important for shared value creation. Furthermore, stakeholder management considers communication and encourages the sharing of ideas, feedback, and collaboration regarding CSR activities.

Rettab, Brik, and Mellahi (2009) in their study on the relationship between CSR activities and financial performance, they argued that despite the company's motivation for stakeholder engagement, the company must eventually communicate its motives for CSR commitment to stakeholders. The study mentioned that factors leading to ineffective engagement with stakeholders in Dubai were due to companies failing to manage them strategically. The various interests and cultural backgrounds of stakeholders create numerous communication obstacles, which are further compounded by the difficulty of fostering enduring relationships and trust due to the frequent turnover of managers and employees. Therefore, CSR and financial performance are contingent on stakeholders' insights and responses to CSR activities. In short, the impact of CSR on companies' performance relies on stakeholders' reactions, which depend on the accessibility and clarity of information.

In alignment with the notion that philanthropy is becoming a more strategic endeavour, it is observed that it is frequently regulated by formal budgeting processes and plans, which typically engage board-level company representatives in either setting contribution levels or in operational roles. Companies are increasingly hiring specialists to oversee their philanthropic efforts, and philanthropy is often administered through externally focused business functions, where the necessary skills and competencies to derive benefits from philanthropy are generally anticipated to exist within most organisations. Conversely, strategic objectives seem to exert minimal influence on the volume of philanthropic contributions, which appear to be mostly determined by resource availability, existing commitments and relationships, and the discretion of top executives.

In the context of zakat, Sheriff (2014) asserts that it is crucial to view Zakat as a commitment made by organizations, regardless of obstacles, as opposed to expenses, such as taxes, which they often manipulate to

evade. When a company views zakat as a commitment, it is obliged regardless of the situation. Stakeholder commitment is typically reflected in disclosure and zakat reporting. When companies are required to report on zakat and charity, these regulatory obligations primarily stem from the Shariah rules. However, if stakeholders, particularly the management of companies, prioritize reporting charitable contributions and benevolent loans over zakat, they may be the primary drivers of the overall company's reporting activity. On another note, the absence of zakat reporting could indicate that either the country lacks zakat standards or that the companies are not adhering to them. Thus, this study employs questionnaires to investigate the effect of stakeholder management capabilities on zakat reporting and, hence, zakat commitment.

Resource-Based View Theory

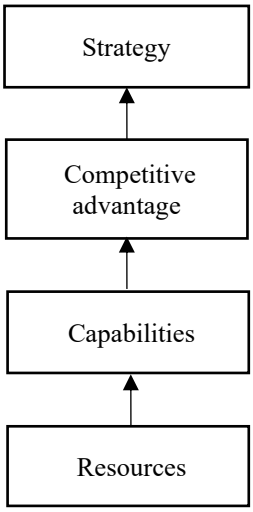
The Resource-Based View (RBV) paradigm is recognised in the literature as the most critical perspective for achieving sustained competitive advantage in accounting and strategic management (Bansal, 2005). The Resource-Based View (RBV) evaluates a company's resources and capabilities. This theory posits that resources serve as the fundamental units of analysis, encompassing physical and financial assets, employee competencies, and organisational social processes (Hart, 1995). RBV resources encompass tangible assets, including machinery, facilities, equipment, labour, and raw materials, as well as intangible assets, such as training, knowledge, intellect, experience, motivation, and organisational culture (Barney, 1991). The collection of resources employed for value-added activities enhances corporate capabilities. Examples of specific skills within the Resource-Based View (RBV) include research and development (R&D) and technological competencies.

The RBV is based on the belief that a company's success depends on how well a company can nurture its internal resources and mobilize them to a level of superior performance, leading to competitive advantage (Barney 1991). This means that companies that effectively control and manipulate their resources and capabilities, which are valuable, rare, inimitable, and non-substitutable, could generate sustainable competitive advantages and improve company performance (Barney 1991; Grant 1999).

Branco and Rodrigues (2006) claimed that one can help companies create resources and capabilities. To gain this advantage, companies must implement CSR activities that exploit their internal strengths by responding to environmental opportunities, neutralizing environmental threats, and avoiding internal weaknesses. These resources and capabilities enhance companies' competencies to achieve their social and economic purposes effectively (Bansal, 2005; Sharma & Vredenburg, 1998). Additionally, companies with proactive environmental and societal strategies would generate valuable capabilities that may lead to competitive benefits (Hart, 1995; Sharma & Vredenburg, 1998). Aragón-Correa and Sharma (2003) proposed that following RBV, companies need to identify resources that generate proactive strategies and that companies' resources are determined as drivers of company strategy. Consequently, companies must strategize and allocate available resources by identifying primary stakeholders and addressing their needs. The theory addresses pressures from organizational slack, internalization, position in the value chain, managerial attitudes, motivations, and strategic priorities (Bansal, 2005).

Figure 2 shows how resources can lead to capabilities and increase company performance through competitive advantage.

Figure 2: Resources-Based View of Competitive Advantage



Source: Grant (1999)

The Natural Resource-Based View (NRBV) Theory

Alongside the RBV, the NRBV structure was introduced. The Resource-Based View (RBV) underscores the significance of precious, uncommon, inimitable, and non-substitutable resources as essential for a company's competitive advantage, although it overlooks environmental restrictions (Hart & Dowell, 2011). The NRBV increases a company's context by linking natural resources with its resources and capabilities, hence extending the RBV to encompass the essential competencies required for managing environmental conditions (Cristina De Stefano et al., 2016). Population and economic expansion result in heightened consumption of natural resources, including fossil fuels, in global industrial production. The NRBV underscores the significance of the complexities, limitations, and challenges associated with maintaining the natural environment (Tate & Bals, 2016).

Table 1: Previous studies related to Resource-Based View Theory

Authors (Year)	Independent variables	Mediating/moderating variables	Dependent variables	Context
Mattingly and Olsen (2018)	Slack resources	CSR & Mechanism	Firm performance	U.S based firm
Alshorman et al. (2022)	Corporate social disclosure	Slack resources	Firm market value	Amman
Vitale, Cupertino and Taticchi, (2023)	Managerial commitment to sustainability	CSR strategy Innovation Intensity Operational Slack Resources Financial Slack Resources	Environmental performance	United Kingdom
Buchholtz, Amason and Rutherford (1999)	Firm resources	Managerial discretion	Corporate philanthropy	Medium-sized companies in the United States
Lin et al. (2020)	Corporate social performance	Financial slack	Firm performance	United States
Hasan and Habib (2017)	Corporate life cycle	Financial resources	CSR	United States

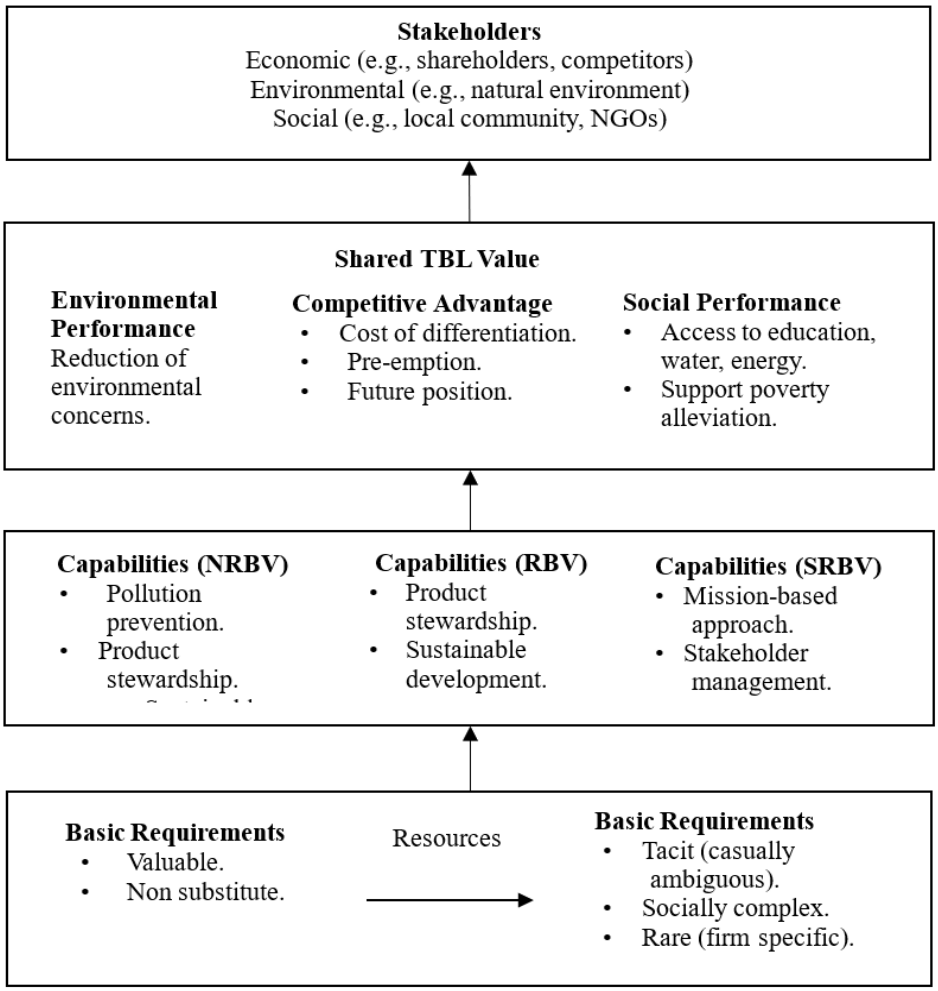
The Social Resource-Based View (SRBV)

The RBV and NRVB are conceptually expanded to the SRBV to emphasise social resources, specifically addressing the mitigation of social constraints within the social resource-based framework. It underscores stakeholder management and delineates the connections between social capabilities and the generation of shared value (Tate & Bals, 2016). The SRBV emphasises how enterprises can achieve their social objectives

through collaboration and engagement with diverse stakeholder networks that address social capabilities and limitations. Social capacities are essential for generating shared value from economic, social, and environmental factors, as they are closely and directly associated with societal issues such as poverty, inequality, and social conflict (Jenkins & Fries, 2012). In conclusion, a company's capacity to develop, integrate, use, and oversee resources and competencies across economic, social, and environmental spheres delineates its impact on the creation of shared value, as posited by the Resource-Based View (RBV), Natural Resource-Based View (NRBV), and Stakeholder Resource-Based View (SRBV) theories (Sinthupundaja, Chiadamrong, & Kohda, 2019).

For SRBV, social competence is defined as the ability to utilise relationships with internal or external stakeholders to facilitate reciprocal trade. The exchange encompasses information, goods, workforce, financial resources, and intangible factors such as empathy, education, and caring. Integrating these talents requires a compromise that may demand additional altruistic motivations rather than solely economic ones (Tate & Bals, 2018). Figure 3 illustrates the SRBV concept presented by Tate and Bals (2018).

Figure 3: Towards an emergent SRBV (complementing RBV and NBV)



Source: Tate and Bals (2018)

Social Capabilities and Corporate Zakat Commitment

As discussed earlier, RBV Theory explains that companies that can nurture their resources can gain a competitive advantage. SRBV further explains that companies focusing on social capabilities can overcome social constraints and gain a competitive advantage. Previous studies have shown that both resource- and

social-based capabilities influence CSR activities. However, very few studies explain their effects on corporate zakat commitment. As zakat is socially based, this study focuses on social capabilities and develops the following hypotheses to test its effects.

Hypotheses

Social Capabilities and Corporate Zakat Commitment

According to the RBV Theory, companies that nurture their resources can gain a competitive advantage. SRBV further explains that companies focusing on social capabilities can overcome social constraints and gain a competitive advantage. Previous studies have shown that both resource- and social-based capabilities influence CSR activities. However, very few studies explain their effects on corporate zakat commitment. As zakat is socially based, this study focuses on social capabilities and develops the following hypotheses to test its effects.

A. The Effect of Mission-Driven Capabilities on Corporate Zakat Commitment

Mission-driven management capability functions as a consistent guide for a company's decision-making, encompassing social activities (Tate & Bals, 2018a). These mission-oriented capabilities direct all ensuing advancements and ensure that planning is not neglected throughout time. To achieve the objectives of corporate social initiatives, it is imperative to deliberately cultivate additional competencies across all dimensions, including economic, social, and environmental aspects. Effective mission-driven competencies can enhance social entrepreneurship by generating shared value (Grant & Sumanth, 2009). Explicit missions that incorporate corporate principles and stakeholder interests have demonstrated efficacy in sustaining the objectives and aims of socially oriented enterprises that positively influence society (Flota Rosado & Ocampo Figueroa, 2016).

Islamic banks exhibit a robust dedication to their 'mission and vision,' as this aspect reflects adherence to the fundamental principles of Islamic banking. The mission and vision statement emphasises the values and beliefs of an institution, which "may delineate an aspirational and feasible future state or long-term objectives of a company, reflect the bank's philosophy and core principles, and serve as a foundation for its purpose and strategy" (Platonova et al., 2018). By contrast, companies with no proper mission in their CSR activities most probably adopt CSR activities occasionally and are perceived by stakeholders as not having a genuine motive (Tang et al., 2012). Donnelly and Wickham (2020) suggested that companies include strategic CSR principles in their mission as a powerful signal to internal and external stakeholders of their significance in companies' decisions. Thus, the mission becomes a signal of commitment to the companies' stakeholders.

In the case of corporate zakat, the IFI stated that the payment of zakat is part of their mission statement and of how they conduct their businesses (Platonova et al., 2018). The mission statement impacts the corporate zakat commitment of the IFI, whereby they create a zakat committee, allocate a budget for corporate zakat as part of their identity, and report their zakat commitment to stakeholders. Based on the discussion of the effect of mission-driven capabilities on CSR activities, this study proposes a fourth hypothesis:
H1: Mission-driven capabilities positively motivate companies to engage in corporate zakat commitment.

B. Effect of stakeholder management capabilities on corporate zakat commitment

Companies with better relationships with employees, customers, suppliers, and communities can increase their financial performance. Sharma and Vredenburg (1998) defined stakeholder management capability as establishing trust-based collaborative relationships with stakeholders, especially for non-economic goals. The challenge for a company is to develop this capability effectively with various stakeholders who have conflicting goals, priorities, and demands (Harrison & Freeman, 1999). Scholars suggest that companies that recognize their various stakeholders are likely to be more proactive than those that focus on a narrow range of stakeholders.

Companies that identify a wide range of stakeholders are also likely to be more proactive in communicating with them than those that focus on a narrow range of stakeholders. A widely focused stakeholder management capability supports active engagement with main stakeholders, such as partners, customers, and shareholders (Sinthupundaja et al., 2020b). This capability also concerns the remaining stakeholder categories in managing and decreasing CSR activities (Sharma et al., 2007; Torugsa et al., 2013).

In the case of corporate zakat in Malaysia, companies with good stakeholder relationships are more likely to commit to corporate zakat. The stakeholder relationship can be observed through corporate zakat reporting to stakeholders (Ibrahim & Sheriff Muhammad Ibrahim, 2015). Therefore, stakeholder management is highly dependent on the standards governing corporate zakat (Noor et al., 2017). Based on the discussion of the effect of stakeholder management capabilities on CSR activities, this study proposes the following hypotheses:
H2: Stakeholder management capabilities positively motivate companies to practise corporate zakat commitment.

3. Method

This study administered questionnaires to the senior management of companies that fulfilled their zakat obligations in 2019, hereafter referred to as corporate zakat payers. Senior management served as the official respondents, representing their respective organizations in providing the required information. In publicly listed companies, this role is typically assumed by the Chief Executive Officer (CEO), while in private firms, it is commonly held by the Managing Director (MD). The contact details, including email addresses and telephone numbers, were sourced from the official websites of the respective companies. These contact channels generally correspond to corporate communications units, which subsequently redirect inquiries to finance or Shariah departments responsible for zakat matters. Follow-up telephone calls were conducted to verify the appropriate contact persons and obtain accurate email addresses for survey distribution. Survey invitations were sent via email outlining the purpose of the study.

The collected data were analyzed using SmartPLS version 4.0, employing a variance-based structural equation modelling approach through partial least squares (PLS-SEM). Given the study's emphasis on prediction, PLS-SEM was selected over covariance-based SEM (CB-SEM). This approach offers higher statistical power and is robust to violations of assumptions (Hair et al., 2017). Multivariate normality was assessed using the WebPower online tool, following the procedures outlined by Hair et al. (2017) based on Mardia's skewness and kurtosis statistics. Based on Mardia's skewness and kurtosis, the multivariate skewness value was 34.95519 ($p < 0.001$), while kurtosis reached 166.12513 ($p < 0.001$), indicating significant non-normality. Consequently, SmartPLS was retained for subsequent non-parametric analysis.

4. Results

We examined the significance of the model's structural path. The researcher applied the bootstrapping procedure (n=142, sample=5000) proposed by Hair et al. (2017). Table 2 describes the results of the proposed structural model about the path coefficient standard error and *t*-statistics. The table describes whether the hypotheses developed were supported or not supported. The Critical values for the one-tailed test were 1.645 (significant level=5%), 2.326 (significant level=10%), and 3.090 (significant level=1%) (Hair et al., 2014). According to Hair et al. (2014), researchers should consider a path coefficient with a 5% or less probability error of ≤ 5 % %as significant. As such, all the direct hypotheses proposed in this study are significant.

Table 2 shows the results for all 142 companies, combining public and private companies, as in other studies.(Al-Samman & Al-Nashmi, 2016). In addition, in this study, the number of respondents from public companies was only 30, which was not sufficient to be analyzed separately (Cohen, 1992), leading to the findings not being generalized. To reiterate, nine hypotheses for the direct relationship were tested in this study.

Table 2: Path coefficient (ALL) n = 142 companies

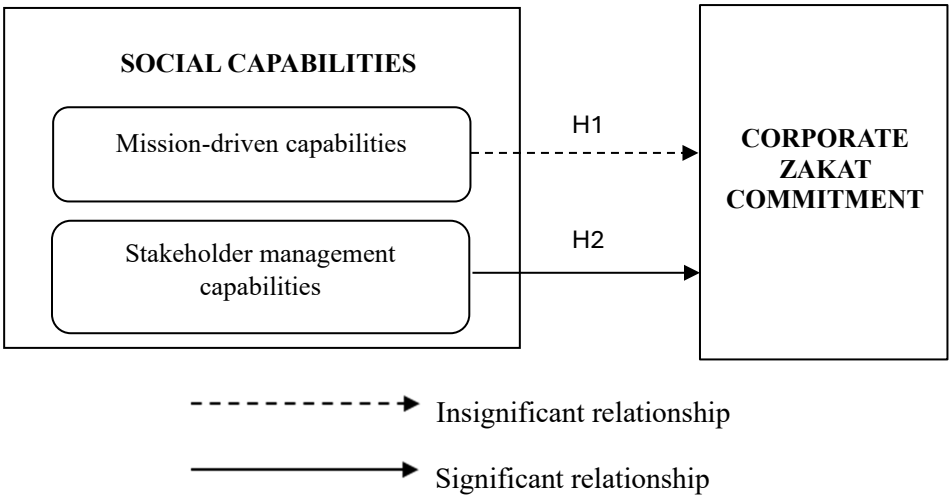
Hypo	Path	β beta	t-value	CI - min	CI - max	*p*-value	Decision
H1	SM → ZC	-0.088	0.743	-0.280	0.103	0.230	Not supported
H2	SS → ZC	0.229	2.487	0.088	0.387	0.006	Supported

Notes: SM = Mission-driven capabilities, SS = Stakeholder management capabilities, SR = Slack resources, ZC = Zakat commitment.

H1 represents the relationship between SM and ZC (β= −0.088) and is not significant with a confidence level of 5% (p<0.05). H2 represents the relationship of SS towards ZC (β=0.229) as the largest path coefficient and significant with a confidence level of 5% (p<0.05). The statistical analyses concluded that H2 is supported.

Findings

Figure 4: Direct effect of social capabilities on corporate zakat commitment.



The first finding of this objective is the relationship between mission-driven capabilities and corporate zakat commitment. The results reflected an insignificant positive relationship between the constructs (p=0.230). Although the relationship was based on consistent positive relationships in the past literature, the current results did not support the referred past relationships of significant positive relationships. For instance, one of the studies on companies' missions Mallin, Farag and Ow-Yong (2014) highlighted that zakat-paying Islamic banks are concerned and show more commitment towards their vision and mission statements. According to the study, the vision of these Islamic banks, based on the mandatory obligations according to the Shariah, among others, is the screening and dealing responsibly with clients, action on earnings, and expenditures prohibited by Shariah, paying due attention to employees' welfare, and establishing terms and conditions for zakat.

Supposedly, for companies to pay zakat, the mission is clearly stated. Otherwise, it reflects corporate zakat commitment as an unplanned act by companies. Companies' decisions depend on the consensus of the Board of Directors, which involves input from many companies' divisions. The lack of corporate zakat standards and guidelines (Obaidullah, 2016) provides an unclear direction for the BOD to include corporate zakat in the company's operation. Most zakat-paying companies are not only Islamic banks; therefore, they are lost because of the lack of standards on these matters. Since past studies on Islamic banks are equipped with proper standards on corporate zakat (e.g., AAOIFI), including the mission statement, the inclusion of all companies in those studies provides a different result. In past studies on Islamic banks Mohammed et al., (2015) asserted that standards and company policies have played a role in guiding company directions.

Therefore, increasing awareness and imposing zakat should be part of the organizational goals. Charity needs to be planned and not performed by chance. It shall be part of the company's focus and be integrated into the company's strategic planning. Companies need to have a proper mission that serves as a guideline and directs their course of action. For instance, Islamic corporate culture influences how a company operates its Islamic CSR. In this case, the cultural formation of Islamic organizations is not only molded by all members of the organization but must also be supported and run by the owner of the organization. The owner holds the key role and is the determinant of how the system in the organization will run. Therefore, if the owner of an organization forms an Islamic organizational culture and all members of the organization implement the work following the commands of Allah with high commitment, it could influence the Islamic CSR strategy (Ifada, Ghozali, & Faisal, 2019).

If Islamic banks disclose their zakat donations, stakeholders will perceive this as a favourable advancement in the implementation of Shariah, and conversely. A different perspective is from an ethical viewpoint. Ethical identity is essential for Islamic banks to uphold their creditworthiness in the product and equity markets (Rashid, 2017). Mission-driven skills did not inspire corporate zakat contributors to engage. In Malaysia, there is no standardised framework for the reporting of corporate zakat, and the implementation of mission-driven capabilities in Islamic Financial Institutions (IFI) varies because of the existence of superior regulatory norms, such as those established by AAOIFI and Bank Negara (Hassan & Mahlknecht, 2011).

The next finding is the relationship between stakeholder management capabilities and corporate zakat commitments. Stakeholder management is a strategic process that considers stakeholders while making decisions. The stakeholders of corporate zakat commitment are shareholders as business owners who pay corporate zakat (Ahmadi et al., 2023), customers as part of the Muslim community (Sarif & Zainudin 2020) and zakat institutions (Migdad, 2019). The result of the positive and significant impact of stakeholder management capabilities on corporate zakat commitment is in line with, Freeman and Dmytriyev (2017), who mentioned that Stakeholder Theory must explain CSR practices more. This shows that stakeholders play a critical role in encouraging companies to embark on CSR. Stakeholder involvement is imperative through better communication, which involves disclosure and reporting. Companies should disseminate information through various channels, such as CSR reports, web pages, social networking, and advertising, to enhance awareness of their commitment to social activities, which is usually low (Zhang & Ouyang, 2021).

The disclosure encourages proper communication among the internal stakeholders of the companies, namely, employees. As expected, employees are vital to running a company (Hoque et al., 2014). Employees who are clear about the mission and direction of the company feel that they belong and work towards achieving the company's aim. In contrast, vagueness and a lack of communication about the company's plan and direction hinder the motivation of employees and become a barrier to achieving the company's mission. Communication with stakeholders is crucial because it determines the decision-making process. Thus, the disclosure of zakat is important for stakeholders and shareholders to be aware of whether the company makes a zakat payment. The concept of corporate zakat is against agency costs, which only benefit managers. On the other hand, the payment of zakat benefits shareholders in terms of their obligations as Muslims who pay zakat on their wealth. The reporting of zakat and charity is a regulatory obligation for Islamic banks, typically grounded in Shariah law. Nevertheless, if Islamic banks prioritise the reporting of charitable contributions and benevolent loans over zakat, the overall reporting activities may predominantly reflect their impression control efforts. Rashid, M. (2017) proposed that zakat reporting should be integrated with other charitable, environmental, and social reporting methodologies to convey a holistic representation of the bank's character to society. Conversely, the absence of zakat reporting may indicate that the country lacks zakat obligations or that Islamic banks do not adhere to them. For instance, Islamic banks in Bangladesh lack zakat or charity reporting obligations or laws, as they exclusively adhere to the principles and recommendations of the AAOIFI and IFRS.

5. Conclusion

This study provides empirical evidence of the influence of social capabilities on corporate zakat commitment by applying a Social Resource-Based View framework. The insignificant role of mission-driven capabilities highlights the absence of clear corporate zakat standards and enforcement mechanisms, particularly outside of the Islamic financial sector. Without formal guidelines and regulatory pressure, the inclusion of zakat in corporate missions alone may be insufficient to guarantee consistent zakat compliance. Despite the weak regulations, corporate which are Muslim own particularly encouraged to aim for a high payment of zakat, rather than just focus on profit maximisation only. Success stories, awards, recognition, awareness, and friendly reminders could always be done to help the corporation to set this target of paying zakat as their strategic planning agenda.

Social capabilities are more suitable for social enterprises where their mission is more focused on the benefits of society. Therefore, the companies that pay zakat are deemed to be a social enterprise, but the implications of the benefits towards society are not that impactful. Therefore, without informing the stakeholders of their mission of paying zakat, it can cause information asymmetry, which has been highlighted by the signaling theory as not benefiting the stakeholders.

The findings reveal that stakeholder management capabilities have a significant positive effect on corporate zakat commitment, whereas mission-driven capabilities do not exhibit a statistically significant influence within the sampled companies. These results suggest that effective engagement, communication, and relationship management with stakeholders play a more dominant role in motivating corporate zakat practices than formal integration of zakat into organizational mission statements. Strong stakeholder relationships, particularly with shareholders, customers, employees, and zakat institutions, emerge as critical drivers of commitment through enhanced accountability, transparency, and reputational considerations.

From a practical perspective, the findings imply that zakat institutions and policymakers should prioritize stakeholder-based engagement strategies, including disclosure requirements, reporting standards, and governance mechanisms that strengthen corporate accountability. For companies, proactive stakeholder management can serve as a strategic approach not only to enhance zakat compliance but also to improve corporate legitimacy and social trust.

Overall, this study extends the application of SRBV to the domain of Islamic social finance and demonstrates that social capabilities, particularly stakeholder management, are key determinants of corporate zakat commitment. Future research could further explore the interaction between regulatory frameworks, organizational culture, and social capabilities across different industries and jurisdictions.

Limitations and Future Research

There are several limitations to this study. This study's respondents were exclusively from firms that already pay zakat, excluding non-paying companies. This limits the study's ability to explain why firms do not commit to Zakat, which is a central problem statement of the paper. By focusing only on zakat payers, the findings may fail to capture the barriers, resistance, or strategic trade-offs faced by non-compliant firms.

Second, a cross-sectional research design restricts causal inference. While the study discusses commitment as a strategic and capability-driven process, the data captures only a single point in time. Social capabilities, particularly mission-driven and stakeholder management capabilities, are inherently dynamic and evolve. Without longitudinal data, it is difficult to determine whether stakeholder management capabilities lead to zakat commitment or whether zakat commitment itself strengthens stakeholder relationships.

Third, the reliance on self-reported data from senior management raises concerns about social desirability and impression management bias, especially given the religious sensitivity of zakat. Managers may overstate their firm's commitment or stakeholder engagement to align with socially acceptable norms, potentially inflating observed relationships. Future studies are advised to use triangulation using archival data (e.g., zakat disclosures, financial reports) to improve the robustness of the findings.

Finally, the contextual limitation of focusing solely on Malaysia constrains the external validity of the study. Malaysia has relatively developed zakat institutions and governance structures compared to many other Muslim-majority countries. The findings may not readily apply to contexts where zakat is informal, weakly institutionalized, or governed by different legal frameworks.

In conclusion, while the paper offers valuable insights into the role of stakeholder management in corporate zakat commitment, its theoretical alignment, construct clarity, sampling strategy, and research design limit the explanatory power of its conclusions. Addressing these issues in future research, particularly by incorporating non-paying firms, refining zakat-specific measures, and employing longitudinal or mixed-method approaches, would significantly strengthen the contribution to Islamic accounting and governance literature.

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