PROPOSAL FRAMEWORK FOR SOCIAL RESPONSIBILITY DISCLOSURE OF ISLAMIC BANKS ACCORDING TO FINANCIAL ACCOUNTING STANDARDS (FAS) TO ACHIEVE SUSTAINABILITY DEVELOPMENT GOALS 2030

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ABSTRACT

Purpose*: This study attempts to examine the development of a proposed framework to disclose the social responsibility of Islamic banks according to the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Most of the previous studies had focused on the social responsibility of Islamic banks through the Zakat and Al Qard Al hsan funds, while we believe that all (or most of the Islamic bank's activities) should be linked to social responsibility and then to the goals of sustainable development.*

Design /Methodology*: In order to express the fundamental advantage of Islamic banks over conventional banks, the measurement of the contribution of Islamic banks to sustainable development requires extensive disclosures and various methods and techniques.*

Originality*: This study may be the first attempt at developing an integrated framework that links the Zakat Fund,Al Qard Al hsanFund, charity activities, and other activities with the Sustainability Development Goals (SDG). This is because we believe that Islamic banks have sufficient flexibility and legitimate responsibility to expand the financing of activities aimed at achieving the goals of sustainable development.*

Findings*: This study found that the disclosures included in the FAS are not sufficient to achieve a correlation between CSR and SDG. Therefore, the proposed framework in this research attempts to bridge this gap.*

Keywords: Corporate Social Responsibility (CSR), Sustainable Development Goals (SDG), Islamic Banks, Zakat Fund, Al-Qardalhasan Fund, Financial Accounting Standards (FAS).

INTRODUCTION

The goals of the 2030 sustainable development provide additional functions for governmental and non-governmental institutions for all economic sectors, including the financial sector. It has been identified as a global call to reduce poverty, eradicate hunger, ensure a healthy life for the people, provide quality education for everyone, and ensure the growth of the economy, cities and sustainable communities. These goals require a spirit of partnership that is practical and realistic from all sectors. On the other hand, although the concepts of accountability and ethics and their importance to business organizations have grown significantly in recent years, in the academic and professional fields, this can be attributed to the work of theorists and researchers in accounting and investment who had linked the success of moral theory with the problems of the real world (Patreson et al., 2018) The period has passed, and after 50 years of carrying out CSR, no material progress has been made. Perhaps the reason is the inability of governments to compel organizations to meet the requirements of social responsibility; hence, civil societies took that task upon themselves (Gray et al., 2014). However, the goal of social responsibility is a primary goal for Islamic institutions, although they are not volunteer organizations. Financial institutions are the cornerstone of this objective. This coincides with the spread and development of Islamic banking instruments and Islamic finance operations as well as the multiplicity of studies and researches that have shown the failure of traditional banks due to their diversity, flexibility and low risk in investment, and the great social responsibility that they carry out. This objective is of equal importance for the profit target of Islamic banks in particular because it promotes social justice and social accountability, which seek to reduce the gap between the rich and the poor. The human being successor (Mstkhalaf) for money management and responsible for the reconstruction of the land, according to the purposes of Islamic law. This research paper examines specific aspects of the social responsibility of Islamic banks represented in the Zakat Fund, the Al-Qard Al-Hassan Fund, contributions to charitable projects, and the attempts to find links between them with the aforementioned sustainable development objectives. Moreover, the study is based on the basic assumption that Zakat, the Al-Qard Al-Hassan Funds, and other productions of Islamic banks have the ability to achieve some SDG. The study will use the analytical approach by examining the disclosures made by Islamic banks according to the requirements of the financial accounting standards (FAS AAIOFI), as well as other voluntary disclosures aimed at developing the current disclosures of the funds of CSR and encouraging banks to activate them to enhance their role in sustainable development.

Although Islam encourages income based on profit, the significance of non-profit transactions is also important. When it comes to financial reporting, Financial Institutions (FI) are encouraged to take responsibility for competing goals, striking a balance between the interests of different stakeholders including employees, customers, investors, the government, and the public. Consequently, FI is free to manage its operations as it sees fit but must be accompanied by a sense of great commitment. Indeed, the company's self and social interests should not be in conflict. It is worth noting that although Islam encourages profit generation to ensure business success, it also focuses on practicing ethical (Sharia) restrictions. Islam promotes profit gain by promoting self-interest in a larger social community. Corporate social responsibility, from the point of view of Islam, is fundamentally based on the concept of accountability that has been identified as promoting social justice. Accountability in Islam is characterized by two main principles: Comprehensive disclosure and social accountability.

Although Islamic banks focus on their religious characteristics in disclosures by claiming their commitment to Islamic Sharia teaching, their disclosures lack details especially those related to plans and initiatives towards eradicating poverty or strengthening social justice measures (Kamla & Rammal, 2013). This research attempts to go into those details through different disclosure techniques.

LITERATURE REVIEW

Kamla & Rammal (2013) studied social reporting for Islamic banks focusing on the aspect of social justice through the reports published on the website of 19 banks operating in Islamic and non-Islamic countries. The researchers found that the disclosures do not confirm that these banks have serious plans to eliminate poverty or promote or redistribute wealth in the society although some of them work in Islamic societies and some are economically backward to some extent. The researchers recommend for more research in Islamic accounting that provides more ideas about the socio-economic activities of Islamic banks and their impact on equality, poverty eradication and redistribution of wealth in the society. Jones, et al., (2017) discussed the challenges that the banking industry will face when trying to contribute to the achievement of the sustainable development goals, and they suggest that these institutions should be led and directed towards identifying and measuring these contributions through indicators that are integrated with the comprehensive reporting indictors of sustainability. Aribi & Gao (2011) investigated the influence of Islam on Corporate Social Responsibility (CSR), and Corporate Social Responsibility Disclosure (CSRD) in Islamic financial institutions by focusing on the following aspects of information (monetary, quantitative and qualitative), as well as employee-related disclosure, community and customer. The study found that the largest part of CSRD is provided by the Islamic financial institutions in the disclosure of ports of Sharia supervisory board. Nogueira & Joao (2011) studied if the concept of Islamic CSR is present in the minds of managers and in the activities of Islamic financial institutions, and if it is, to what extent do these institutions engage in social responsible activities. The researchers found some gaps between the literature and practice and the evidence shows that stakeholders are becoming more concerned with this topic and consider it a relevant factor in their decision making process. Chintaman (2014) carried out a comparative study of the practices of social responsibility between Islamic banks and traditional banks in the Arab Gulf countries, and found that banks have special preferences towards specific activities of social responsibility. The author hence recommended that banks pay special attention to socially neglected areas and discover new methods in achieving their social obligations. Jusoh & Ibrahim (2016) explored CSR practices of Islamic banks in Malaysia. Four aspects of CSR were analysed namely zakat, charitable activities, support employees, and environment, and the results of the study suggested that Malaysian banks have been practicing CSR broadly but do not focus enough on zakat and charitable activities. Daras & Faizah, et al., (2018) examined the CSR disclosure practices of Islamic banks in developing countries especially in Malaysia. The results showed that Islamic banks have a higher disclosure practice than other banks on aspects such as corporate vision, employment and others, whilst disclosure related to the environment tend to be weak. Our study tries to link the social activities of Islamic banks with the goals of the 2030 sustainable development set by the United Nations, as these goals need to be achieved by all countries in the world because their achievement represents a basis for measuring the economic performance of countries and public and private economic units. The importance of these goals increased after the health crisis (Covid 19) that rocked the global economies with significant social consequences.

The Social Responsibility Concept

Although everyone agrees that economic unity has social responsibilities, there is no complete agreement on the nature of these responsibilities. As the decade of the seventies of the last century was a very important contract for corporate social responsibility, the foundations of the environmental movement were laid down by the United Nations in Stockholm in 1972. The energy crisis in the mid and late seventies focused on many minds, and social responsibility contributed greatly to the contributions of (Friedman, 1970). In the eighties of the last century, attempts were made to link social goals to the goal of maximizing profit, which means that managers must make decisions that balance considerations between the obligations of all parties (stakeholders) (Crowther & Jatana, 2004). By linking the concept of social responsibility with development, (Baydown et al., 2018) drew on the 1987 definition given by the United Nations "A development system that meets the requirements of the current generation without compromising the ability of future generations to meet their needs."

Therefore, social responsibility is delineated as the performance of voluntary or mandatory activities aimed at limiting negative external consequences, contributing to solving community problems, preserving the quality of the environment, and maintaining the health of employees and the natural resources of society. It is the economic and social changes that created the different points of view, as these changes demonstrated that linking the goal of maximizing profit with social goals is necessary for the company to survive and achieve the new goal which is the goal of survival.

The Social Responsibility Principles in Islamic Banking

Islam's view of a person's life has two functions. The first is his obligations towards God (the vertical dimension of accountability). God says: “We have not created mankind and angels except to worship”. The second is his duty towards society (the horizontal dimension of accountability). Under the concept of brotherhood and cooperation between people, both are the way to achieve social and economic justice (but Muslims are brothers). Thus, the Islamic concept of accountability promotes social justice and social accountability. There are two basic concepts in the term of Islamic accountability, namely full disclosure and social accountability. Social accountability may somewhat be a subset of full disclosure. However, due to the importance of social justice in Islam, the aspect of social accountability or social responsibility has been distinguished (Baydown et al., 2018). The goal of making profits is not a major or single goal for Islamic banks as imposed by behavioral and environmental aspects (Growther & Jatang, 2004). Besides the motivations of self-interest, there are other aspects that characterize human behavior such as altruism, wisdom, generosity and caring for others (society). Also, the human reality assumes that there are social, economic, moral and religious objectives. A person (or company) cannot live in isolation from the society in which he (it) lives. On the other side, the goal of maximizing profit in Islamic banks clashes with a set of restrictions, including external restrictions related to laws and legislations, the prevention of monopoly, and special restrictions called objectivity determinants since there is no freedom for a person stipulated in the Islamic Sharia law and it covers activities that contradict the idealism and goals that believe in the necessities of Islam.

God created people in the best form as God decrees: “We have indeed created human in best of form (mould)” (Alteen: 4). But he created it for worship and instructed him to be his successor on earth, and then the first principle of social responsibility in Islam begins from the agent or agency theory (Astakhlaf), which means that a person is God's agent on earth and his consciousness regulates his relationship with people and with himself first, and by you, man is responsible for what is performed by actions, and to look at resources and funds as being behind in managing them on behalf of their true owner (God), because God enabled humans in general and some of them in particular to replace them with their predecessors in the ownership of land (resources and money). The second principle is to manage resources according to the principle of cooperation between man and man (Takaful): “He hath raised you in ranks' some above others” (Alanaam: 165). The meaning of “raising some of you above some levels” is that earning and sustenance is different from one individual to another, so that it can be tested later that the person has used these funds in the right fields and in the service of humanity. The third principle in social responsibility in Islam is the encouragement of voluntary work and charitable activities, which is associated with the stimulus that God promised man in the Hereafter: “Contribute to your destruction Allah loves those who well doing” (Albakara: 195). The fourth principle is the principle of social justice, which transcends individual boundaries to collective borders (the social responsibility of the company, group, or state). Islam does not view social justice as only political and civil rights (as viewed by statutory systems), but rather extends to include economic, social and cultural rights and equality. The Sharia law came as a basis for laying the rules of justice in general and social justice among people in p articular, and that preference is made for a person who offers a greater good deed. The Prophet Muhammad SAW says: “The best people benefit them to people.” Islam encourages productive work that adds economic value, and the state must guarantee freedom of work for people to practice their business and trade and prevent monopoly because it is contrary to the principle of social justice. Justice and social work are associated with good work according to God Almighty's saying: “Allah commands for justice and well doing” (Alnahal: 90). Therefore, Kamla & Rammal (2013: 918) believe that banks' commitment to adhere to Sharia law is a social goal in itself and should be reflected in its social role, just as sharing in profit and loss through speculation (mudaraba), sharing (musharaka), and other Islamic financing methods that focus on project profitability rather than financial guarantees, and this provides a more effective way to redistribute income.

The Concepts of Social Responsibility Accounting

Social accounting is defined as the preparation and issuance of accounts related to the organization's society that includes the environment, workers, customers, activities and interactions of other stakeholders, and the impacts of those interactions and activities (Patreson et al., 2018). From this definition, we can conclude that social accounting is the exit from the traditional role of accounting that focuses on financial results for the purposes of stewardship to the stakeholders approach. Therefore, (Belkaoui, 2000) suggested that the appropriate approach to accounting under social accounting is the accountability approach because it expands to other areas of disclosure, including:

a) The users range include shareholders, creditors, the management, the public management, and the society.
b) The scope of users, from assessing economic progress (for example, the ratio of profit growth and other techniques based on ability and assistance in investment decisions) to providing coherence among companies (intercompany), and from it to meeting specific needs of users and improving public confidence in the company's activities.
c) The types of disclosures from monetary evaluations based on the internal activity of the company, to internal and external data to show activities, the environmental situation, and activities of an economic and social nature.
d) The disclosure tools from financial statements to multi-media disclosures based on the psychology of human communication (communication theory). Thus, in light of the entrance to social accounting, the efforts of accountants should focus on answering the following questions: What is being reported? What measurements are used? What if those measures are not quantitative?

The common areas of social accounting in Islamic banks are:

Accounting for Small & Medium Projects

Small and Medium Enterprises (SME) contribute to the development of different segments of society because of the characteristics of the spread and localization where the workforce is present, and thus it achieves a kind of fairness in the distribution of the return of economic development among segments of society. Additionally, it does not need huge funds or complex techniques, and financing is leased (for example) with less risk due to the survival of the original leased institution; this financing instrument has proven its importance as a competitive tool in financing SMEs in different countries to the point that it became one of the best and most efficient financing systems (Belkacem, 2008). On the other hand, the role of SMEs is growing in creating new job opportunities and fighting poverty.

In the aspect of other financing tools, speculation (mudaraba) has provided a broad environment for people with skills for creativity and excellence and harnessing their talents in production and innovation without obstacles from the owners of capital and pushing workers in those projects to make the maximum effort for the success of the project because speculators are partners in profit and loss. In Islamic banks, this tool is an appropriate mechanism for allocating resources on the basis of competence, skills and honesty rather than on the basis of financial solvency, and is suitable for financing forms of participation in SMEs as it helps the partner to own the project's assets (in the event of withdrawal - exiting - the Islamic bank from the investment pool) as well as the contribution of all of those projects directly in economic development (Al-Asraj, 2010). SMEs can also be funded through Murabaha contracts (financing the purchase of raw materials for small productive projects, financing small agricultural projects and handicraft products by means of loan contracts (Salam). Perhaps the experience of Garameen Bank and Muhammad Yunus in Bangladesh obviates speakingin detail.

Accounting for Zakat Fund

Zakat is one of the five pillars of Islam. It comes in conjunction with prayers in twenty-seven of the verses of the Holy Qur'an, including in Surat Al-Baqara 110 (and establish prayer and pay Zakat), and many other verses. This requires that blessings, purification, increment and refinement of good deeds *via* the payment of Zakat which blesses and protects person's wealth (AAOIFI, 2017:381). For the purpose of determining the amount of Zakat, Islamic banks use two approaches namely the net assets approach according to which current liabilities are subtracted from the assets (except for fixed assets, leased assets, and investments that are not for trading purposes) to reach the Zakat pool on which Zakat is charged by 2.5%. The second approach is net investments which are related to the capital plus of the current liabilities minus the non-current assets to reach the Zakat pool as well. As for the uses of Zakat Fund funds, they are identified in the Holy Quran with eight items:

The poor, the needy, the employees of Zakat fund (staff), Their hearts are the ones (whose hearts are with Islam) and those who are burdened with debt, those who fight for the cause of Allah, those way farer. The sources and uses of the Zakat Fund are disclosed with an independent statement source and uses of Zakat fund that represents one of the basic statements of Islamic financial institutions identified by the FAS1.

Accounting for AlQard Alhassan Fund

AlQradalhasan (a good loan) is a simple loan with condition to return the principle amount in the future without interest. Thus, the lender will not be permitted for any reason to request more repayment than the principle amount recognized in the contract (AAOIFI, 2017: 363). AlQardAlhasan is one way of financing borrowers in Islamic banks and social solidarity, and it means spending for the sake of Allah and earning his satisfaction. Who is he that will loan to Allah a qardhasan (Al-Hadid 18). And certainly the loan is given to the servants of Allah and the Prophet Muhammad SAW said: "No Muslim lends other Muslim a good loan twice except as a charitable institution from him." Muslims agree on the legitimacy of a good loan because of the suffering and needs of people, which is fulfilled by God's promise of great rewards in the hereafter.

The (FAS1) standard requires that the sources and uses of the ALQardhasan Fund be disclosed in a separate statement, which represents one of the basic statements of the requirements of the above standard. There are other requirements including: disclosure of funds available for lending at the end of the fiscal year (FAS1, Para. 69), the amounts and sources of funds according to their sources (FAS1, Para. 71), and the uses of those funds according to their nature (FAS1, Para. 72), where nature means the entities that benefit from loans such as students, craftsmen and others. Thus, the standard did not specify the beneficiaries of the loans of this fund and left the matter to the diligence of the board of directors of the financial institution and the legal committee to ensure that these loans were granted in works that do not violate the intentions of Islamic Sharia (AAOIFI, 2015).

Accounting for Charitable Fund

Charitable funds require direct donations from clients, or amounts that are obtained from specific transactions (Baydowen et al., 2018). There are other sources for this fund including funds from earnings from activities prohibited by the Islamic Sharia law, as well as amounts disbursed for purposes not permitted by Islamic Sharia law (FAS1, Para. 15) which should be disclosed in the management report of the Islamic Bank. Charitable contributions differ from the Algard Alhasan through its source, so it is granted voluntarily (charity) ("And the money came on the love it to relatives, orphans, the poor, son of the way, the questioners and in the necks" Al-Baqarah:177). However, it is similar to it in some aspects of spending and differs with some other aspects ("They ask you what they spend Say what you have spent for well-being, for parents, relatives, orphans, the poor, and the son of the path" Al-Baqara: 215). Charity must be spent in the way of God and it should be done in secret because God knows it, but there is no objection to announcing it for the purpose of motivating others to do the same. However, this disclosure should not be for the purpose of pharisaism or show off, because that will cancel the reward of that spending ("Concel not your charity by reminders of generosity" Al-Bakara: 264). Islamic Sharia standards and accounting standards do not specify how to use the money of charitable works because it is a broad and changing business in terms of time and place; however, it is distributed in accordance to the decisions of the bank's board of directors after obtaining approval from the Sharia Board, and it is distributed in various activities such as the initiative to educate the needy and support the poor and others. In the areas of disclosure of the sources and uses of the fund, Islamic accounting standards allowed it to be merged with the list of sources and uses of the Zakat Fund (Baydowen et al., 2018).

From the previous review of the Zakat and Charitable Activities Funds, we see that the former determined the aspects of its uses according to the priorities, whereas the Charitable Activities Fund did not specify the uses of its money just as the Charitable Activities Fund may include illicit funds, so placing them in one disclosure is unacceptable in terms of Sharia law and accounting. And a separate statement must be prepared for each of them when formulating the proposed framework.

Analyze Disclosures in the Financial Accounting Standards (FAS1) Before performing the required disclosures analysis in (FAS1), it is necessary to discuss the objectives of financial reports for Islamic institutions mentioned in the Financial Accounting Statement No1: Objective of financial accounting for financial Islamic institutions issued by AAOIFI which emphasized the importance of financial accounting goals. One of the goals is to inform the performance of Islamic banks on their responsibilities towards society, given that the concept of social responsibility in Islam focuses on two aspects *i.e.*, the benefits provided to society and the prevention of harm to it, as well as special reports by developing the human resources available to banks including spending on training employees in the legal or economic aspects and encouraging them to increase their skills in the performance of their business (Para. 32-5), in addition to what was stated in setting the same objectives (Para. 42). But these goals are not fully reflected in FAS1 as we will see later. FAS1 tried to link the types of financial statements, the objectives and functions of financial accounting in three directions (Al-Zammar, 2015):

A. Statements that express the bank's functions as an investor for shareholders' money (and equivalent investors), which is represented in:
- Statement of financial position
- Income statement
- Statement of Cash Flows
- Statement of changes in owners' equity

B. Statements that express the bank's position as director (agent) of restricted investments (statement of changes in restricted investments)

a) C- Statements that express the social function of the Islamic banks:
- Statement of sources and uses of Zakat fund
- Statement of sources and uses of Qardalhasan fund

FAS1 includes a set of disclosures required to be submitted by Islamic financial institutions. The full set of financial statements includes seven basic statements namely the statement of financial position, the income statement, and a statement of sources and uses of Zakat Fund (if the bank assumed responsibility for collecting Zakat in whole or in part and distributing it) and the statement of sources and uses of Qard funds (Para.2-1). However, the standard did not refer to a statement of charitable activities. Another method of disclosure is the footnote related to the financial statement of banks (Para.2-1-H). The standard allowed the banks to freely choose any other reports, statements, and data that help in fulfilling the needs of the users of the financial statements mentioned in the Statement of Objectives No. 2 (Para. 2-1-I) and in examining the disclosures in the financial statements themselves (Para. 30). We find that the required disclosures in the financial position list alongside the assets are focused on the nature of those assets (cash and cash equivalents, murabaha receivables, salam receivables, investment in Istisna, investment in securities, mudaraba, musharaka, investment in real estate and so on) (Para. 37). It did not refer to any disclosures on the social aspects, and the same thing can be indicated on the income statement as indicated in (Para. 47) that the bank must disclose the income, gains, expenses and losses of investments according to the types of those investments. Except when it comes to disclosing the amount and pool of Zakat (Para. 51), which is normal when the bank collects the amount for shareholders and account holders. The standard also focused on the statement of sources and uses of Zakat fund (Para. 65-68), and the statement of sources and uses of Qardalhasan (Para. 69-73). Upon investigation of the other required disclosures in the standard, we see that they relate to the change in accounting policies, the change in significant accounting estimates, and the correction of accounting errors for previous periods. And according to the above, by examining all aspects of the standard, we see that it came in harmony with the basic components of the International Accounting Standards (IAS1) issued by the International Accounting Standards Board (IASB1), which is a natural case because Islamic banks are listed in the global financial markets. It hence should emulate the requirements of those markets. However, the important conclusion that we can reach is if the bank does not assume responsibility for collecting and distributing Zakat Funds, and does not carry out the activities of the Qardalhasan. The disclosures on the contributions of Islamic banks disappear even if they have other broad contributions through other products (Musharaka, Istisna, Salam and so on). For this reason, the disclosure methods must be expanded and the FAS1 standard improved.

Discussion of Sustainable Development Goals (SDGs) 2030

The sustainable development goals were set by the (United Nations, 2016) which identified 17 main goals that are interconnected and contents of 169 specific targets. These goals and targets cover a wide range of social and economic development targets. Emphasized in the first goal is that all women and men can enjoy (especially the poor among them) with the same rights to economic resources, and create social protection systems at the national level and set minimum boundaries for them. Perhaps the primary target of the second goal is to eliminate hunger and get all people, especially the poor and vulnerable groups, to have enough food. Meanwhile, the third goal relates to good health and wealth and the pursuit of clean water and healthy sanitation. The fourth goal focuses on ensuring that everyone can attain free, fair and good primary and secondary education. The seventh goal seeks to expand energy related infrastructures and the use of technology to provide new and sustainable energy services to all. The eighth goal may be directly related to the activities of banks in ensuring suitable work for people and economic growth, as the targets for this goal indicate the enhancement of the capacity of financial institutions in achieving financial inclusion through the ability to obtain financial services. Reducing inequality is the essence of the tenth goal, and this is done in ensuring equal opportunities and reducing inequality in results. Associated with banks in this objective is to reduce the costs of migrant transactions to the lowest possible level (3%). In goal 11, governments and institutions must strive to find local sustainable cities and communities by supporting economic, social and environmental links between urban and surrounding areas. Islamic banks should take their role in this area using the so-called green financing. The goal of safety and justice (goal 12) is closely related to limiting the illicit circulation of funds, and this goal is consistent with the trends of Islamic banks that commit themselves to

disclosing funds that violate public laws and others that violate the Sharia Islamic law (even if they are in compliance with general laws), as well as disclosures of any other activities harmful to society(www.unstats.un.org-sdgs-indicators).
https://unstats.un.org/sdgs/indicators/indicators-list/

A Proposed Framework

In accordance with previous discussions regarding the four basic principles of social responsibility in which Islamic banks depend on in carrying out their business and meeting their social obligations, the proposed framework for the disclosure of social responsibility of these banks can be formulated. The four principles represent the head of the pyramid of the proposed framework (level one) and are consistent with investments and receivables projects funded by the Islamic banks (Murabahaa, Mudhrabaa, Salam etc.) in level two. The goals and objectives of sustainable development and the quantitative and qualitative (descriptive) indicators of these goals and ends are placed in level three (table 1). Subsequently, the results of those indicators are presented and disclosed through various methods (level four) including through the reports of the board of directors, basic financial statements, analytical reports and explanatory notes with confirmation that the methods of presentation and disclosure are consistent with the current financial accounting standards issued by the AAOIFI and then with improvements suggested in the future.

Report of the Board of Directors

The disclosure in the report of the Board of Directors includes the most important projects and activities of the bank which contributed to the achievement of the goals of sustainable development, society building, productivity improvement and SME facilitation, as well as to the solving of the problems of poverty and unemployment, the building of partnerships with official governmental institutions and civil society organizations, and the provision of responsible products that contribute to the preservation of the environment. These disclosures can be quantitative or descriptive which entail annual ratios and growth rates. The report of the Board of Directors should include the bank’s plan for social responsibility for the next year or years, especially those related to:

- Al Qardalhasan
- Donations
- Education
- Health care
- Energy and environments
- Provision of housing
- 8-2 General Financial Statements

In the context of the developments that we propose to FAS1 is the addition of an independent statement of sources and uses of charitable activities to the main statements included in these standards in accordance to a similar formula to the statement of sources and uses of the Qardalhassan Fund, with emphasis on reclassifying the areas of use of Zakat, Qard and Charitable funds in accordance with the SDG.

Analytical Statements

Statement of Value Added

Table (I) Statement of Value Added in Islamic Banks
Details Current year
(currency unit)Previous year
(currency unit)

Revenue :
- Mushraka
- Istisnaa
- Istizraa
- Other projects of which the bank is holding the expenses

Less: Production Factors Expenditures
- Materials
- Energy
- Other manufacturing expenses
- Others projects expenditures of which the bank is holding the expenses

Net value Added

Distribution of net value added
- To employees (salaries and wages)
- Benefiters (Zakat)
- Charitable Activities
- Others

Total of Distribution of net value added

Table 1
STATEMENT OF VALUE ADDED IN ISLAMIC BANKS

Details	Current year (currency unit)	Previous year (currency unit)
Revenue :		
● Mushraka		
● Istisnaa		
● Istizraa		
● Other projects of which the bank is holding the expenses		
Less: Production Factors Expenditures		
● Materials		
● Energy		
● Other manufacturing expenses		
● Others projects expenditures of which the bank is holding the expenses		
Net value Added		
Distribution of net value added		
● To employees (salaries and wages)		
● Benefiters (Zakat)		
● Charitable Activities		
● Others		
Total of Distribution of net value added		

Statement of Projects Funded by Islamic Banks

According to this statement, all assets are reclassified according to the contribution of each of the bank's assets according to the sectors funded by the bank that contributed to the achievement of the SDG. With the exception of assets that remain under the bank’s possession to meet emergency situations or to meet legal requirements set by central banks (cash and cash equivalents), fixed assets that the bank’s operational business requires such as buildings, transportation, and furniture, as well as other requirements minus their depreciation (other non-current assets).

Table 2
STATEMENT OF PROJECTS FUNDED BY ISLAMIC BANKS

Goal of sustainable development	**Total amount**	**Fight poverty projects**	**Support good health**	**Support quality education**	**…….Other projects related to the other goals of sustainable development**
Cash and Cash equivalent	XXX	0	0	0	0
Investments :					
● Ijara Sukuk	XXX	XXX	XXX	XXX	XXX
● Mushraka	XXX	XXX	XXX	XXX	XXX
● Istisnaa	XXX	XXX	XXX	XXX	XXX
● Istizraa	XXX	XXX	XXX	XXX	XXX
● Others	XXX	0	0	0	0
Receivables					
● Murabaha	XXX	XXX	XXX	XXX	XXX
● Mudaraba	XXX	XXX	XXX	XXX	XXX
● Salam	XXX	XXX	XXX	XXX	XXX
● Alqardalhasan	XXX	XXX	XXX	XXX	XXX
● Others	XXX	0	0	0	0
Investments in real estate	XXX	XXX	XXX	XXX	XXX
Real estate for rent	XXX	XXX	XXX	XXX	XXX
Other non-current assets (net)	XXX	0	0	0	0
Total Assets	**XXXX**	**XXXX**	**XXXX**	**XXXX**	**XXXX**

CONCLUSION

The failure of Islamic banks to assume full or partial responsibility for collecting and distributing Zakat funds and not allocating Qard funds eliminates the need for the two statements of sources and uses of the Zakat Fund and the Qaradalhasan Fund as specified in FAS1. By canceling them, the bank appears to have no social activities other than the reality of the work of the Islamic bank that emanates mainly from a social goal. Therefore, this research attempts to confirm that most of the financing tools in Islamic banks have a social goal even if the funded projects are the ultimate goal of profit, because these projects can contribute to achieving social justice, eliminating unemployment, fighting poverty, preserving the environment and equitable allocation of resources between different segments of society. On the basis of competence, experience and the ability to accomplish for borrowers rather than on the basis of solvency, these areas are in line with the SDG set by the UN. Accordingly, the disclosure methods specified in the financial accounting standards issued by AAOIFI are insufficient to show the true contribution of Islamic banks towards achieving the SDG because they focused only on the statement of Zakat and Qardalhasan. Therefore, this study suggests the development of FAS1 through a proposed framework to help demonstrate the real social performance of Islamic banks. We also recommend the diversification of Islamic financing tools that finance SMEs and the importance of those projects in achieving the SDGs. We also suggest giving relative weight to the degree of the Islamic banks' contribution to social activities when determining the ranking of banks according to the common classification criteria (Moodys or Standard & Poor) to encourage them to carry out their social responsibilities.

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