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Stakeholder engagement for value-based banking: The case of Malaysian Islamic banks
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Abstract

This study explores the practices of stakeholder engagement (SE) in Malaysian Islamic banks. In 2017, Bank Negara Malaysia (BNM) introduced the Value-Based Intermediation (VBI) framework, with the aim of promoting a more sustainable and responsible banking system in the country. Among others, the VBI framework requires Islamic banks to adopt a stakeholder-driven approach to their business operations, which involves understanding and responding to the needs and expectations of their stakeholders. Within this context, we apply a content analysis of the annual and sustainability reports of all stand-alone Islamic banks in Malaysia to document the changes in the banks' quality of SE after the introduction of the VBI. The content analysis is guided by a new index that we construct, termed as the Stakeholder Engagement Quality Index (SEQI), which covers four dimensions of SE process: the purpose, stakeholder mapping, scope and approach to the engagement. Our results indicate that the SE quality significantly increases overall and for the third (i.e., scope of SE) and fourth (i.e., SE approach) dimensions subsequent to the VBI. Additionally, in terms of bank types, we find that the SEQI score is higher for commercial Islamic banks than development Islamic banks in the post-VBI period. Despite such improvements, our study alerts policymakers that there are areas that need further attention. Among others, these include integrating SE into the banks' internal managerial functions and encouraging active stakeholder participation in the design and implementation of the engagement itself. © 2023 John Wiley & Sons Ltd.

Author Keywords

Islamic banking; stakeholder engagement; value-based banking

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