

Role of the Central Bank in implementation of Value-Based Islamic Banking and Reporting in Bahrain – Exploring the challenges

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Abstract— This paper aims to explore the role of the Central Bank of Bahrain (CBB) in the implementation of Value-Based Islamic Banking (VBIB) and Reporting in Bahrain, explore the related challenges, and provides suggestions that how the central bank can encourage the Islamic banks to align their operations for making a positive impact in society to translate Value-Based Banking (VBB) fully into practice by the Islamic banks in Bahrain. The paper also explains the VBIB, and its related principles, which is a relatively new concept in Bahrain. The study employs a qualitative approach to understand the role of CBB in such implementation. The findings reveal that based on Islamic principles and Maqasid al-Shari'ah, CBB is yet to develop a strategy paper and framework for the value-based Islamic banking and reporting for the Islamic banking practices towards the well-being of the society and social objectives. This article suggests what could be done by the CBB to achieve the aim of the adoption of VBIB. As, there has been very little written on value-based Islamic banking (VBIB) and reporting in Bahrain. Therefore, the study also contributes to the current Islamic finance literature and identifies the need for reporting standards to improve the VBIB practice in Bahrain in the future.

Keywords- Value-based Islamic Banking (VBIB), Islamic Finance, Central Bank of Bahrain (CBB), AAOIFI, CBB framework

I. INTRODUCTION

In contrast to the traditional conventional banking system, which favours debt processes, Islamic banks have a distinctive character, giving equivalent weight and priority to their social objectives and profit by focusing on real sector economic activities with a long-term objective rather than short-term risk-taking decisions [5].

One must understand the Maqasid al-Shari'ah (i.e., the objective of the Shari'ah to promote the welfare of human beings, which lies in safeguarding the faith, human self, intellect, posterity, and wealth) to comprehend the goals of Islamic banking (Imam Ghazali (as cited by Chapra and Dusuki).

However, over the years, the Islamic banking industry adopted the developed form of wealth maximisation [7], just like a conventional bank, and diverted from the philosophy and ideology of Islamic banking from the welfare of society towards profit maximization [4], [35], and failed to realize its embedded objectives of social-economic development as part of Islamic economic principles and Maqasid al-Shari'ah based on which Islamic banking system was built [30].

The recent global financial and economic crisis with the oil crisis and commodity prices, geopolitical conflicts, and depreciation in exchange rates has caused weaker confidence amongst consumers and investors in the global economy. This global financial and economic crisis (IFSB 2016) has brought the need for Islamic banks to re-focus on the originality of their objective of being a value-based banking system [30].

The fundamental question is whether Islamic banks are not only considering maximisation of the wealth of the shareholders but also providing positive impact and effects on the society, i.e., achieving the Maqasid al-Shari'ah with social-economic development in the community, which was defined by Al Ghazali in the 14th Century [31]; [10], and how to implement such a practice. In this research paper, we have analysed the consistency of values-based banking practices of IFIs with the concept defined in Maqasid al-Shari'ah.

Recently, the Central Bank of Malaysia, with the assistance of Islamic commercial banks, has developed a strategy document to work towards “value-based intermediation” [7]. Value-based intermediation encourages IFIs to adopt a more structured framework to create value and impact in society, particularly in response to changing economic, social, and environmental conditions. Islamic finance and value-based finance had common grounds as principles of responsible investment [8];[9].

Our focus in this research paper is to introduce value-based Islamic banking and reporting, its principles and comprehend the role of the Central Bank of Bahrain in adopting value-based Islamic banking and reporting in Bahrain by conducting

interviews with the Islamic banks' executive management, experts, and scholars of the Islamic banking industry.

One could ask why Central banks, for example, in this paper, the Central bank of Bahrain, should care about the impact on society, such as climate change and environmental sustainability. It should be noted and understood that any negative impact on society means the negative influence on corporations and households (being part of society/community), who have the services or products of financial institutions, will result in a negative impact on financial intuitions portfolios and performance. Thus, illnesses (i.e., Covid-19) increase the number of deaths, affect short and long-term growth and financial stability. Further, financial institutions, who have lent to households and corporations are likely to have a negative impact due to such events and an increase in losses. Therefore, Central banks and financial institutions must consider such a negative impact on society and safeguard themselves [12].

The principles of Islamic banks promote long-term sustainability, social responsibilities, interest in the business of all parties concerned with the success of the result, responsible to their shareholders, as well as oblige a fiduciary duty to society as a whole [30]. Reference [26] further emphasized that the principles of Islamic finance offer a fair socio-economic system with a strong commitment towards the well-being of society, social justice, and prosperity of the whole community.

Social issues must be critical to Islamic banks based on Islamic principles. The earlier studies revealed that the Islamic banks were based on social initiatives to achieve social objectives [30]. Al-Ghazali defined the Maqasid al-Shari'ah as an Islamic social welfare function, with specific goals and guidelines for prioritising individual and social needs [16]; [31].

Besides, Reference [6] has argued that Islamic banks play two critical roles in the community, namely religious and financial. Therefore, Islamic banks have been considered a new way of representing the organisations, whose social objectives are as valuable and essential as making profit [18]. Reference [28] argued that "both the society and the business will not have a long-term future" without sustainable development.

IFIs have to play a vital role in developing value-based banking and reporting by making a community-based investment, developing value-based Islamic banking products that meet customers' business needs with social values and religious beliefs [30]. These products and investments will allow people to improve standards of living, assist in the development of a community, social services such as the development of human resources, safety of environments, elevation of human rights, help them to develop small businesses and create jobs and positive contribution in community development programs (Hasan & Dridi, 2011; [29];[36]; [33] [13].

A. Brief overview of Value-Based Islamic banking

Values-Based Islamic Banks (VBIB) manage their funds by providing facilities and services to sustainable projects through

facilities to individuals and corporates based on Islamic finance and economic principles [30]. They avoid investing funds for purely financial purposes rather than to support their local communities with a positive impact. These banks use resources to deliver economic, social, and environmental development [20]. Value-based Islamic Banking can be described as illustrated in Figure 1 [30].

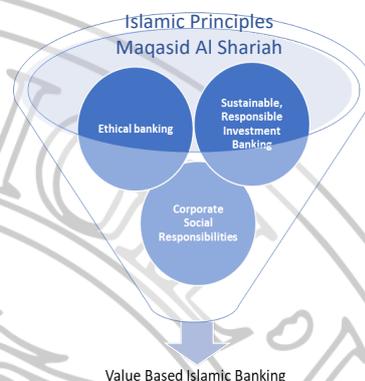


Figure 1. The concept of value-based Islamic banking [30]

Therefore, value-based Islamic banking focuses not only on pure return or profit but also realises the importance of corporate responsible banking, sustainable-focused Islamic banking, and ethical and investment responsible Islamic banking, which will generate a positive impact on society with sustainable development and return to the shareholders [30].

B. Principles of Value-Based Islamic banking

The following six principles are mentioned in figure 2 [17], previously referred to as sustainable banking and finance principles, modified for value-based Islamic Banking and reporting [30].

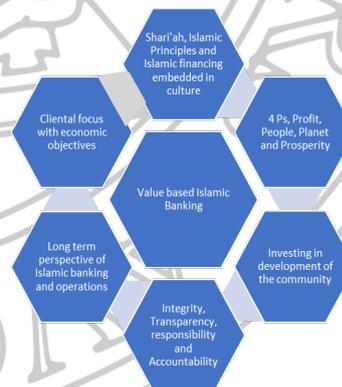


Figure 2. Principles of value-based Islamic banking [30]. Adapted from [17].

These principles are needed to be ingrained in the culture of Islamic banks to recognise them as part of the day-to-day procedures and operations. The central bank can encourage and support Islamic banks in Bahrain to establish such policies to reflect their values-based approach and develop such practices to help society [30].

C. Practices of Value-Based Islamic Banking and Reporting in Bahrain

Bahrain has been considered the financial hub in the Middle East with several governing authorities. Therefore, they have the ability to make valuable contributions to theory, policy, practices and assist in significant knowledge in Value-Based Islamic Banking (VBIB) and reporting not only in Bahrain but also in other parts of the world [30].

The research revealed that the scale of VBIBI by Islamic banks falls short of the index of 1 by most banks, as social society-related matters were not disclosed in their annual reports [30].

Islamic banks have been described as having “a social face” [24]. “Social activities are emphasized in Islamic banks’ articles of association among their objectives and functions” (El-Ashker, 1987, p. 45, cited in [24])

Reference [30] found that the Value-Based Islamic banking Index (VBIBI) scores of three dimensions Debtor, Environment, and Qard al-Hasan, are the lowest among all the themes and raise questions for Islamic banks. Astonishingly, we did not find any information disclosed on debt policy in the sample of Islamic Banks [30]. Though Quran says that “And if someone is in (debtor, hardship), then postponement until [a time of] ease. But if you give charity, then it is better for you if you only knew”. (The Holy Qur’an, 2: 280) . However, no report on the debtor or very little information was disclosed on the environment and Qard al Hasan [30]. Sairally (2007) reported that the social responsibility of Islamic Financial Institutions (IFIs) was not an integral part of their business policies.

Likewise, a study by [22] and [18] have discovered that the responsibility of Islamic banks to satisfy their ideological cases has either insignificant or non-existent focus on social objectives. Islamic banks need to play a positive role in economic development and community prosperity [6]. Reference [18] suggested that corporate disclosure practice reflects the underlying environmental influences that affect company accounting practices in different countries. As there is no impact reporting standard for disclosure purposes, Islamic Banks disclose whatever they desire necessary. Therefore, IFIs have yet to develop such evaluating and assessing operating and reporting systems based on their operations and embedded objectives [30].

There is a need for more disclosure and reporting of value-based Islamic banking and recognised the necessity for social and economic prosperity and the responsibilities of Islamic banks as part of their business and Islamic principal [30]. It was stated that the main reason for such non-disclosure was the lack of AAOIFI standards on value-based Islamic banking reporting [30].

“Governing authorities such as the central bank and AAOIFI has to play a vital role in this regard. It was found that currently there was no framework from governing authorities such as CBB and AAOIFI in Bahrain, which could direct the value-based Islamic banking and reporting, no rules, strategies,

and guidelines for assessments and disclosures such as the social and environmental performance as non-financial information along with financial performance” [30]. AAOIFI is yet to develop and cover such aspects of value-based Islamic banking reporting in their standards, as presented in below figure 3.

Figure 3. The value-based Islamic banking reporting aspects [30]

Implementing value-based Islamic banking and reporting will further strengthen accountability and integrity and provide fair and transparent disclosure [15]; Khan, 2019). “Value-based banking (VBB) standards will enhance IFIs’ non-financial information disclosure to indicate their contributions to society. Such reporting and transparency will help the stakeholders in decision making and could help to build up a better future for the economy” [30]

II. RESEARCH GAP AND AIMS

A literature review shows that many materials and articles may be published on Islamic microfinance and Maqasid al-Shari'a and their link with Islamic banking in general. However, there seem to be limited research papers explicitly addressing whether the concept of Value-Based Islamic banking and reporting and how the central bank can help to achieve such goals.

This research study aims to tap into these research gaps by introducing value-based Islamic banking and its principles in the Islamic banking industry in Bahrain.

Furthermore, this research study's objective is to introduce the role of the Central Bank of Bahrain in adopting value-based Islamic banking and reporting in Bahrain through interviews with senior management of Islamic banks, specialists, and academics of the Islamic banking sector. There is very little written on the practical side of Value-Based Islamic banking and reporting. Therefore, this article provides a valuable contribution to the literature domain, knowledge, and practical aspects of the Islamic banking industry in Bahrain and other parts of the world where Islamic banking is being practiced without value-based banking.

III. METHODOLOGY

A qualitative research technique was employed through interviews with the representatives and experts of Islamic banks to explore the perception of the value-based banking implementation and disclosure enhancement in reporting of

Islamic banks with the assistance of the central bank of Bahrain.

Qualitative research enables the researcher to comprehend how Islamic banks' representatives construe their experiences and meaning [11].

The use of a qualitative research approach can be further justified in its capability to generate comprehensive information to determine the role of the central bank in the implementation of value-based Islamic banking [11].

This study applied the qualitative method to collect data. We conducted 12 in-depth semi-structured interviews with the senior executives, practitioners, specialists in the field of Islamic banking and reporting, and scholars who were aware of Islamic banking practices in Bahrain. The selection was based on their overall knowledge of Islamic banks and value-based banking, including strategic objectives which have implications for VBB. The primary purpose and goals of these interviews were to gain comprehensive understandings and insights into the role of the Central Bank of Bahrain (CBB) in adopting value-based Islamic banking and reporting.

Open-ended questions guided the interviews, allowing for more significant discussion and dialogue between respondents and the researcher. Interviewees were requested to structure their responses subjectively based on their level of knowledge, degree of expertise, and skill. This method led the researcher to a thorough understanding of the role of CBB in the implementation of Value-Based Islamic Banking and reporting, addressing the rich context and their significance [11].

The names and contact information of the Interviewees were gathered from the annual reports and the websites of the organisations. In addition to that, we also employed sequential and chain sampling. In this sampling procedure, one initial respondent leads to another, or additional respondents have obtained information from the initial respondents. In other words, selected contributors will propose additional participants that they think will provide imperative data for the project [37]; [27].

Context notes regarding the research and interview were sent to interviewees in advance once they were scheduled. The interval for each interview varied from half an hour to an hour. An audio recorder was also used with the interviewees' permission to record each interview. We initiated the conversation by providing a background and general introduction about value-based Islamic banking and reporting, then continued by asking interviewees further questions regarding the main concept of the topic. Furthermore, participants were informed that their identity and the specifics of their organization would not be divulged when quoting them.

Interviews were conducted in English language, which was the same language used to write up the transcript from the recorder. The procedure generated a significant number of data pages, where no significant variations were noticed. We analysed the transcripts by organizing the interview content by establishing critical points and gathering them into groups. The

analysis procedure commenced with each transcription being coded. Considering the bigger picture in the interview guide, the researcher constantly read all the transcriptions and emphasised substantive statements deemed appropriate to the research. The researcher listened to the recorded interviews and read the transcripts while listening to ensure the accuracy of the data and reflection on the interviewees' meanings and intentions. Respondents' identities remain confidential according to ethical norms and considerations [30].

TABLE I. LIST OF INTERVIEWEES

Interviewee number	Position	Nature of organization	Education	Gender
11	Senior Manager	IFI	MBA, CPA	Male
12	Executive manager	IFI	MBA, ACCA	Male
13	Senior Manager	IFI	MBA, ICAEW	Male
14	Executive manager	IFI	MBA	Male
15	Senior Manager	IFI	MBA,	Male
16	Director	IFI	MBA, CA	Male
17	Senior Manager	IFI	MBA	Male
18	Manager	IFI	MBA	Female
19	CEO	IFI	PhD	Male
110	Executive Director	IFI	PhD	Male
111	Executive Manager	IsDB, Scholar	PhD	Male
112	Senior Manager	ICD, Scholar	PhD	Male

After reviewing samples of IFIs' annual reports and financial statements and knowing the practices and disclosure of the value-based banking, the researcher sought to ascertain how to improve value-based Islamic banking and reporting in Bahrain by conducting interviews (Table 1). Several factors affect the implementation of value-based Islamic banking; however, this research paper discusses only one of the factors related to the Central Bank of Bahrain (CBB) in adopting value-based Islamic banking and reporting [30].

The current study attempts to answer the following research questions:

- a) *How can Central Bank play a role in implementing value-based banking and reporting in the Islamic finance industry?*
- b) *How can Islamic banks be encouraged for positive social change by the Central bank of Bahrain?*
- c) *Do you think Islamic Banks need the support of an entity that brings all Islamic banks under a platform and guides them for being value-based Islamic banks?*

IV. RESULTS OF THE INTERVIEWS

A. *Role of the central bank in implementation of value-based Islamic banking and reporting*

All interviewees concurred that CBB and regulators must develop a framework and guidance for value-based Islamic banking and reporting.

“CBB can develop a strategy or a plan, just like other central banks, where value-based banking (VBB) has been implemented” (I9).

“This will encourage the IFIs to deliver shari’ah based products and services with a mindset and focus positive impact to the economy and community” (I7).

CBB has to motivate the Islamic banks to have their plan, policies, approach, and performance on value-based banking. To facilitate the adoption of value-based banking and reporting system in Bahrain, CBB can assist the Islamic banks with some guidance, training materials on value-based Islamic banking (VBIB), and also collaborate and team-up with the concerned stakeholders of the banks, and ascertain that Islamic banks have the necessary training.

CBB can also support and promote the VBIB by ensuring that the Islamic banks align their products and services with value-based banking to reflect such values in their day-to-day transactions and performance by disclosing them in the impact report either separately or as part of the annual report.

“Creating awareness of VBIB and reporting is vital for the Islamic banks by the CBB” (I5).

CBB has to create awareness of Value-based Islamic banking and reporting through collaboration with the Bahrain Association of Banks (BAB), CIBAFI, Islamic banks’ CEOs roundtable, Islamic banking conferences of the IFIs in Bahrain.

“CBB has been continuously enhancing the regulatory framework in Bahrain to support innovation and maintain the stability of the financial sector” (KPMG, 2019). However, non-financial related frameworks such as value-based banking and reporting frameworks are yet to be introduced and developed for the banks by the governing authorities in Bahrain [30].

European Central Banks have included core responsibilities as environment and sustainability as part of their goals. IFIs in Malaysia have commenced addressing sustainable, responsible, impact investing through ethical financing by embracing the pursuit of values beyond financial returns and motivation. An example of such investment could be Sukuk by Khazanah that brings social impact through promoting quality education, and similarly, green Sukuk could encourage sustainable energy [15]; [9].

The responses from the interviewees are in line with literature reviews of central bank Malaysia (BNM) has introduced value-based intermediation (VBI) for Islamic banks to be more impactful by allowing them to have more participation in social well-being, to improve the more remarkable achievement of Maqasid Shari’ah in IFIs, and concurrently to achieve economic growth in the community [20].

“To have impactful reporting for VBIB, CBB can encourage AAOIFI and the Islamic Financial Services Board (IFSB) to develop a set of guidelines for non-financial disclosure information to steer IFIs for VBB reporting” (I3).

Value-based banking (VBB) standards will enhance IFIs’ non-financial information disclosure to indicate their contributions to society. Such reporting and transparency will help the stakeholders in decision-making and could help to build up a better future for the economy [30].

Moreover, with the support of the CBB, AAOIFI to collaborate with Shariah scholars and IFSB to develop guidelines and standards to guide the Shariah Board not to focus only on shariah compliance but also highlight to the IFIs’ stakeholders, particularly the management and Board, that recognising environmental, social, and cultural issues are important factors of Maqasid al-Shari’ah and these subjects are an integral part of IFIs operations [30]; [29].

The central bank must have their separate trained division in value-based Islamic banking, at the Central Bank level, who reviews the Islamic banks’ operations, reviews their financial statements and policies, encourages them to align operations, and reports the impact of value-based reporting.

Create a system in the Central bank by asking them questions such as Social Development Goals (SDGs) based on how Islamic banks’ products and services are creating jobs. To encourage them to have 17 SDGs reporting in their annual report or separate reports.

Furthermore, CBB must make sure that Islamic banks understand the needs, expectations, and sensitivities of the subject matters must prioritise those banks that are making a positive impact and reporting such effects on the customers in the market. Therefore, Islamic banks should train their staff with sufficient knowledge of Islamic banking products with ethics and professionalism towards customer satisfaction [33].

B. *Encouragement of positive social changes by the central bank*

CBB to introduce the enabling environments for IFIs in Bahrain by helping them to adopt the value-based banking practices through encouragement.

“In order to promote and courage VBIB practices, CBB should provide incentives Islamic banks.” (I8)

The banking industry in Bahrain is very competitive with Islamic banks being in the same marketplace as conventional banks Interviewee (I8) emphasised that to implement the value-based Islamic banking (VBIB) practices in Bahrain, the Central Bank of Bahrain (CBB) has to provide some incentives, for instance, by lowering the capital reserves requirements of Islamic banks as a percentage of the Islamic banks’ assets with CBB, if these Islamic banks make investments or transactions which will create jobs or fundings to the SMEs or new ideas which could bring prosperity in the society, by appreciating these Islamic banks efforts of such kind of investments which make a positive impact in the community. This will lead to new business opportunities and results in sustainable banking to support the financial sector’s long-term resilience [15]; [9].

Through interviews with the experts, the researcher found that the central Bank must promote the engagement in corporate governance of the Islamic banks around the SDGs, encourage IFIs, supervise them, create some platforms for learning, form networking to bring all the exchanging experience together, and encouraging investments in the kinds of long term sustainable projects that society needs to have, which will create positive impact.

CBB has to align banking practices to the value-based Islamic banks with the goals expressed in the Sustainable Development Agenda and set benchmarks for what it means to be a value-based Islamic bank in that context. CBB must determine that IFIs by supervising them that IFIs' operations and goals are aligned with SDGs with the core business objectives, such as job creation, financing, health care, education, and clean energy. CBB must supervisor the IFIs to ensure that this approach must be embedded in the business model of IFIs.

CBB ought to urge and encourage the Islamic banks that the value-based Islamic banking techniques could be used as a strategic tool to enhance the bank's reputation in the market to gain more customers in the long run and survive in the evolving Islamic banking competitive market. It was proved that profit maximization and value-based banking are positively correlated [33].

Furthermore, to develop awareness and to promote VBIB in the market, CBB should appreciate the Islamic banks' efforts towards such goals, for example, by marketing such value-based Islamic banks by publishing their names in its weekly or monthly newsletter or on their website as an excellent value-based Islamic bank in terms of helping the society and making a positive impact in the community in Bahrain.

This should be done on a volunteer basis at the beginning to promote value-based Islamic banking and reporting in the Islamic Banking Industry [8];[9]; [25].

C. Need of a leader to bring all the Islamic banks in Bahrain under a single platform

“CBB to seek guidance and assistance from the pioneer of VBIB's such as Global Alliance Value-Based Banking (GAVB) and IsDB Group to consider the way to implement value-based Islamic banking and reporting in Bahrain to promote the bankable social development goals (SDG)” (I12).

CBB, with the help of the government, can utilise the expertise and assistance of the world bank, Islamic Development Bank (IsDB) and collaborate with the Bahrain Association of Bank (BAB), General Counsel for Islamic Banks and Financial Institutions (CIBAFI), Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI), Islamic Financial Services Board (IFSB), encourage the Islamic banks, develop regulations and oversight the financial sectors particularly the Islamic banks, as they are assets based so that Islamic banks can engage over a

longer term of the society, and develop value-based Islamic banks disclosure standards for stances disclosure on the environment, impactful disclosure besides the financial results.

If current practices of Islamic Banks are shifted beyond financial consumers to broader stakeholders within the community and economy, it will create not only profit for the consumers but also achieve the bankable social development goals (SDG) for the country, such as good health and well-being, quality education, gender equality, affordable and clean energy, decent work and economic growth, innovation and infrastructure, reduced inequality and, sustainable cities and communities.

“The collaboration among the Shariah scholars, practitioners, researchers, and regulators to undertake in-depth studies and research” [19] to determine that Islamic banking products are value-based, which will not only earn profits for the shareholders but also make a positive impact in the society as part of the Islamic banking objectives, achieve the economic goals and related SDGs in the country, will be an essential underpinning towards the development of value-based Islamic banking system.

“Value-based Islamic banking can help in achieving the SDGs through focusing on the real economy to promote growth, through financial inclusion of providing financing to sustainable projects, through financing projects that cater for the environment, and through sustaining the relationship between the bank and its customers” (I9).

One of the principles of Value-based banking (VBB) is client focus with the economic objective. VBB measures and captures the essence of sustainability by measuring the impact of an organisation's activities on society. Such as supporting local communities, the environment, customers, services to sustainable projects, individuals, and entrepreneurs. In order to assist IFIs in Bahrain, Central Bank, acting as a facilitator and regulator, can help in such VBB frameworks for IFIs, which will help in the development of the real economy, assist in sustainability, and benefit the country. In this regard, Central banks can play an essential role in maintaining the economic and financial stability of the country. Their toolkit also includes maintaining price stability (i.e., controlling inflation) and promoting economic growth. If achieved, economic growth will lead to job creation and employment opportunities and, hence, improve the standard of living in society. Thus, as CBB, they need to consider utilising the private sector (i.e., IFIs) into yielding such objectives, while IFIs perform their tasks by achieving their objectives and helping the economy simultaneously. It will be a win-win situation for both IFIs and CBB as a central bank, achieving sustainability and prosperity in society.

All other participants underlined that CBB should enforce such practices and reporting. Moreover, the majority accord with the collective view of Islamic banking being value based on a responsibility to ensure socio-economic development and improvements in its reporting. Through the interview, we revealed that CBB is expected to play an essential role in regulatory reform and support IFIs to direct their activities towards the well-being of society [30].

Value-based Islamic Banking (VBIB) is closely related to economic growth in the longer term. The VBIB scheme is more stable due to the absence of debt funding. Therefore, it lowers inflation in the economy and positively impacts employment, trade, economic growth, and GDP [3].

V. DISCUSSIONS AND CONCLUSIONS

This research paper addressed the value-based Islamic banking practices and reporting in Bahrain. Value-based Islamic banking and reporting will help resolve the issues and bridge the gap in economic development and social prosperity between the expectations and performances of the social elements of the Islamic banks.

Islamic banks in Bahrain may find it challenging to practice and disclose non-financial information without a central bank framework and guideline or set of standards from AAOIFI.

The findings of this paper are in line with previous studies of researchers who have discovered that the responsibility of Islamic banks to satisfy their ideological cases has either negligible or non-existent focus on social objectives. Islamic banks should play a positive role in economic development and community prosperity [6],[18],[22]

This research paper discovered that Islamic banks in Bahrain have lesser consideration. They have yet to devote more resources to value-based banking practices and disclose such practices in their reports. This is mainly due to the non-existence of an impactful framework from CBB and such standards from AAOIFI for reporting purposes [30].

This paper discovered through interviews with the expert of Islamic banks and managements those governing authorities such as CBB with the collaboration of other governing bodies must create enabling environment for the IFIs in order for them to achieve the objectives of value-based Islamic banking and reporting in Bahrain by considering the followings:

- *Developing a strategy and planning documents with the collaboration of key IFIs in Bahrain;*
- *Teamwork with IsDB Group, Global Alliance Value-based Banking (GAVB), and the Central Bank of Malaysia;*
- *Creating awareness of VBIB through Islamic banking conferences and Islamic banks' CEOs roundtables;*
- *Providing incentives and appreciation to encourage value Islamic based banking;*
- *Developing a set of rules for non-financial indicators and disclosure reports with the association of AAOIFI and IFSB; and*
- *Collaboration with AAOIFI, shariah scholars, and IFSB for the development of guidelines and standards for Shariah boards regarding VBIB.*

VBIB shall help achieve the Social Development Goals (SDGs) of Bahrain. Economic development and prosperity in society will result in more business for IFIs in the long term. Therefore, Islamic banks should understand the importance of

value-based banking and reporting in their daily operations. IFIs should realign their operations to echo the Islamic principles they claim to follow to help society achieve value-based banking [30].

Though at the same time, the implementation of VBIB on the ground could be challenging and cumbersome mainly because of the competitive marketplace. Unless Islamic banks get special treatment from the Government and the Central Bank, for example, incentives in capital adequacy requirements, appreciation, and special treatment for such a business plan of value-based banking, it will be tough to encourage IFIs with high competition in the market for Islamic products such as Murabaha or Tawarruq products (Hurayra, 2015), which are not an ideal Islamic banking apparatus for carrying out the fundamental economic objectives [32]; [25].

The study also contributes to the existing literature surrounding Islamic banking and the various facets attached to it. In particular, to answer how the Central Bank of Bahrain (CBB) can implement value-based Islamic banking and reporting in Bahrain. Our findings in this research paper have imperative implications not only for the CBB and management of Islamic banks in Bahrain region but also in other countries, where Islamic banking products and services are in demand.

VI. LIMITATIONS AND FUTURE RESEARCH

Although the results indicate the opinion of management and experts that the central bank can play a vital role for value-based Islamic banks, the study has certain limitations that should be examined in future studies. We have limited our sample to Bahrain alone, and further research can be extended to IFIs and traditional Islamic banks in other countries. Thus, additional research into these aspects might produce some intriguing results and could substantially improve the operation of value-based Islamic banking and reporting. Additionally, the study focuses on only one factor of value-based Islamic banking, and so further research is required for other issues. Future research should also employ mixed methods with a triangulation approach to validate the results.

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