

An Islamic Perspective on Corporate Social Responsibility of Islamic Banks

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Abstract

Basically, all of the world's top multinationals engage in corporate social responsibility (CSR) in some form and there is almost no country in which business has not taken up the challenge of CSR in some way. As a result, Islamic banks which are also part of business community face even more expectations in performing CSR as Islamic institutions. However, the status of CSR concept and the accountability of Islamic bank in performing CSR activities have not been ascertained from Shari'ah perspective. Therefore, this study aims at determining the status of CSR notion and investigating the legal status of Islamic bank in performing CSR activities from an Islamic perspective. This study is based on Islamic religious values and beliefs according to Shari'ah, which is the sacred law of Islam derived from the holy Qur'an and the Prophet's hadith. Evidently, it was found that social responsibility is a wonderful concept and a noble practice which is required in Islam, even has been embedded in Islamic teaching fundamentally based on the khalifah concept. It was also found that Islamic bank is an acknowledged legal entity in Islam which consequently, is accountable for CSR.

Keywords: Corporate social responsibility, Islamic banks, Islamic perspective, Shari'ah, khalifah (vicegerent)

1. Introduction

Corporate social responsibility (CSR) has become an intense area that attracting both practitioners and academicians (Hassan & Harahap, 2010). Even, the studies on CSR have grown exponentially at present by looking at more and more companies are engaged in serious efforts to define and incorporate CSR into all aspects of their business due to its positive impact on business economic performance (Mohammed, 2007). The concern over CSR is also significant to Islamic banks. In fact, as a business entity established within the ambit of Islamic law (*Shari'ah*), Islamic banks are expected to be guided by an Islamic worldview, which is based on principle of social justice and wellbeing (Asyraf Wajdi Dusuki, 2006). This is particularly true since those involved in Islamic banking and finance normally regard their ethics and social responsibility commitment as being more enduring since they are ultimately based on divine revelation, whereas ethics and social responsibility derived from secularist morality are unavoidably temporary (Wilson, 2001). Even though CSR looks good in the eyes of many researchers, the status of CSR concept and the accountability of Islamic bank in performing CSR activities from *Shari'ah* perspective have not been ascertained. Hence, the objectives of this study are to determine the status of CSR notion and investigate the legal status of Islamic bank in performing CSR activities from an Islamic perspective. These objectives are significant in order to obtain a proper enlightenment on the accountability of Islamic banks in implementing CSR in Islam.

The structure of this paper is as follows: Section 2 reviews of previous literatures. Section 3 describes briefly on research methods. Section 4 offers the analysis for the concept of CSR from an Islamic perspective. The accountability of Islamic bank in performing CSR activities from an Islamic perspective is analysed in Section 5. Section 6 concludes the paper.

2. Literature Review

At present, there are few studies discussing the Islamic view on CSR of Islamic banks from diverse angles. In this regard, Farook (2007) views performing CSR by Islamic banks as fulfilling a collective religious obligation (*fardh kifayah*) as financial institutions.¹ On the other hand, Mohammed (2007) in his Ph.D. thesis argues CSR from an Islamic ethical system,² based on four ethical axioms (unity, equilibrium, free will and responsibility) introduced by Naqvi (1981). Another Ph.D thesis which is written by Asyraf Wajdi (2005) discusses the concept of CSR from the Islamic worldview within the context of based on *taqwa* (God-consciousness) paradigm, *maqasid al-Shari'ah* (the objectives of *Shari'ah*) and the principles of *maslahah* serve as a foundation for understanding the view of Islam on CSR.³ Whereas al-Maghribi (1996) in his book concludes that CSR is obligatory on each Muslim community to implement it in society in any field.⁴ The last one is a study done by Mustaffa, Faizah, Haslinda, Azlan, Hasan, Purwanto and Dayang Milianna (2012), that views the concept of CSR based on religious values and beliefs, from the principle of *'ibadah* and *da'wah*.⁵

However, there is none of these previous studies explicate clearly on the status of CSR concept and the accountability of Islamic bank as a legal entity in performing CSR from an Islamic point of view. Hence, this paper aims at determining the status of CSR notion and investigating the accountability of Islamic bank in performing CSR activities from an Islamic perspective.

3. Research Methodology

Since this study is a *Shari'ah* qualitative research, in order to determine the status of CSR in Islam, the comprehension and the deduction process from the primary sources (*al-Qur'an* and *al-Sunnah*) was conducted. This process also was supported with a few modern *fiqh* books. However, in order to decide whether Islamic banks are accountable for CSR activities or not, authoritative modern and classical *fiqh* books were employed since the status of Islamic bank is a new issue which does not have clear evidence from primary sources. In fact, it only has been discussed lately but indirectly by Muslim scholars (*fuqaha*).

4. The Concept of Corporate Social Responsibility from an Islamic Perspective

Generally, social responsibility in Islam is multifaceted and this can be clearly seen from the Prophet's *hadith*:

'Abdullah ibn 'Umar reported: The Messenger of Allah, peace and blessings be upon him, said, "Every one of you is a shepherd and is responsible for his flock. The leader of the people is a guardian and is responsible for his subjects: a man is the guardian of his family and is responsible for his subjects, a woman is the guardian of her husband's home and of his children and is responsible for them, and the slave of a man is a guardian of his master's property and is responsible for it. Surely, every one of you is a shepherd and responsible for his flock." (Sahih Bukhari, No. 7138, 1229).

The above *hadith* indicates that every individual is responsible towards others regardless of his/her position. This

¹ Farook categorizes CSR practices into mandatory and recommended activities. However, he does not lucidly explain how he determines the legal ruling of CSR. In addition, the CSR activities discussed are not comprehensive enough.

² Mohammed explores notions of Islamic philosophy regarding social responsibility and justice, which may give rise to CSR in Islam that has resonance with the prevailing notions of CSR. He found that many elements within Islam are consistent with a Western notion of CSR; however these remain scattered, incoherent and unsystematic. A survey has been conducted to explore the extent to which the conceptual framework of CSR in Islam is consistent with the practices of IBs in a contemporary business environment. The survey results disclose that despite lack of a systematized framework of CSR in Islam, features consistent with the four ethical axioms are implemented quite extensively in Islamic banks. Refer to Mohammed (2007). Nonetheless, the results cannot generalize the CSR practices of Islamic banks globally, since the results only represent six Islamic banks of four countries – Malaysia, United Arab Emirates, Saudi Arabia and United Kingdom.

³ He argues that *taqwa* paradigm motivates a firm to always operate in a good and socially responsible manner irrespective the financial outcomes, whereas the understanding of *maqasid al-Shari'ah* and the principles of *maslahah* reinforce the importance of CSR. See Asyraf Wajdi (2005). Although this research attempts to elaborate CSR from an Islamic perspective, the real status of CSR in Islam is still left unanswered.

⁴ A long list of CSR activities involving shareholders, employees, customers and society for Islamic banks application also has been recommended. See Al-Maghribi (1996). Although CSR has been determined as obligatory based on a few Qur'anic verses and Prophet's Hadith, the discussion does not really elaborate how a corporation especially an Islamic bank can be accountable for CSR as it is not a real person. In addition, all the activities listed are vague in terms of *Shari'ah* legal status whether there are obligatory or recommended.

⁵ The argument that has been used is the principle of *'ibadah* in business is to gain profit, so that business can contribute to *zakah*. Since Islam is *al-Din*, a way of life, every single thing that a company does would be *'ibadah* such as providing employment to others and taking care of society and the environment. As part of *'ibadah*, all Muslims also are encouraged to perform *da'wah*, for example calling people to Islam and promoting and extending good deeds to people. Therefore, participating and practicing CSR is *da'wah*. See Mustaffa et al. (2012). Generally, this study explores CSR based on Islamic values and beliefs, without looking into the legal status of CSR itself.

beautiful system has been arranged in that manner in order to safeguard every individual interest and consequently the rights of each party able to be protected. This is important to ensure that the justice can be upheld as the role of the message delivered by Allah's Prophets has been to establish justice:

"We sent aforetime Our apostles with clear signs and sent down with them the Book and the balance (of right and wrong), that men may stand forth in justice..." [Qur'an, Al-Hadid: 165]

In this regard, Allah has appointed man as His *khalifah* (vicegerent) to administer this world:

"It is He who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks, some above others: that He may try you in the gifts He hath given you: for thy Lord is quick in punishment: yet He is indeed Oft-forgiving, Most Merciful." [Qur'an, Al-An'am: 165]

As *khalifah* of Allah, man has certain responsibilities that need to be executed in this world to ensure the justice is continuously upheld.

Man is entrusted with *amanah* (trust) of becoming Allah's *khalifah* and administers this world in accordance with the law that He has prescribed. In this light, social responsibility of Muslims can be discussed under *khalifah* concept as an umbrella to a number of viewpoints. Firstly, as a *khalifah* of Allah, a Muslim is bound to principle of *tawhid* (doctrine of "Oneness" of Allah) that guides Muslim to act rightly and correctly, in order to safeguard his relation with Allah and with other human beings and the universe. The principle of *tawhid* is a prime basis of Muslims' belief which is clearly stated in the *shahadah* (declaration of faith):

"I bear witness that there is no God but Allah and Muhammad is the messenger of Allah".

Based on the *shahadah*, it is evidently understood that every Muslim is a servant of Allah (s.w.t.). As a servant and at the same time as a *khalifah* of Allah, a Muslim is bound to His commands and prohibitions as described in a qur'anic verse below:

"O David! We did indeed make thee a khalifah on earth: so judge thou between men in truth (and justice): nor follow thou the lusts (of thy heart), for they will mislead thee from the path of Allah. For those who wander astray from the path of Allah, is a penalty grievous, for that they forget the Day of Account." [Qur'an, Sad: 26]

Secondly, from the principle of *tawhid*, the accountability (*taklif*) concept of a man appears. Based on the principle of *tawhid*, the main objectives of social responsibility should be to demonstrate accountability not only to Allah and human beings, but also to the universe as a whole. This means that a *khalifah* need to fulfil two layers of responsibilities namely vertical responsibility (towards Allah) and horizontal responsibility (towards the universe). Once Muslims acknowledge that Allah is the only God that deserve of worship, they also must acknowledge that all possessions, wealth, expertise, abilities, positions and power belong to Allah:

"To Him belongs what is in the heavens and on earth, and all between them, and all beneath the soil." [Qur'an, Taha: 6]

In social responsibility case, Muslims are only trustees. As trustees, it is imperative that they manage these possessions to the best of their abilities to create a maximum added value in social responsibility with intention of creating benefit to the community. They are not supposed to cause corruption in any form on earth (i.e. the society and the environment). Life on earth entails great responsibilities. Here, the concept of the community demonstrates that society has a right and stake in whatever a person or organization owns. Consequently, Muslims have to perform their social responsibility in order to carry out their responsibilities vertically and horizontally as *khulafa'* (vicegerents) of Allah.

Thirdly, other than being accountable to administer this world as good as possible, a *khalifah* also must perform his role as a propagator (*da'i*) to enjoin good and forbid evil (*al-amr bi al-ma'ruf wa al-nahy 'an al-munkar*):

"Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones to attain felicity." [Qur'an, Ali 'Imran: 104]

The substance of this verse shows that the principle of "enjoining good and forbidding evil" is a divine order an obligatory duty, particularly Allah's word "Let be". The attainment of success and felicity in the world and the Hereafter depends on whether this command has been carried out or not. Moreover, as explained in this verse, the nature of this

duty is a collective one and not individual based on the phrase "a group of people", and if some members of the community have attended to it, the obligation will be lifted from others. Thus, to call people to do good and forbid evil is an obligation on all Muslims. The scope of "enjoining good and forbidding evil" is not restrictive and limited to moral preaching alone, but inclusive of all endeavours that one exerts in order to establish Islam as a way of life (Ansar, 1989). Based on that basis, any form of social responsibility initiatives that are implemented in order to uphold Islam as a way of life are part and parcel of enjoining good and forbidding evil.

Fourthly, as *khulafa'* of Allah, Muslims should help each other because there are brothers, as Allah says:

"The believers are but a single brotherhood..." [Qur'an, Al-Hujurat: 10]

Allah also commands Muslims to cooperate and help each other in righteousness and do not collaborate in sin:

"Help ye one another in righteousness and piety, but help ye not one another in sin and rancour..." [Qur'an, Al-Ma'idah:2]

In this light, Allah explains what should be understood by righteousness in another verse:

"It is not righteousness that ye turn your faces towards east or West; but it is righteousness- to believe in Allah and the Last Day, and the angels, and the Book, and the Messengers; to spend of your substance, out of love for him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity; to fulfil the contracts which ye have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the Allah fearing." [Qur'an, Al-Baqarah: 177]

Obviously, the three verses above show that social responsibility concept has been embedded in Muslims way of life as early as Islam itself.

Fifthly, in Islam, Muslims are not only required to belief in Allah as the one and only God, but also are commanded to worship Allah as the only God, as clearly dictated in two verses below:

"Serve Allah, and join not any partners with him ..." [Qur'an, al-Nisa': 36]

"... He said: "O My people! Worship Allah! Ye have no other god but Him ..." [Qur'an, al-A'raf: 59]

Moreover, the most important reason behind the creation of mankind is to worship Allah the Omnipotent which is by way of performing *'ibadah* (ritual worship):

"I have only created jinns and men, that they may serve Me." [Qur'an, Al-Zariyat: 56]

According to Ibn Taymiyyah, *'ibadah* is "a collective term for everything which Allah loves and is pleased with from among the sayings and inward and outward actions." He further elaborated that enjoining good and forbidding evil are part of *'ibadah* (Ibn Taymiyyah, 2005). In relation to *'ibadah*, al-Qaradhawi (1985) explains that any beneficial social works are considered *'ibadah* in Islam provided that they are done with good intention. Therefore, applying social responsibility by Muslims is rewarded in Islam since most of them fall under the concept of "enjoining good and forbidding evil" and beneficial social works which are considered *'ibadah*. This is what a *khalifah* should do in order to establish Islam on earth.

Finally, once the Muslims applying social responsibility initiative that can be considered *'ibadah*, they simultaneously have done a good deed (*'amal salih*). Good deed means everything that is done for a good cause, and to act in accordance with Allah's content and pleasure with intention to get Allah's blessing. Allah says that those who do good deeds are the best of created beings:

"Those who have faith and do righteous deeds, they are the best of creatures." [Qur'an, Al-Bayyinah: 7]

There are many *qur'anic* verses explain the rewards promised by Allah to those who do good deeds. The rewards will be given either in this world:

"Allah has promised, to those among you who believe and work righteous deeds, that He will, of a surety, grant them in the land, inheritance (of power), as He granted it to those before them..." [Qur'an, Al-Nur: 55]

in the hereafter,;

"For those who believe and work righteous deeds, there will be Gardens of Bliss." [Qur'an, Luqman: 8]

or in both this world and the hereafter:

"Those who believe and work righteousness, for them is forgiveness and a sustenance most generous." [Qur'an, Al-Haj:50]

Based on the six angles that have been discussed, evidently social responsibility is a splendid concept and a noble practice which is required in Islam, even has been embedded in Islamic teaching fundamentally. In fact, for those who apply social responsibility for the sake of Allah and are done in a right way, they will be rewarded. Undoubtedly, the *khalifah* concept is a general concept that can be applied to all natural persons including businessmen.

5. Corporate Social Responsibility of Islamic Banks from an Islamic Perspective

Moving to Islamic bank, its status is not the same as natural person because Islamic bank is an artificial person or in legal term is known as legal entity⁶ (*shakhsiyyah i'tibariyyah*)⁷ which has limited liability as compared to natural person. "Legal entity" is generally referred to any being other than human being which the law recognized as having duties and rights (Zuhairah, 2007), which corresponds with the Islamic bank identity. Thus, before this study is able to analyze what would be the responsibility of an Islamic bank, it has to first scrutinize the nature of the Islamic bank itself whether it carries the liability to conduct CSR or not in Islam. In order to identify what kind of responsibility or liability does Islamic bank carry, the next discussion followed by the analysis on the entity of Islamic bank.

Islam does recognize the concept of legal entity. Although the "legal entity" term is not being mentioned clearly and specifically in classical *fiqh* discussion, it is inaccurate to say that Islamic legal system does not acknowledge the concept of "legal entity".⁸ The absence of nomenclature does not negate the existence of the concept in Islam (Sanusi, 2013). In fact, the OIC *Fiqh* Academy accepts the concept of legal entity (Islamic Fiqh Academy, 2000) and so do Muslim scholars. This is proven when Muslim scholars applied the concept of liability (*zimmah*) to certain entities other than human beings among others such as *waqf*, Islamic public treasury (*bayt al-mal*), mosques, schools, orphanages, hospitals, nation (*al-dawlah*), judicial institution (*mu'assasah al-qadha'*), partnership or company (*sharikah*), and inheritance under debt (Al-Zuhayli, 1996; Usmani, 2002; al-Khuli, 2003).

Based on the legal entities mentioned above, each of them does not share the same characteristics. In the contemporary *fiqh* discussion, legal entity is divided into general legal entities (such as nation, mosque and *bayt al-mal*) and special legal entities (such as *waqf* and *sharikah*) (al-Khuli, 2003). Looking at the nature of Islamic bank, it can be classified under *sharikah*⁹ by the name of *sharikah 'inan* (joint stock partnership or company) concept.

According to al-Zuhayli (1996) while referring to Ibn al-Mundhir that *sharikah al-'inan* is a form of partnership, where the partners share the capital, as well as profits and losses, is approved by consensus. These partners in a *sharikah 'inan* need not be equal in their contributions to capital, nor equal in their legal rights for using the property. Thus, one party may contribute more than another to the partnership, and one of the partners may have the exclusive right to run the affairs of the partnership. Nonetheless, partners are not guarantors for each other, where their personal

⁶ There are many other terms used to mean "legal entity" in the previous literatures. Among them are "juristic person", "juridical person", "juridical personality", "legal person", "juristic entity", "legal personality", "artificial person", "fictitious person", "artificial legal entity", "artificial personality", and "presumed person". See Zahraa (1995); Bilal (1999); Usmani (2002); Zuhairah (2007); Zainal, Mohamed & Ahmad (2009); Ahmad, Zuryati & Zainal (2009); Halyani, Zuhairah & Nasarudin (2012); Sanusi (2013); Zulkifli (2013); Shams-ul-Basar & Hafeez (n.d.).

⁷ *Shakhsiyyah i'tibariyyah* also shares the same meaning with *shakhsiyyah ma'nawiyah*, *shakhsiyyah qanuniyyah*, and *shakhsiyyah hukmiyyah* in Arabic. See Al-Khuli (2003); Al-Uhiri (2013).

⁸ Admittedly, there is a long debate regarding the acknowledgement of *shakhsiyyah i'tibariyyah* concept in Islam among Muslim scholars. Majority of Muslim scholars claimed that this concept was known to Islamic law, while some are doubtful whether this concept, in fact exist in Islamic law. See Nyazee (2006). However, it is not the purpose of this study to delve thoroughly into the dispute since there are a lot of evidences in terms of Islamic applications supporting the existence of this unique concept in Islam. The most important thing in this part is to investigate whether Islamic bank has the liability (*zimmah*) or not in conducting CSR programmes or initiatives.

⁹ *Sharikah* has been defined as a contract between two or more people for participation in a capital and its profit. See Al-Jaziri (2008). Generally, *sharikah* in Islam can be divided into three categories i.e. *sharikah al-ibahah* (public common rights), *sharikah al-milk* (co-ownership) and *sharikah al-'aqd* (contractual partnership or company). *Sharikah al-'aqd* is further divided into four categories i.e. *sharikah al-amwal* (capital partnership or company), *sharikah al-a'mal* (labour partnership or company), *sharikah al-wujuh* (creditworthiness partnership or company) and *sharikah al-mularabah* (profit sharing partnership or company). The first three categories (*sharikah al-amwal*, *sharikah al-a'mal*, and *sharikah al-wujuh*) can be divided into *sharikah al-'inan* (limited company) and *sharikah al-mufawadhah* (unlimited company). For detailed discussion see Khafif (n.d.) and al-Khuli (2003). In this regard, the closest concept with the nature of Islamic bank is *sharikah al-'inan* under *sharikah al-amwal* category.

liabilities towards the other are separate and not joint. The formation of *'inan* contract is embedded with agency (*wakalah*) and trust (*amanah*) concept. In other words, each partner is an agent for the other in governing the business as long as it does not infringe the agreed rights accordingly (Khafif, n.d.). Based on the above discussion, it is obvious that all Islamic banks in Malaysia are applying *sharikah al-'inan* principle since there is no equal contribution of capitals among their shareholders.

Moving from this point, in order to determine whether Islamic bank is accountable for CSR application or not in Islam, it should be analyzed from two interrelated concepts i.e. *zimmah* and *ahliyyah* (legal capacity).¹⁰ Fundamentally, Islamic way of *sharikah* does not distinguish between the entity of a company and its partners, for they are treated as one unit, except for *sharikah al-mudharabah* (al-Dabu, 1983; al-Khuli, 2003; Khafif, n.d.). In other words, *sharikah* in this case does not have separate legal entity and there is no special *zimmah* on *sharikah*. In fact, *sharikah* is not recognized as legal entity that has *ahliyyah*, because *ahliyyah* means imposing something and be imposed, the attributes which are only owned by natural person (Khafif, n.d.).

In Islam, there are religious and worldly obligations that need to be performed that represent the relationship with the Creator and among other creations. Based on that basis, *zimmah* theory comes into existence to comprehend these two obligations. It is illogical to impose liability on non-human being to perform religious and worldly obligations together since Muslim scholars consider *sharikah* in this light as individuals partnership (*sharikah al-ashkhas*) and not a business company (*sharikah al-amwal*) (al-Khuli, 2003). However, there is a possibility to liken *sharikah* as natural person by having separate legal entity if there is human requirement for that and to have appropriate dealings among them (Khafif, n.d.).

After reviewing all the arguments, it is found that all Islamic banks that have been established nowadays are not a direct application of *sharikah al-'inan* as has been explained earlier. The concept has been modified to suit the requirement of the industry. This finding is in line with Ahmad Tajudin Abdul Rahman's¹¹ explanation; in the case of Bank Islam Malaysia Berhad (BIMB) is basically an *'inan* company, a separate legal entity based on the concept of *al-musharakah*. The *'inan* company which is made up of minimum two shareholders with no limit to the maximum number, is a business entity, formed by having a group of shareholders, electing representatives to manage the company (board of directors) on the basis of *wakalah* (agency). At the same time the shareholders retain their management control (voting rights) in the company in proportion to their shareholding (Ahmad Tajudin, 2000). The above practice also is not alien to other Islamic banks all over the world.

The above explanation shows that the *wakalah* concept which is applied in the original *'inan* is different from what is applied by Islamic banks at present. In the original *'inan* a partner is an agent to the other partners, whereas in the current application of Islamic banks, board of directors are the agent of the company. In other words, shareholders in the current application of Islamic bank are only sleeping partners who take no active part in the business management. According to al-Zarqa' (n.d.), *sharikah* which is established in conformity with the stipulated provisions in commercial law is a legal entity that has consolidated management such as director or board management and is categorized under statutory companies (*al-sharikat al-qanuniyyah*). This type of *sharikah* is different from ordinary companies (*al-sharikat al-'adiyah*) which are founded in accordance with the original Islamic law and those types of *sharikah* are not considered as legal entities.¹²

The recognition of Islamic bank legal entity also can be established under *'urf*¹³(custom) which is the practice of industry due to the necessity and interest to have a good organized transaction in the society and to suit the changing and evolving nature of modern world of trade and business. Moreover, in Islam, the origin for everything is *halal* (lawful/permissible), so long as there are no clear injunctions or authorities prohibit it.¹⁴ Based on the above explanation, Islamic bank is recognized as legal entity and simultaneously is accountable for CSR activities.

¹⁰ According to al-Kabashi (1989), some jurists view that *zimmah* and *ahliyyah* terms are synonymous, both of which represent the entity that have right, bear responsibilities and obligations. Hence, if an entity is recognized to be in existence, either real or artificial, it will have certain *ahliyyah* and therefore will be subjected to certain obligations (*iltizam*).

¹¹ Ex-Managing Director of Bank Islam Malaysia Berhad (1994-2004).

¹² *Al-sharikat al-'adiyah* are the three types of *sharikat* i.e. *sharikah al-amwal*, *sharikah al-a'mal* and *sharikah al-wujud* which each of them can be divided into *sharikah al-'in'En* and *sharikah al-mu'awalah*. See al-Zarqa' (n.d.).

¹³ *'Urf* can be defined as an established norm and common to the majority of people in a community either in the form of sayings, doings or not doing. It is a common customary practice which is collectively accepted and applicable as a legal basis of ruling as long as it does not contradict the Shari'ah ruling. See Al-ZulaylÉ (1986), Khallaf, (2009) and Zaydan (2006).

¹⁴ This is taken from an Islamic legal maxim of Shafi'e scholar: "*al-asl fi al-ashya' al-ibahah hatta yadullu al-dalil 'ala al-tahrim*". See Al-Suyuti (1994).

6. Conclusion

What is evident is that CSR is obligatory in Islam, even it has been embedded in Islamic teaching fundamentally. Obviously, the *khalfah* concept is a general concept that can be applied to all real persons including businessmen. Moving from that point, although there is a long debate regarding the status of Islamic bank as a company (*sharikah*), it can be concluded that Islamic bank does not only share similar liability with natural person, but also share the same responsibility with Muslim natural person since Islamic bank is an Islamic institution. The only thing that distinguishes the liability of Islamic institution and a Muslim is, the former is only liable for the responsibilities regarding *mu'amalat*, whereas the latter is liable for responsibilities regarding both *mu'amalat* and *ibadat*.¹⁵ The Islamic bank responsibility in this case includes performing CSR programmes and initiatives. Logically, the responsibility of an institution is similar to that of a man because all institutions are basically human organizations, since the people who manage and run them, who initiate every action, and who move and direct their activities. Therefore, an Islamic bank is an acknowledged legal entity in Islam which consequently, is accountable for CSR.

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¹⁵ Although Islamic bank is acknowledged as a legal entity in Islam, it does not mean that Islamic bank shares totally the same liability of real person. As an artificial person, Islamic bank has limited legal capacities such as without "sound mind" which disqualify it from being accountable for ibadah matters.

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