

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Islamic Business:

Basic Concepts of Shariah and Business

Dr Evony Silvino Violita, Ak., CA.



UNIVERSITAS
INDONESIA
Veritas, Probitas, Justitia
EST. 1849

FEUI



2016

Economics is about....

“The allocation and distribution of scarce resources which have unlimited uses”

There are alternatives in distributing and allocating the resources and not all alternatives are acceptable

Capitalism: Modern Economic System



- Introduced by **Max Weber in 1904-1905**

“The Protestant Ethic and the Spirit of Capitalism”

(**German:** *Die Protestantische Ethic und der Geist des Kapitalismus*)

- The Protestant (particularly Calvinist) ethic influenced have promoted the development of the spirit of capitalism.
- Capitalism is believed as a factor that increase the work spirit and productivity. (**Arslan dan Chapman, 2001; Ali dan Al-Owaihan, 2008**)

Some Concepts of Capitalism



Translated by Talcott Parsons (1930), transcribed by Andy Blunden February 2005:

- Time is money
- Credit is money
- Money is of the prolific, generating nature
- Money should be invested to earn more money
- Pursuit of profit regularly & maximizing profit
- Avoiding leisure

Finance: "Objective of management is to maximize the owners wealth"

Different views and values bring different business ethics

Religion plays role in structuring ethics in business.



ISLAMIC WORLDVIEW

- Islamic worldview is the vision of reality and truth that appears before our mind's eye revealing what existence is all about.
- Encompasses both *ad-dunya* (the world) and *al-akhirah* (day of hereafter), in which the *dunya* aspect must be related in a profound and inseparable way to the *akhirah* aspect and in which the *akhirah* aspect has the ultimate and final significance.

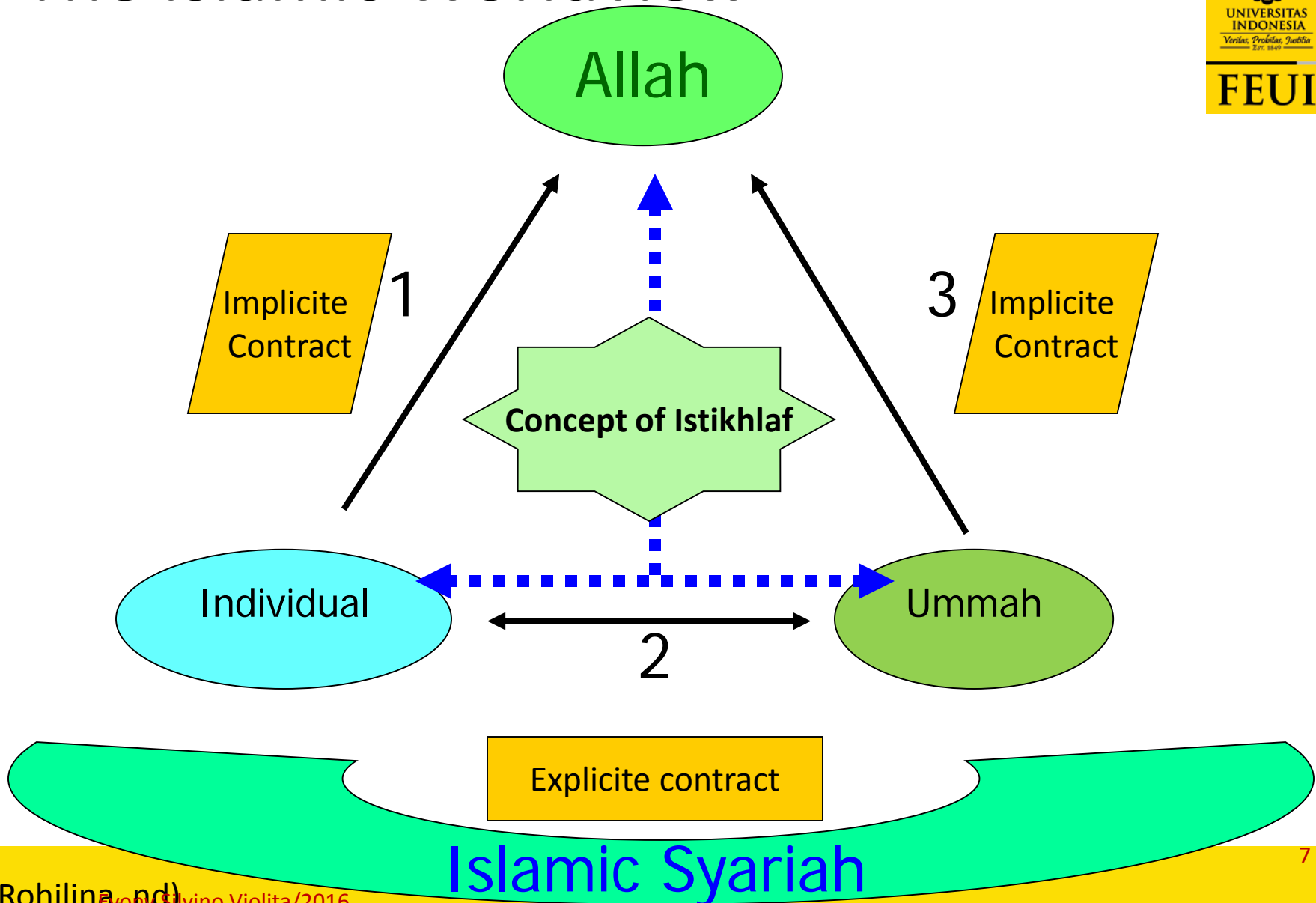


Evony Silvino Violita/2016

Elements of Islamic Worldview:

- ✓ The Concept of religion
- ✓ The Concept of God/Allah
- ✓ The Concept of Human being
- ✓ The Concept of Universe
- ✓ The Concept of Prophethood

The Islamic Worldview



Concept of shariah

“The centre piece and the backbone of the religion of Islam

Show the path towards the Creator, according to the way Allah stated (Khir et al, 2009)

Literally: “a path towards the source water”

Technically:

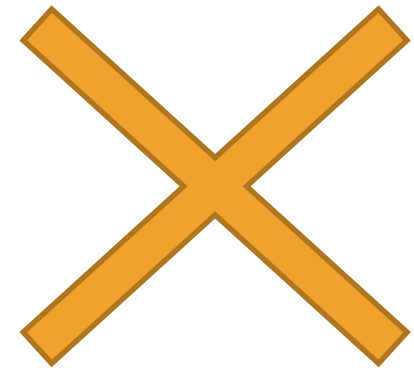
- a way to get Allah’s bless
- Direction, prohibition, and values stated by Allah

Sometimes called: Islamic Law. However, shariah is not must about law

Norms, values, and regulations that direct to “the Islamic way of life” (Ahmad, 2003)

Shariah

Allowed



Concept of Business in Islam

The Concept of 'Amal & Tijarah

- Al Quran encourage 'amal and tijarah

'Amal

- = Deliberate action, work, deed
- Amal is related so tight to iman (faith), one cannot exist without another
- Islam does not recognize faith that does not fructify in good deeds.
- Q9:105 "And say (Muhammad) "Do deeds! Allah will see your deeds, and so will His Messenger and the believers. And you will be brought back to the All-Knower of the unseen and the seen. Then He will inform you of what you need used to do."

'Tijarah

- = trade, business
- Quran mention business for 370 times
- Quran applause for just and honest business activity
- He Qur'an regards business as lawful, good and beneficial for both parties
- Fair trade and honest business are praised, recommended, and strongly eshorted to by hthe Qur'an

Basic Concept in Islamic Business



Islam negates all class-distinction among humans and makes 'amal an obligation to be carried out by everyone according to his/her capacity.

All activities are inherently religious

'amal is mentioned 50 times in Qur'an

Fi'l (al meaning work and action) is mentioned 109 times in Qur'an.

Islam enjoins upon a Muslim to keep working and struggling and forbids laziness and idleness.

See Al-Jumu'ah: 10

'amal is the sole determinant of man's status.

See Al-Qur'an:

1. Al-Baqarah (2): 62
2. At-Taubah (9): 105
3. Al-Ghaafir (40): 40
4. Fussilat (41): 46
5. Az-Zalzalah (99): 7-8
6. Al-Baqarah(2): 198
7. An-Nisaa (4): 29
8. Al Fatr(35): 29
9. As-Shaaf (61): 10-11
10. Asyarah (94): 6-7
11. Al-An'am (6): 32
12. An-Najm (53): 39-41
13. Al-Jum'ah (62): 10
14. An-Nisa' (4): 124

Exhortation to *'Amal*

Promise of reward

Allah promises abundant reward for the worker and providing him with incentives for improving quality and quantity of his work. (QS29:6,69; 3:172; 4: 95; ...)

Encourage for skill and technology

Allah promises abundant reward for the worker and providing him with incentives for improving quality and quantity of his work. (QS: 34:10-11; 57:25)

Positive view of working for a living

The Qur'an calls on every able-bodied person to work in order to earn his living for himself.

Respect for work and the worker

Hadith: "It is far better for one even to take his rope, cut wood, pile it up and sell it in order to eat and give charity than to beg others.

Business = Tijarah

- Business should comply to shariah regulation to be recognized as *'amal*.

Shariah: regulation as **guidance to towards Allah** by doing everything in Allah's way

- Definition:
 - Literally: the way towards a source of water
 - Technically: to get hidayah (guidance) ; all the directions, prohibitions, and values stated by Allah through Qur'an and hadits

Shariah is more than “Islamic regulation”. Instead, it contains norms, values, and rules that direct to Islamic way of life.

Concept of Khilafah and Istikhlaf



- All the property in the world belongs to Allah as the ultimate owner.
- Hoarding assets is prohibited
- Concept of rizq/sustenance: the general worldly or next-worldly giving of blessings and the like. Allah Most High says, “[those] who believe in the unseen, keep up the prayer, and give out of what We have provided for them.” [2.3] i.e. that which we have given them and blessed them with
- Concept of barakah: the beneficent force from God that flows through the physical and spiritual spheres as prosperity, protection, and happiness

Sources of Law in Islam

(Orderly)

1. **The Holy Qur'an (Words of God)**
2. **Sunnah/Hadith (words of Rasulullah Muhammad SAW)**
3. **Consensus (Ijma') of Ulama (legal scholars)**

In situations when Muslims have not been able to find a specific legal ruling in the Quran or Sunnah

4. **Analogy (qiyas)**

In cases when something needs a legal ruling, but has not been clearly addressed in the other sources, judges may use analogy, reasoning, and legal precedent to decide new case law.

Some Different Concepts...

In Islam....

1. Secularity

The state is separated from religion

2. Relativism of norm

Ethical or not depends on the local values

State is mixed with religion. Hence, all aspects in life is inherently religious and should be based on religion regulation and values).

Values related to worshiping God is absolute and not changed, but practice related to social activities (*muamalah*) may change according to a particular condition. However, the values in religion should be inherent in every activities.

3. Utilitarianism

Concept of maximizing utility and work is its' end

- Life is not for work but for worshipping God.
- Result is not the measure of performance. Work is valued based on the intention (niat) and process.
- maximizing utility do not focus only on society, private and social environment is important.

4. Universalism

Focus on duty/obligation

Result is not the only measure of performance. Work is valued based on the intention (niat) and process.
(niat is very important)

5. Eternal law

Concept of predestination

Condition at the resurrection/day of hereafter depends on 'amal'/activities (in all aspects of life-worship and day-to-day social life) in the world.

6. Justice

Equity (except
superiority for Pastur),
or equity/private/no
tolerance for low
performance, **or** equality
(Cole, 2009)

7. Right

Right to have, to choose,
to do prerogatively

- **'adl**
- **Justice** (according to the measurement)
and
- **Equilibrium** (equilibrium between right
and obligation, between life in the world
and hereafter), **and**
- **Equity** (every individu or group is treated
the same.
- Related to ihsan (doing good things with
the intention to get God's bless)
- Do not focus /stress on the right, but the
obligation. Every body should do his/her
obligation to his/her self and other people
- If everyone does his/her obligation,
everybody's right will be fulfilled.
- Someone may not take other's right
without permission or in illegal way.

8. Property Right

Absolute ownership of a property (Choudury, 2004)

- There is no absolute ownership of a property
- The absolute owner is God, human is a trusty to use the property.
- Hence, there is a “right” of other people on the property someone owned.

Business should include Islamic Values in every activities of his business and organization:

- **Management function**
- **Leadership**
- **Human resources management**
- **Reporting, etc.**

References



- Ayub, Muhammad (2007), *Understanding Islamic Finance*, John Wiley & Sons Ltd, England.
- Chapra, Muhammad Umer (1996), *What is Islamic Economics*, Islamic Research and Training Institute, Islamic Development Bank (IDB)'s Winners Lecture Series, No. 9.
- Weber, M (2005) . *The Protestant Ethic and The Spirit of Capitalism* (Talcott Parsons dan Anthony Giddens, Translator) (2005) <http://www.marxists.org/reference/archive/weber/protestant-ethic/index.htm>, downloaded on Mei 2012.
- Beekun, R. I (2004). *Islamic Business Ethics*. New Delhi: Goodword Books Pvt. Ltd.
- Ahmad, Mushtaq ((1995), *Business Ethics in Islam*, The International Institute of Islamic Thought and The International Institute of Islamic Economics, Pakistan.
- Alwosabi, M (nd). *The Prohibition of Riba*, <http://staff.uob.edu.bh/files/620922311/files/Riba.pdf> downloaded on January 2015
- _____ (nd). *The Prohibition of Riba*, <http://staff.uob.edu.bh/files/620922311/files/Gharar.pdf> downloaded on January 2015