

Al-Jumu'ah (62): 9-10

Concept of Business in Islamic Perspective

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Islamic Business

Dr. Evony Silvino Violita, Ak.,CA.

The importance of Shariah in Business

Shariah



Guidance of
business

Allowed

Forbidden

Syariah Overview

Sumber

- Al-Quran
- As-Sunnah
- Ijma'
- Qiyas
- Ijtihad
- Istihsan
- Maslahat
- Urf

Tujuan

- Menjaga agama
- Menjaga Jiwa
- Menjaga Akal
- Menjaga Keturunan
- Menjaga Harta

Hukum

- Wajib (diperintahkan)
- Mandub (disarankan)
- Haram (dilarang)
- Makruh (tidak dianjurkan)
- Mubah (diperbolehkan)

Business in Islam

Conventional

- Focus only on the economic growth and material return

Islamic system

- Equal emphasis on the ethical, moral, social. And religious dimensiona to ensure justice, equality, and fairness for the good society as a whole

Prohibited transactions in Islamic Business:

1. Riba ('usury)

- Literally means excess, increment, expansion, growth.
- unjustified increment in borrowing or lending money or in exchanged goods of the same kind in different quantities.
- 12 Quranic verses dealing with Riba
- The word riba occurs 8 times, 3 times in 2:275 and one time each in 2:276, 2:278, 3:130, 4:161 and 30:39

Example:

A borrow AUD1,000,000 and should pay interest 5% annually. Hence, A should pay 50,000 extra in one year. Interest of 5% is riba.

B barter of orange of 1 Kg with 1,3 Kg to C eventhough it has different quality. 0,3 difference is riba.

Rationale of Prohibiting Riba

- Riba is a cause of injustice and exploitation

Riba leads to the creation of materialistic society

Riba discourage productive work

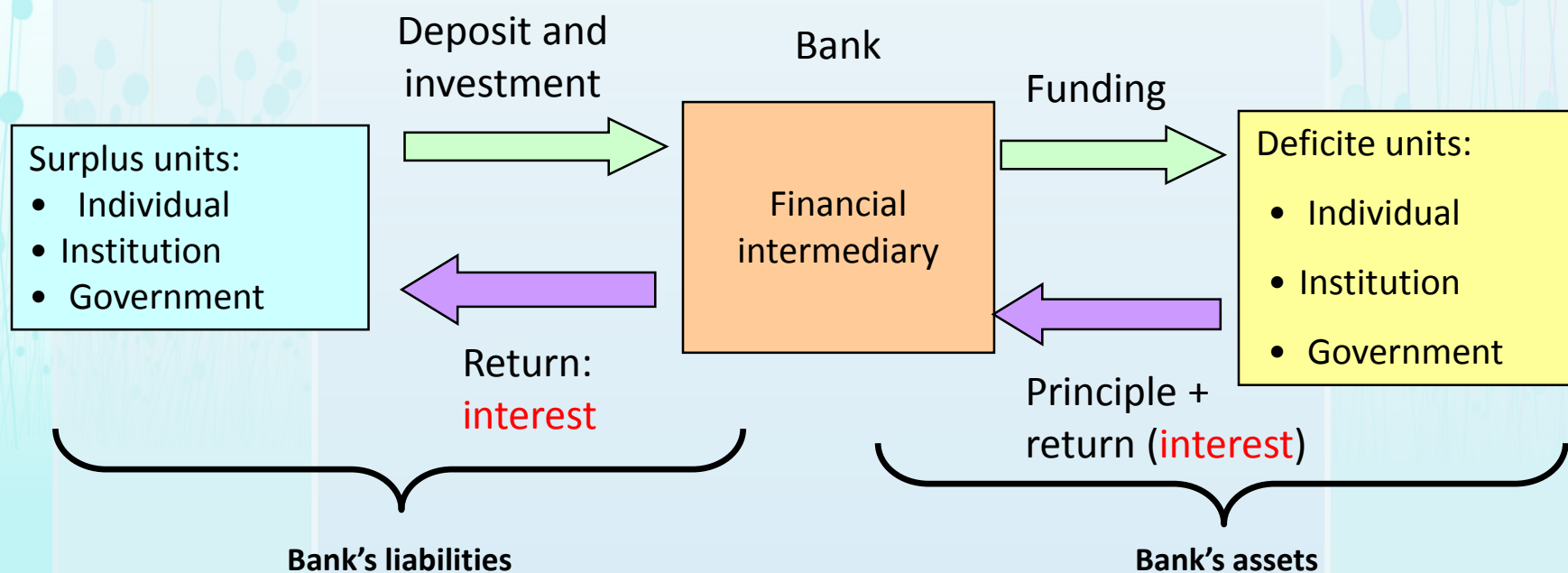
Riba impedes healthy economic development (encourage security oriented rather than growth oriented)

Riba increases the disparities in income and wealth

Riba discourages partnership

Example...

Conventional Bank



Basic concept: **lending and borrowing money** with interest as the return

يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُّؤْمِنِينَ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ ۖ وَإِن تُبْتُمْ فَلَكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلِمُونَ وَلَا تُظْلَمُونَ

**O you who believe! Observe your duty to Allah, and give up what remaineth (due to you) from usury, if you are (in truth) believers. And if you do not, then be warned of war (against you) from Allah and His messenger. And if you repent, then you may have your principal (without interest). Wrong not, and ye shall not be wronged.
(Al-Baqarah: 278-279)**

Hadith about Riba

اجْتَنِبُوا السَّبْعَ الْمُفَوِّقَ أَتِ، قُلْنَا، وَمَا هُنَّ يَا رَسُولَ اللَّهِ؟ قَالَ: الشِّرْكُ بِاللَّهِ وَالسَّحَرُ وَ الْقَتْلُ
النَّفْسِ الَّتِي حَرَّمَ اللَّهُ إِلَّا بِالْحَقِّ، وَأَكْلُ الرِّبَا، وَأَكْلُ مَالِ الْيَتِيمِ، وَالتَّوَلَّى يَوْمَ الزَّحْفِ، وَقَذْفُ
الْمُحْصَنَاتِ الْغَافِلَاتِ الْمُؤْمِنَاتِ

"Avoid the seven grave sins". The companions asked: "And what are they, O Messenger of Allah?
He said: "They are: associating others with Allah, engaging in magic, killing a forbidden
human soul without a legal right, devouring riba, devouring the wealth of an orphan,
escaping on a day of religious battle, and defamation of unsuspecting believing married
omen.

لَعَنَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ آكِلَ الرِّبَا وَمُؤَكِّلَهُ وَشَاهِدَهُ وَكَاتِبَهُ

The Prophet s.a.w. condemns those who take riba, give *riba*, witness to *riba* (transaction) and
the writer of the *riba* transaction.

الرِّبَا ثَلَاثَةٌ وَسَبْعُونَ بَابًا أَيْسَرَهَا مِثْلُ أَنْ يَنْكِحَ الرَّجُلُ أُمَّهُ، وَإِنْ أَرَبَى الرِّبَا عَرَضَ الرَّجُلُ الْمُسْلِمِ

"There are seventy three different types of riba, the least of which is equivalent to bedding one's
mother, and the worst of which is equivalent to destroying the honor of a Muslim". (Narrated
by Ibn Majah and Al-Hakim).

Rationale of Prohibiting Riba

- Riba is a cause of injustice and exploitation
- Riba leads to the creation of materialistic society
- Riba discourage productive work
- Riba impedes healthy economic development (encourage security oriented rather than growth oriented)
- Riba increases the disparities in income and wealth
- Riba discourages partnership

Islam encourage trading



2. Gharar (uncertainty)

- **Literally:** Deceit, fraud, uncertainty, danger, peril, or hazard that might lead to destruction or loss
- **Technically:** any transaction of probable items whose existence or characteristics are not certain, due to lack of information, ignorance of essential elements in the transaction to either party, or uncertainty of the ability of one party to honor the contract
- **Prohibition of *gharar***
 - Indirect references made in the *Qur'an*
 - Conclusively prohibited by the *Sunnah* of the Prophet *s.a.w.*
- **Classical examples of *gharar* sale**
 - Sale of fish still in the sea, Sale of birds in the air, Sale of unborn animals, sale of unripen plants
 - Selling non-existence goods, Short selling of stocks in capital market

3. Gambling (Maysir, Qimar)

- Maysir: easy acquisition of wealth by chance, whether or not it deprives the other's right.
- Qimar means the game of chance in which one gains at the cost of others.
- Example: Lottery, speculation in stock markets, zero-sum-game in financial transactions

يَسْأَلُونَكَ عَنِ الْخَمْرِ وَالْمَيْسِرِ قُلْ فِيهِمَا إِثْمٌ كَبِيرٌ
وَمَنْفَعٌ لِلنَّاسِ وَإِثْمُهُمَا أَكْبَرُ مِنْ نَفْعِهِمَا وَيَسْأَلُونَكَ مَاذَا
يُنْفِقُونَ قُلِ الْعَفْوَ كَذَلِكَ يُبَيِّنُ اللَّهُ لَكُمْ الْآيَاتِ لَعَلَّكُمْ
تَتَفَكَّرُونَ ﴿٢١٩﴾

They ask you about wine and gambling. Say, "In them is great sin and [yet, some] benefit for people. But their sin is greater than their benefit." And they ask you what they should spend. Say, "The excess [beyond needs]." Thus Allah makes clear to you the verses [of revelation] that you might give thought. (Al-Baqarah: 219)

4. Selling ***haram (unlawful)*** products

- alcohol/drugs and all kinds of intoxicating product,
- bacon, gelatyn, oil, and any kind of products taken from pig.
- meat from animal that is slaughter without mentioning the name of Allah.
- Stolen items

Gainful Business in Qur'an

Best investment

- rahmat Allah is far better than all the riches of this world.
- Objectives of all activities is *mardhat allah (the pleasure of Allah)*
- real example: granting ease or respite one's debtor, qard al hasan (benevolence loan)

Sound judgment (QS7:85; 11: 85-86)

- 'Adl (justice), full weight, full measure
- Refraining from all fraudulent practices → corrupting the land
- Preference of thoyyib (good), halal (lawful), against khabits (bad) and haram (unlawful)

Right conduct (QS: 33:21, 68: 3-4)

- Good deeds as real gainful investment – emulate Rasulullah SAW
- Guard trusts, keep promises, moderate in dealing with Allah as well as with fellow humans
- Wealth and children are crucial test for the integrity of man

Losing Business

All such dealing that might bring a small profit momentarily, but eventually result in a tremendous and irreparable loss

- The worst investment: the trade that not only gains nothing but also suffers the loss (QS 2:86)
- Unsound judgement: to prefer the life of this world to that of the hereafter (31:33; 13:26)
- The evil conductinvolvement in any activity that is prohibited by Allah (QS 2:121; 2:174)

Accountability in Islam

QS 36:65; 41:18-21

Man are being vigilantly monitored and accurately recorded.

The Qur'an is very explicit in speaking about the rewards and punishments based on the conduct of man in this life.

The Qur'an Verses about Approved Business Conduct

2:275

4:29

9:119

5:1

17:34

23:8-11

17:35

7:35

55:7-9

24:37

2:280

Islamic Business Principles

Freedom of economic pursuit (QS: 4:29)

- **Recognition and regard for personal property**
 - Allah is the absolute/ultimate owner
 - However, personal ownership is not ruled out
- **Legality of trade**
 - Qur'an envisages complete freedom of trade, internal or external
 - However, it does not mean as abolition of all restrictions
 - It should be ethical: honest, mutually beneficial
- **Mutual consent**
 - Consent, concurrence, and agreement

Islamic Business Principles

Justice/Equity

- Fulfilment of promises and contracts
- Exactness in weights and measures
- Work, wages, payments
- Truthfulness, sincerity, honesty
- Efficiency and competence
- Selection on merit
- Investigation and verification
- 'adl

Islamic Business Principles

Safeguard

- Writing of a contract
- Witnesses
- Rahn
- Individual responsibility

Islamic Business Principles

Manners

- Politeness
- Forgiveness
- Compensation
- Removal of hardships
- Providing help
- Consideration of others' needs and interest

Form of Approved Business

Barter

Cash trade

Credit trade

Partnership (sharikah)

Disapproved Business Conduct

Unjustified
consumption of
appropriation of
other's wealth and
rights

(al-bathil-unjustified
consumption, zulm-
injustice)

1. Riba

Literally: increase or addition

Technically: the addition in the amount of loan in consideration of the time for which it is advanced or of the time for which the repayment of loan is deferred

2. Fraud

Fraud and cheating is the characteristic of the hypocrites

- Tatfif (engaging in fraud)
- Dishonesty
- Falsehood and breach of pacts/promises

3. Other disapproved Practices

- Unjustified appropriation of others' wealth

Disregards for merit

Dealing in prohibited commodities

Invalid partnership

Delinquency in payment of wages and debts

Hoarding

Price fixation (tas'ir)

Protectionism

Monopoly

Measures causing price-hike

Infliction of harm



Thank you