

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

ISLAMIC BUSINESS ETHICS

Evony Silvino Violita

Assalaamu'alaikum Warahmatullah Wabarakatuhu

كُنْتُمْ خَيْرَ أُمَّةٍ أُخْرِجَتْ لِلنَّاسِ تَأْمُرُونَ بِالْمَعْرُوفِ وَتَنْهَوْنَ عَنِ الْمُنْكَرِ وَتُؤْمِنُونَ بِاللَّهِ وَلَوْ آمَنَ أَهْلُ الْكِتَابِ لَكَانَ خَيْرًا لَهُمْ مِنْهُمْ الْمُؤْمِنُونَ وَأَكْثَرُهُمُ الْفَاسِقُونَ

You are the best nation produced [as an example] for mankind. You enjoin what is right and forbid what is wrong and believe in Allah . If only the People of the Scripture had believed, it would have been better for them. Among them are believers, but most of them are defiantly disobedient. (Ali Imran-3:110)

وَلْتَكُنْ مِنْكُمْ أُمَّةٌ يَدْعُونَ إِلَى الْخَيْرِ وَيَأْمُرُونَ بِالْمَعْرُوفِ وَيَنْهَوْنَ عَنِ الْمُنْكَرِ
وَأُولَئِكَ هُمُ الْمُفْلِحُونَ (آل عمران : ١٠٤)

“And let there be [arising] from you a nation inviting to [all that is] good, enjoining what is right and forbidding what is wrong, and those will be the successful.” QS Ali-Imran:104

Definition

Official
Indonesian
dictionary:

- Ilmu tentang apa yang baik dan apa yang buruk dan tentang hak dan kewajiban moral (akhlak).

RIB:

- A set of moral principles that distinguish what is right from what is wrong.

Business ethics:

- = Management ethics/organizational ethics: the same meaning, but limit the frames to organizations

Ethics in Al-Qur'an

وَإِنَّكَ لَعَلَىٰ خُلُقٍ عَظِيمٍ

And indeed, you are of a great moral character.

(Al Qalam-68:4)

- Khuluq (خُلُقٍ) – **Good Nature**
- Khayr (goodness), birr (righteousness), Qist (equity), 'adl (equilibrium/justice), haqq (truth & right), ma'ruf (known and approval), taqwa (piety).

Factors Affecting Ethical Behaviours

• *Legal Interpretation*

- secularism: contemporary values,
- *slamic worldview*: based on Shariah & fiqh.

Organizational factors

- formal and informal regulation in an organization.

Individual factors

- 2 stages moral development: minor/prepubescent & adulthood.
- Personal values & personality, family influences, peer influences, life experiences, situational factors.

Capitalism: Modern Economic System



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

“The Protestant Ethic and the Spirit of Capitalism”

(**Germany:** *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"

Some Different Concepts...

1. Secularity

The state is separated from religion

2. Relativism of norm

Ethical or not depends on the local values

In Islam....

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 worshiping God.
- Result is not the measure of performance. Work is valued based on the intention (niat) and process.
- maximizing utility focus only on society, in Islam 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

(Weeramantry, 2001)

- **'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.**

Ethics in Islam

•Individual

- Muslims are not allowed to waste any food and drink.

Family

- Muslims are told to love and protect their own parents

Society

- Muslims are told not to barge in someone else's house without permission

General Ethical Guidelines in Business

1. Be Honest & Truthful (see Shahih Bukhari-no. 8116)

Honour the Word/fulfil the contract

Love Allah more than the Wealth & Trade (Attaubah-9:24)

Be Humble, Simple in All conduct (Annisa'-4:29)

Encourage Mutual Consultation Asysyura-42: 38)

Prohibition of Fraud (Al Muthaffifin-83: 1-4)

Prohibition of Bribery Abu Dawuud: no. 3573)

Ethics in Islamic Finance

• Truthfulness & Honesty:

- high degree of professionalism, effectiveness in fulfilling the duties and responsibilities,

Integrity,

Sincerity, seeking for mardhatillah

Responsibility and accountability

Ethics in Marketing

Honesty & sincerity in advising the client about the product

Adequate disclosure on information

Avoid deception and wrong presentation of product

Avoid convincing client to buy the product (fair advise)

Balance between self interest (coy.) and interest of client

Marketing product based on customers' interest

Contentment – brings barakah

Code of Ethics according to AAOIFI

Objectives:

- Developing employee's ethical & professional awareness,
- Giving rights to those who are entitled to them,
- Perfecting the work,
- Embodying the principle of cooperation in righteousness & piety

Rules influencing job performance:

- Fear of Allah in secret & In public
- Adhering to the shariah, implementing its principles,
- Implementing justice

AAOIFI: Structure of Code of Ethics

Shariah foundation of ethics

- integrity, principles of vicegerency of humanity on earth, sincerity, piety, righteousness & making one's work perfect, Allah-fearing, Men's accountability before Allah)

Principles of ethics for employees

- trustworthiness, legitimacy, objectivity, professional competence & diligence, faith-driven conduct, professional conduct & technical standards

Ethical conduct for employee:

- Self-motivated rules influencing job performance,
- Rules towards shareholders, managers, & fellow employees,
- Rules of conduct towards those who deal with the institution & related parties

Code of Ethics according to IFSB

Truthfulness, honesty, fairness,

Due care and diligence,

Capabilities,

Information about clients,

Information to clients,

Conflicts of interest and of duty,

Shari'ah compliance

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Thank You

