**International Islamic University Chittagong**

Faculty of Business Administration

MBA Programme

**Subject: Management and Business From the World view of Islam**

**Lecture Series Ten:** **Business Ethics : Islamic Perspective.**

**Business** can be used to refer to a commercial, professional or industrial organization or enterprise that exists to produce profit. In other words, the owner or operator of a business have as one of their main objectives, is the receipt or generation of a financial return in exchange for expending time, effort and capital. According to *Oxford Dictionary*, business denotes the “activity of making, buying, selling or supplying goods or services for money/profit”.

**Definition of Islamic Business** :

Business from Islamic perspective may be defined in two ways: a) business as an activity; and b) business as an academic discipline-a subject of study.

1) Islamic business means the activities or process of earning through investment(land, capital,

 effort etc.)keeping in mind the Islamic principles and the satisfaction of Allah(*STA*);

 or Islamic business pertains to the activities or process of earning through mutual investment

 (land or capital)keeping in mind Allah’s directives and return afterworld (for accountability)

 and maintain Allah’s *Adle*(Balance and justice) and *Ihsan*; and

2) Islamic business is a subject of study -- an academic discourse concerned with improving the

 business performances with the observance of Islamic ethics and principles.

**Positive View of Islam Regarding Business:**

1.Islam encourages people to expand their resources through trading and investment. But hoarding is prohibited in Islam and usury is forbidden. In the Holy *Qur’an,* it is said that: “…let be amongst you traffic and trade by mutual goodwill:…”(*Al-Qur’an* ,4:29). It further said that: “..*wa ahallaahul baia* *waharraman riba*”, means Allah permitted trade and forbidden interest…”(Sura Al-*Bakara*,2:275).

2.Allah encourages people to search(through investment) for bounties Allah between the sky and

 earth. Allah says: “He has made subservient to you whatever in the heavens and the earth and

 granted you His bounties manifest and hidden”(*Al-Qur’an*, Sura *Lukman*,31:20;also see 4:32-

 33;16:12-14 and 45:12).He further says: “And when the prayer is finished, then may ye

 disperse through the land, and seek of the Bounties of God: and celebrate the Praises of God

 often that ye may prosper”( *Al- Qur’an*,62:10).

3.Islam enjoins upon Muslims to keep working and struggling ,and forbid laziness and idleness.

 The *Qur’an* encourages people to be industrious. Allah says: “*Laisalil Insano Illah ma’sa`ah’*

 *,*means ‘that man can have nothing but what he strive for’( *Al-* *Qur’an*,53:39); and “Verily

 never does Allah change the condition of the people until they change it themselves”(*Al-*

 *Quer’an*,13:39).

4. The *Qur’an* has elevated ‘*amal* ` to the level of a religious duty by mentioning it consistently,

 in more than 50 verses, in conjunction with ‘*iman’*(faith),--*alladhina amanu wa ‘amilu al-*

 *salihat*.

5.The *Qur’an* itself regards ‘*amal* itself as *Ibadat*. In other words, work is the sole criterion beside

 faith by which the real worth of a person is to be evaluated for the purpose of reward and

 punishment. Therefore, The *Qur’an* not only permits and encourages all sorts of productive

 work, but also enjoins it upon Muslims as a duty.

6.Islam emphasizes mutual cooperation in good deeds. The *Qur’an* says: “*watsa wanee alal birre*

 *watakwa wala tarwae alal Islam wal wudwane”* means ‘ cooperate one another in good deeds,

 do not cooperate in bad deeds’(Sura *Al-Maida*, 5:2); and “*Watansa’ nasibaka minad dunya*”,

 means ‘do not forgo worldly rights’( Sura *Kasas*,28:77) .We have been asked by the Prophet

 *(STA*) to pray, “*Rabbana atina fiddunya hasanatao wafil akhera hasana wakina azaban nar*”*,*

 means, ‘Oh lord! Give welfare to me in this worldly life as well as life hereafter’(Sura

 *Bakara*,2:201).

7.The Qur’an regards business as lawful, good and beneficial for both the individual and the

 society. Fair trade and honest business are praised, recommended and strongly exhorted to by

 the *Qur’an*. The *Qur’an* even expressly permits business even during the

 pilgrimage(Sura *Al-Bakara*,2:198).Prophet(*STA*) said: “To do business in this world with

 justice and honour is to safeguard for oneself a place with the Prophets, the faithful, the

 martyrs and the righteous, in the other world.

8. Lastly, Prophet Mohammad(*STA*) himself was a model of trustworthy and honest businessman.

**Six Principles of Islamic Business Ethics**:

Abdullah A. Hanafy and Hamid Saham have classified some major ethical principles of Islam into the following six categories:(Their implications in social and practical life).

1. **Truthfulness**: Truthfulness is the basic ethical value of Islam. Islam is, in a way, the other name of truth. Muslims are to be straightforward and truthful in dealings and utterances*(Al-Qur’an*,33:70). Islam strongly condemns falsehood and deceit in any form.
2. **Trust**: Trust in the sense of accountability-efficient and socially desirable use of resources-Any business activity should not harm individuals, society and environment.
3. **Sincerity(*Ehsan*)**: Sincerity of attention and actions in every walk of life—Islam discourages manipulation or exploitation of others for personal reasons—not to cheat or harm others deliberately.
4. **Brotherhood**: Attitude of non-discrimination(of customers),and employees(in recruitment)and other stakeholders.
5. **Science and knowledge**: Islam makes it obligatory for Muslims to seek knowledge and obtain excellence in performance –Allah says: “*kuntum khaira ummatin”,*means ‘you are the best among my followers’(*Al-Qur’an*,3:110). We have been asked to pray, “*Rabbi Jidni elman*”, means ‘O lord! Excel me in knowledge’-It encourages dynamism, foster initiative and enjoins upon the believers to make persistent struggle (for economic activities as well and the pursuit of the ever expanding bounties of Allah) for his progress, both materially and spiritually.
6. **Justice and Welfare(*Adle wal Ihhsan*)**: Maintaing of Justice is a prerequisite of business and trade in Islam. Justice means that every one should be treated as he deserves….it includes fair treatment, equality and a sense of proportion and balance. It is required in pricing (fair price),product quality(quality control),employee treatment(fair and human treatment),handling of environmental pollution and *Ihsan*  in business decisions.

**Source:** 1. Sayyid Fayyaz Ahmed, “The Ethical Responsibility of Business: Islamic Principles

 and Implications”, in F.R.Faridi(ed.),*Islamic Principles of Business Organizations and*

 *Management*(New Delhi: azi Publishers and Distributors,1995),pp.23-25.

 2. Khalid Ahmed, *Management From Islamic Perspectives*(Kuala Lumpur: International Islamic University,2007),pp.318-320.

**General Ethical Guidelines For Muslims In Business:**

1. Be honest and truthful;
2. Keep your words;
3. Love Allah more than your trade;
4. Deal with *Momen’*s(Believers) before dealing with *Moshreq*(non-believers).
5. Be humble in conducting your life;
6. Use mutual consultation in your affairs;
7. Do not deal in fraud;
8. Do not bribe;
9. Deal justly.

**Source:** 1) Beekun,Rafic Isssa, *Islamic Business Ethics*(Harndon: International Institude of

 Islamic Thought,1997),pp.64-67;

 2) Arther, Syed Mohammad, *Islamic Management And Business*(Chitagong:

 NOKSHA,2007),p.31

**Six Ethical Systems of the World**:

1)Relativism; 2) Utilitarianism; 3) Universalism; 4)Rights; 5) Distributive Justice;

 and 6)Eternal law.

**Source:1) Beecun, Rafic Isssa ,pp.8-19.**

 2) **Arther, Syed Mohammad,**pp.19-23.

**Islam encourages partnership business such as**:

(If the intension of investors is righteousness a priori, Allah has promised to help)

1)*Al-Mudarabah or Qirad****;***

2) *Sharikat;*

3) *Musharakah;*

4)*Murahbaha; and*

5) *Qard Hasan****.***

**Source:Beecun, Rafic Isssa ,pp.48-49.**

**Six key axioms of Islamic philosophy:**

(What a Muslim will have to do in their application in Business)

1). Unity(T*awhid*);

2). Equilibrium(*Wasatun* or moderation);

3). Free will;

4).Responsibility;

5).Justice(*Adle*);and

6).Benevolence(*Ihsan).*

**Source:**1) Beecun, Rafic Issa, *Islamic Business Ethics*(Harndon: International Institude of

 Islamic Thought,1997),pp.20-29.

 2) Ather, Syed Mohammmad, *Islamic Management And Business*(Chitagong: NOKSHA,2007),pp.24-25.

**Business Ethics in Islam: Specific Principles:**

1) Adherence to contracts;

2) False advertising and misrepresentation;

3) Accurate measurement and weight;

4) Hoarding and profiteering;

5) Destruction of surplus produce;

6) Interest and unlawful trade;

7) Fair recruitment policy;

8) Fair treatment of workers;

9) Protection of environment.

**Source:Hanafy and Saham ,quoted in F.R.Faridi(ed.),*Ibid*.pp.25-32**.

**How Can Muslims Derive Virtues by Doing Business:**

If a Muslim follows the following principles\*

\*For details, see Sl. No. 1-6 of Ather, Syed Mohammad,*Ibid*,pp.140-142.

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