

PARAMETERS OF ISLAMIC BUSINESS ETHICS IN PRODUCTIONS

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Abstract

This study aims to explore the concept of Islamic Business Ethics and set clear Shariah parameters for their application in production. This study emphasized the respondents' views and experiences on the implementation of Islamic business ethics. The main discussion in this study is inclined to the theories and the basis for developing the parameters of Islamic Business Ethics. This qualitative study adopted a semi-structured interview to two types of respondents, namely the Muslim Scholars and the Muslim entrepreneurs. The finding shows that the Islamic Business Ethics parameters in productions were based on the types of products, maintaining the production in ethical manner and the relationship between Islamic business ethics and Halāl certification.

Keywords: *Muslimpreneurs, Muslim products, Islamic Parameters*

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Introduction

Islam views extrinsic aspects of work positively. It is clear that the Islamic ethics argue that engagement in economic activities is an obligation (Yousef, 2000). Thus, work is the source of independence and the means to achieve a fulfilled life. The holy Quran speaks in favour of free trade and legitimate profit so long as it is consistent with Islamic ethics and does not exploit others (Ludwig, 2001). In fact, Islam encourages prosperity through the appropriate use of the resources given by Allah. Such resources are seen as important in providing the basic survival and physical needs as well as accumulation of wealth (Kriger & Seng, 2005).

The creation of products in Islam ought to be seen diversely as contrasted with Western considering. The Islamic point of view fuses *Akhlāq* and transcendental components inside the creation of item and is guided by the principles of Islamic business morals. As such, it is clear that those Muslim entrepreneurs believing in Islam are likely to pursue extrinsic work values in their entrepreneurial activities consistent with Islamic teachings (Salwa, Shahbudin, & Jusoff, 2013; Ramadani, Dana, Ratten, & Tahiri, 2015). Muslim entrepreneurs will also view the extrinsic aspect of their work

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positively. They should acknowledge - as for Muslims - economic life is thus seen as a means to a spiritual end, where prosperity means the living of a virtuous life (Kriger & Seng, 2005). Under the Islamic perspective, the production process must be guided by the criteria of the quality and the effect of the product upon the entire society. This is because the most noteworthy significance is given to the realization of the ideal welfare of a people and society.

Islam also suggests a positive relationship between Islam and intrinsic work values. As an Islamic adherents approach work, they are likely to view the intrinsic aspects of work positively. In Islam, work is considered to be a source of independence and a means of fostering personal growth, self-respect, satisfaction, and self-fulfilment (Yousef, 2000). Thus, the IBE encourages adherents to view the intrinsic aspects of work positively. As mentioned earlier, intrinsic aspects relate to openness to change and the pursuit of initiative and creativity at work. The IBE clearly emphasizes creative work as an important source of accomplishment (Yousef, 2001) that could be implied in Muslim entrepreneurial activities.

Numerous studies have shown that ethical considerations are important for business (Hornsby, Kuratko, Naffziger, LaFollette, & Hodgetts, 1994; Quinn, 1997; Spence & Lozano, 2000). Ethical practices within a commercial context make claims about what must be done or what must not be done in managing a business (Kuratko, Hornsby, & Naffziger, 1997). The implementations of IBE in all aspects of entrepreneurial activities will established the Muslim entrepreneurs as Muslimpreneurs which was defined as the Muslims who practice the IBE comprehensively with the Islamic values in their entrepreneurship activities (Mohd Faizal, Muhammad Ridhwan, Kalsom, & Suhaida, 2014; Mohd Faizal, Muhammad Ridhwan, & Kalsom Ab. Wahab, 2014).

Methodology

The primary method of data collected in this study is semi structured interview. The interviews were conducted with two different groups of respondents namely, (1) The Muslim scholars and experts, and (2) The Muslim entrepreneurs to obtain multiple perspectives on the issues of this study.

A semi-structured interviews are flexible by allowing an interviewer to bring up new questions during the interview to probe for more information compare to the structured interviews which are standardise predetermined questions which are asked in the same order for all respondents (Greene, 2005). The semi-structured interview was chosen because of its ability to provide the flexibility and autonomy to cover all areas of the research interest. At the same times, it allows the respondents to be flexible in their responses to the questions (Bryman, 2004). A total number of 6 respondents were interviewed in the actual data gathering process for this study. In results and discussion, the respondents for this study were mentioned as R1, R2, R3, R4, R5 and R6.

Results and Discussion

In this study, the discussion on the implementation of the Islamic business ethics (IBE) in the production geared to the three main areas. It consists of types of products; retain the production in ethical manner and the relationship between the IBE with the *Halāl* certification.

Type of Products

There are some basic principles that should be considered by every Muslim entrepreneur before they start to produce a product. The product that will be produced must meet the Islamic principles of goods and production. In Islam, the key principle in productions is *Halālan Ṭoyyibā* and beneficial such as clearly mentioned in verses of al-Quran (al-Nahl, 16:114).

Halālan Ṭoyyibā merely means allowed and permissible for consumption with relation to Islamic teaching as long as they are safe and not harmful. Muslims should avoid any food or drink which lies as *Syubhah*. The Prophet SAW has given a clear guideline concerning *Syubhah* matters as follows:

Narrated An-Nu^cman bin Bashir: The Prophet said: *Both legal and illegal things are obvious, and in between them are (suspicious) doubtful matters. So who-ever forsakes those doubtful things lest he may commit a sin, will definitely avoid what is clearly illegal; and who-ever indulges in these (suspicious) doubtful things bravely, is likely to commit what is clearly illegal. Sins are Allah's Himā (i.e. private pasture) and whoever pastures (his sheep) near it, is likely to get in it at any moment* (Reported Abu Dawud, al-Bukhari, Tirmidhi and Muslim).

Islam stresses that every product must be clean and pure, fulfilling the *Maṣlahah* and achieves the *Maqāsid al-Shari^cah*. Thus, Islam prohibits the production and sale of harmful goods except with the certain requirements and in very strict conditions. Based on this, the principle of demand and supply in Islam is different from the conventional theory. Clearly, the production is closely related to the demand, but Islam has laid down clear principles for each production.

According to R1, the production of the products that is contrary to the *Maqāsid al-Shari^cah* such as drugs, ecstasy pills, and liquor and others were prohibited even though there were high demands for it. R4, R5 and R6 explained that the cleanliness is very important in the business and it has a significant relationship with the concept of *Halālan Ṭoyyibā*. Muslims should not recklessly practice what specified on the theory of supply and demand. Instead, they have to ensure that each supply and demand is consistent with the principles of supply and demand in Islam.

Islam has determined that each of the supply and demand should be based on the priorities (*al-Awlawiyyāt*) and corresponds to *Maqāsid Shari^cah*. The principles of *al-Awlawiyyāt* stipulate that the supply and demand of a product should base on the three levels of priority. It starts with *Ḍaruriyyāt* goods (necessities), followed by *Hajiyyāt* (needs) and finally is *Tahsiniyyāt* (perfections). Thus, Islam has determined that *Ḍaruriyyāt* goods shall take precedence in the production process (R1).

Ḍaruriyyāt is the most important because it is fundamental to human needs such as basic food, drink, shelter and education. If these basic needs cannot be met then people will be in difficulty and suffer. After all of these basic needs are met, Islam allows the demand and supply of *Hajiyyāt* goods that can meet human needs and comfort. At the same time, Islam teaches its followers to be careful of luxury (*Tahsiniyyāt*) goods to avoid the extravagance and waste as stated in Al-Quran (al-A^crāf, 7: 31).

R1 and R2 stated that the adhering of the principles of *al-Awlawiyyāt* and *Maqāsid al-Shari^cah* in production is important in Islamic teaching. Therefore, according to R3, the Muslimpreneurs should give the priority in producing more the *Ḍaruriyyāt* product instead of *Hajiyyāt* and *Tahsiniyyāt* products.

There are Muslim entrepreneurs who start a business on a sense of responsibility towards other Muslims. According to R4 and R6, there were Muslim entrepreneurs those who start a business to supply *Halāl* products as an alternative to the non-Muslim products. Apart from *Halāl* and beneficial, Islam also recommends that each product should also have a value of worship. Islam stipulates that each product should enable its users getting the benefit of it.

R2 stated that physical and mental health will enable people to worship Allah diligently and much better. This view can be conveyed in the production of clothes. Clothes that coincide with Islamic rules will prevent users from *ʿAurat* related sins; at the same time it will be easier for them - especially Muslim women - to perform *Ṣalat*. Muslimpreneurs are also advised to apply some of the traits of products that are widely used in marketplace today. It is included the viability, competitive and fulfil the market demand (R2).

Retaining the Production in Ethical Manner

The Production of products that meet the Islamic principles will be seen as explicit compliance with the principles of IBE. If the Muslim entrepreneurs can produce the *Halālan Ṭoyyibā* products continuously, it will clearly show its ability to comply with all the principles and rules of production in Islam.

According to R1, if the productions of the *Halālan Ṭoyyibā* placed as a priority, it must be supported through the use of *Halāl* resources and legal work procedures. If the Muslim entrepreneurs can avoid themselves from the *Harām* elements, such as fraud and usury continuously, then the implementation of IBE in the production will be sustained. To maintain the production in an ethical manner, entrepreneurs need to trust and be prepared to get only a small profit. Their willingness to accept these conditions will help them for remain ethical in the production of their products (R4, R5 & R6).

The Relationship between Islamic Business Ethics and Halāl Certification

Halāl certification is issued by the authorities as confirmation that a product has to comply with the procedures and standards set according to the Islamic principles. Technically, the verification and the *Halāl* status will enable users to make choices on the products in the market. At the same time, the products which do not have *Halāl* certification are not necessarily *Harām*. But, as stated before, it is only the confirmation process.

The issues of *Halāl* and *Harām* products should not arise at any products produced by Muslim entrepreneurs who adhere to the teachings of Islam. Thus, there are entrepreneurs who think the Muslims status of themselves is enough to convince customers that their products comply with the Islamic law. According to R1, when *Halāl* certification is discussed in the broader market perspective, it has become a necessity, especially for Muslim entrepreneurs who want to expand their market. In addition, R1 states that Muslim entrepreneurs do not have to get *Halāl* certificate because they are Muslims, but, *Halāl* certification would be more assured their customers. *Halāl* certification if viewed from of the implementation of ethics scopes will be seen in various dimensions and creates a different valuation. Issues of ethics and *Akhlāq* among the Muslims entrepreneurs have dealt with according to the quality and identity of the Muslims in this age. Muslims today are quite different than the earliest Muslim generation. The strength of their *‘Aqīdah* and *Taqwā* is expressed through their prudent and ethically actions.

Nowadays, these values have steadily eroded despite a growing number of the Muslims. Thus, there are many things need to be examined and refined in dealing with the Muslims entrepreneurs. This is important to ensure that all are properly made and appropriate to the Islamic teachings. The process of identifying *Halālan Ṭoyyibā* products will be easier through the *Halāl* certification (R1). R3 discussed this point based on what is applicable in the process of livestock slaughtered. She explained that most of the livestock slaughtered lean with the opinion that their slaughtering is legal (*Halāl*) and correct because they are Muslims. For them, it is good enough and there are no purposes to obtain the *Halāl* certification.

Whereas, the Islamic Religious Department procedures stipulate that the supplier should have *Halāl* certificates. The department also did not deny that their slaughtering is legal. However, the department look at the wider aspects including its operation that involve procedures and cleanliness. They were failed to meet prescribed standards that cause of their failure to obtain *Halāl* certificates. In the Western countries, ethics has become an important thing that will determine the survival for the enterprises. In Islamic framework, ethics is part of *Akhlāq* which known as *al-Ihsān*. Instead, in Muslim countries, there are many Muslims who take it lightly (R1).

The verification of the *Halāl* status through the *Halāl* certification can serve as evidence that each product has undergone certain processes that are recognized as valid and *Shari'ah* compliant. At the same time, Muslim entrepreneurs who get *Halāl* certificate will be monitored by the authorities from time to time. It is important to ensure that all procedures and standards are complied with at all times. Thus, every enterprise and entrepreneurs who have obtained *Halāl* certification will be assisted by other parties in ensuring that ethics will be implemented continuously (R1, R2 & R3).

Halāl certification is important for business although the product is simple and small. The cost for *Halāl* certification may be an obstacle for some entrepreneurs. But every Muslimpreneurs must consider it as a challenge and an opportunity to penetrate a wider market. There should not be a problem if the products just distributed in the local market only since the local communities have known it as a Muslim product. According to R2, there is a guarantee in terms of the validity of the product in accordance with Islamic law because of the monitoring and supervision from the authorities. The authorities are also encouraged to create different levels of certifications according to product category as well as the size of the enterprise. It is up to the authorities on how to encourage the participation of Muslimpreneurs to get this recognition. R5 and R6 stated that Muslim entrepreneurs believe that the *Halāl certification* helps them to ensure their products that are accurate to the Islamic principles. The monitoring and conditions stipulated by the authorities are the guidance in their entrepreneurial activities.

All the above discussions were summarized in Table 1 as follows:

Table 1: The Parameters of Islamic Business Ethics in Production

Scopes	Parameters
Type of Products	<i>Halālan Ṭoyyibā</i> ; beneficial; clean and pure; fulfilling the <i>Maslahah</i> ; no harm; comply with <i>al-Maqāsid al-Shari'ah</i> , cleanliness, based on priority (<i>al-Awlawiyyat</i>) value of worship (<i>al-'Ibadah</i>)
Retaining the Production in Ethical Manner	<i>Halāl</i> resources; legal work procedures, avoiding the <i>Harām</i> elements
<i>Halāl</i> Certificates	Follow the Islamic ruling and the authorities regulations

Conclusion

Islam is a way of life, not just a religion. As a result, IBE cannot be separated from Islamic teaching in the other aspects of a Muslim's daily life. The Islamic ethical system is balanced, fair, just, and benevolent, and seeks to respect the rights of all people without allowing for exploitation, nepotism and other human ills. Islam advocates a tiered, multi-fiduciary approach that calibrates what a various business receives in proportion to their inputs. The responsibility of each party is morally anchored since it is based on the concepts of trust (*Amānah*), equity, balance and fairness (*Adl* and *Qist*), benevolence and excellence (*Ihsān*). At all times, Muslim entrepreneur must not forget their role as Allah's SWT servant or vicegerent on earth. For Muslims entrepreneur, the understanding and practicing of this ethical system also contains its own enforcement mechanisms.

Based on the above discussion, it can be concluded that the IBE was determined based on the Islamic principles. In practice, it can be classified into (i) the type of product, (ii) retaining the production in Ethical Manner and (iii) the halal certification. The implementation of IBE in production can be determined through the IBE parameters that have been submitted, whether the parameters is followed completely or otherwise. If the parameters are fully followed, than the IBE has been fully implemented in the production of a product and vice versa.

The implementation of IBE in the production based on its parameters is essential because the violation of one of these parameters will lead to the breaking of Islamic rulings. The most important is the understanding of all the parameters that proposed in this study have been supported by primary Islamic evidence which is known as al-Qur'an and al-Sunnah. Therefore, it coincides with the ideal principles of Islamic legal maxims, namely *al-jam' bayn al-nusus al-juzi'yyah wa al-maqāsid al-kulliyyah* (merging between specific arguments and the comprehensive goals).

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