



# Towards Understanding the Islamic Paradigm of Business Ethics

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## ABSTRACT

*Islam provides us the full fledged ethics of business if once implemented transparently; it can bring the resolution in the field of business and economy. Ethics is considered the moral standards by which people judge behaviour. Islam places the highest emphasis on ethical values in all aspects of human life. In Islam, ethics governs all aspects of life. Ethical norms and moral codes discernible from the verses of the Qur'an and the Hadith are numerous, far reaching and comprehensive. In an Islamic system, ethics and business are not only compatible but also they are inseparable. Islam stresses the link between business and religion. It projects a perfect way of life. A human manner and behavior in small and medium enterprises cannot be effectively clarified without references to the Islamic ethics which can manage it. Thus, this research paper will discuss the Islamic business ethics on one hand and its philosophy on the other hand.*

**Key-words:** *Ethics, Islamic Business Ethics, Philosophy, Qur'an, Sunnah*

## I. INTRODUCTION

Business ethics in Islam is a very enormous and immense term. The ethics exist greater in quantity and powerful. A lot can be demonstrated on this term from the Holy book, *Qur'an* and *Sunnah* of beloved Prophet Muhammad <sup>(s.a.w)</sup> (i.e. recorded saying and behaviour of Prophet Muhammad, <sup>(s.a.w)</sup>) which provides the open invitation to make the vision clear about business ethics in Islam. Islam provides the full fledged ethics of business if once implemented transparently; it can bring the revolution in the field of business world. Therefore, in this research paper, an attempt is made to discuss Islamic ethics and Islamic business ethics in general and the philosophy of Islamic business ethics in particular in the light of relevant *Qur'anic* text.

## II. ISLAMIC ETHICS: AN OVERVIEW

Ethics deals with the conduct, behavior, and character of human beings. Ethics a set of moral principles which enable a person to distinguish between things which one is good and which one is bad. The term ethics is often used as morality, morality in actions is very important component and no behavior can be positive without good



and resonance base of ethics. Ethics also sustain behavior and it leads to good attitude. (**Dr Sabahuddin 'Azmi**). From an Islamic perspective, the dimensions of ethics are numerous, far-reaching and comprehensive. Ethical system in Islam derived from the teachings of the *Qur'an* and from the *Sunnah*. Islamic ethics deals with all aspects of human life. It deals with relationships between man and Allah <sup>(s.w.t)</sup>, man and his fellowmen, man and other elements and creatures of the universe, and man, his innermost self (**Hanafi & Sallam, 1997; Supriyatna, 2012**). Furthermore, the goals of Islam itself are not primarily materialistic. They are based on Islamic concepts of human well-being and good life that emphasize brotherhood and socioeconomic justice and require a balanced satisfaction of both material and spiritual needs of all humans.

Furthermore, Islam considers ethics as an offshoot of *Iman* (a Muslim belief system), and it emerges from the Islamic worldview of human life. Ethics also is known as *Akhlaq*. *Akhlaq* is a set of Islamic moral values which have been prescribed fundamentally in the *Qur'an* and implemented by Prophet Muhammad <sup>(s.a.w)</sup> during his lifetime (**Wan Hamat et al, 2013**).

Principally, there are two types of *Akhlaq*, good or *mahmudah* and bad or *mazmumah*. Islam emphasizes the importance of practicing good *Akhlaq* (*mahmudah*) in all aspects of human life and recognizes it as one of the purpose of sending His messengers (**Shaharuddin, 2005**). The Prophet <sup>(s.a.w)</sup> said:

*"I have been sent only for the purpose of perfecting the qualities of good Akhlaq"* (**Imam Malik**).

### III. ISLAM AND BUSINESS ETHICS: AN OVERVIEW

Islam gives much emphasis on the ethical character of human beings, if we study the holy *Qur'an* and *Sunnah*, we shall find a discernible verses and the sayings of the Prophet Muhammad <sup>(s.a.w)</sup> on ethical norms and moral codes. Islam emphasized to follow these ethical norms not only in personal and family life but also to follow in business dealings and transactions.

Islam is a complete way of life. It provides guidance for all activities either these are individual, social, material and moral, legal and cultural, economic and political and national or international. Islam invites the man to enter the fold of Islam without any vacillation and to follow Allah's guidance in all fields of life. (**Khurshid Ahmad, 1999**)

The *Qur'anic* verses and the teachings of the Prophet <sup>(s.a.w)</sup> tell us about the wide range of ethical norms to be followed. i.e. in our social contract, contract with family, in equality of the genders, contract with individuals, dealings regarding neighbors, friends, relatives, in business transactions, public and private life, chastity of women, security of the life and property, justice, protection of honor, ethics with non-combatants, combatants, sanctity of the property, dead body, and rules regarding the declaration of war (**Abul A'la Mawdudi, 1999**). Allah <sup>(s.w.t)</sup> says:

**"You have indeed in the messenger of Allah an excellent exemplar" (Al-Qur'an, Surah Al-Ahzab, 33:21).**

The Prophet Muhammad <sup>(s.a.w)</sup> said "the best among you is one whose character is best" (*Bukhari*). The Prophet <sup>(s.a.w)</sup> said "A person devoid of kindness is devoid of any good" (*Sahih Muslim*). Again he said, A time



will come upon people when they will not differentiate what they earned is legitimate or unlawful” (*Bukhari*, 1941). At another place the tradition of Prophet <sup>(s.a.w)</sup> states, “To say a good word is just a charity” (agreed upon). And said “Every good deed is charity” (*Bukhari*). The Prophet <sup>(s.a.w)</sup> said, “He who deceives is not of us”. At other place the Prophet <sup>(s.a.w)</sup> said, “The honest merchant will be rewarded on the day of judgment with prophets, pious people and martyrs” (*Tirmidhi*, 1130.)

#### IV. PHILOSOPHY OF ISLAMIC BUSINESS ETHICS: AN OVERVIEW

Here, We shall briefly discuss those philosophies which Islam authorizes in business dealings and which come under the scope of Islamic business ethics.

1. Justice
2. Trust
3. Legitimate Resources on Acquiring Property.
4. Zakah
5. Lawful Earning

##### 1. Justice

Traders must establish *al-Adl*, or Justice. This means that the traders must be temperate in all things without the benefit side, equal treatment or fair to all customers, taking into consideration fair and unbiased and give the right to the right (Nor, 2012). In other words, justice means putting things in the right place. Allah <sup>(s.w.t)</sup> says in the *Qur'an*:

**“Verily, Allah commands you to do justice and kindness”. (Al-Qur’an, Surah al-Nahl, 16:90)**

This verse clearly shows that how Allah <sup>(s.w.t)</sup> is emphasizing the question of justice in business. This is because justice in the business of the purchase will ensure justice to all men.

##### 2. Trust

A trader cannot cheat, betray customers, selling price too high and delaying payments to suppliers. Traders must trust in every transaction made. The emphasis that trusts mentioned in the *Qur'anic* verse in which Allah <sup>(s.w.t)</sup> says:

**“O you who believe! Do not betray (trust) in Allah and His Messenger, and (do) not betray your trusts while you now (them)”. (Al-Qur’an, Surah al-Anfal 8:27)**

Therefore, all actions and decisions made in a business that is based on the nature of trust is necessary to ensure that the business is fair to everyone whether they are a buyer or a seller to get right. Fraud and oppression would be avoided if all parties are trustworthy and true. By the nature of this trust, the traders will gain appropriate and the buyer will get the goods or services corresponding to the price paid.

##### 3. Legitimate Resources on Acquiring Property

The main thing which Islam allows to its followers is rightful source of wealth and property, if someone earning so they must discriminate between lawful and unlawful source of income. This discrimination is based on such criteria that if one person is earning and the other person suffering loss, so Islam does not permit such



kind of earning and transaction. Islam only allows those transactions in which both the parties have the benefit and their free consent. (Mawdudi, 1974) Allah <sup>(s.w.t)</sup> says in the *Qur'an*:

**“O you believe, Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent, and do not kill yourselves, Surely, Allah is Most Merciful to you”. (Al-Qur’an, Surah An-Nisa, 4:29)**

#### **4. Zakah**

Islam forbids earning only for self and not caring the poor people in the society. Islam prevents the concentration of wealth in few hands but ensures the distribution among the poor people in a prescribed rate. Zakah will be collected from all those who are involved or engaged in any productive business activity or having excess money or holding assets for a period of not less than one year. Islam ensures the best of social security and brings Cooperation with the rest of the community members. (Habibur Rehman, 2003.)

Zakah purifies the wealth and bring prosperity in a state and efface the concept of socialism and capitalism in which wealth comes under the control of one hand. In various places in the noble *Qur'an* Allah <sup>(s.w.t)</sup> says:

**“Take Sadaqah (Zakah) from their wealth in order to purify them”. (Al-Qur’an, Surah At-Tawbah, 9:103)**

And at other place Allah <sup>(s.w.t)</sup> says “as-Sadaqat are only for poor *Al-Masakin*, and those employed to collect it and to attract the hearts of those who have been inclined, and to free the captives, and for those in debt, and for Allah’s cause”. (*Al-Qur’an, Surah At-Tawbah, 9:60*). , Allah <sup>(s.w.t)</sup> orders “Establish worship and pay the poor due (give Zakah), (*Al-Qur’an, Surah al-Baqarah, 2:43*) “Perform As-Salat and give Zakah (poor due) and that is the right religion.” (*Al-Qur’an, Surah Al-Bayinah, 98:5*)

#### **5. Lawful Earnings**

Islam gives much emphasis on legitimate and *Halal* earning. There is no compliance in Islam for those business men who conduct their business dealings through unlawful and illegitimate means and earns profit. Islam permits only for legitimate business as *Qur'an* tells us:

**“O you who believe: Eat not up your property among yourselves unjustly except it may be trade among you by mutual consent”. (Al-Qur’an, Surah An-Nisa, 4:29)**

At another place, Allah <sup>(s.w.t)</sup> says:

**“These are they who have purchased error for guidance, so their commerce was profitless. And they were not guided”. (Al-Qur’an, Surah Al-Baqarah 2:16)**

Islam forbids tyrannical dealings such as *Riba* (interest) and condemns it. Allah <sup>(s.w.t)</sup> says in the *Qur'an* says:

**“Allah has permitted trading and forbidden Riba”. (Al-Qur’an, Surah Al-Baqarah 2:275)**

The Prophet <sup>(s.a.w)</sup> said

**“may Allah <sup>(s.w.t)</sup> send down His curse on all the persons who use, pay, witness and write down the Riba”. (Musnand Ahmad, 624)**



## V. CONCLUSION

From the above discussion, it can be concluded that Islamic business ethics can play an eminent role in the modern business world if the following outstanding principles of Islamic business ethics are to be remembered and adopted in order to achieve the ultimate prosperity and glory in the business dealings:

- Both seller and buyer must accept the supremacy of Allah <sup>(s.w.t)</sup>, they should accept His sovereignty, love Him and follow whatever He orders and abstains from, in all dealings if it is related to business dealings or any other moral conduct in social life.
- Business dealing should be pure, the trader must be cleared with other party, especially the seller in dealings must out all the things clear, he should be honest and when promised then must fulfill. Dealings should be faired not fake.
- Softness must be kept in mind by traders or sellers while dealings, because gentleness is the basic thing for all dealings.
- Do not make the basis of dealings on bribery or corruption, interest, fraud, lie, etc.
- The seller and buyer should also put aside their dealings from all illegitimate sources such as, gambling, black marketing, speculation, stock reserve or hoarding of food, fixation of pricing and all illicit items from which Islam has prohibited.

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