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REVIEW ARTICLE

SIGNIFICANCE OF ISLAMIC BUSINESS ETHICS

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ABSTRACT

In Islam, ethical values have the highest significance in business transactions. They are the most important elements that can distinguish Islamic business from conventional business. For this reason, this paper examines the implementation of Islamic business ethics in term of merchants, commodities circulating in the market, and market movements. The research adopts classical and modern jurists' approaches to analyse jurisprudential issues on the theme from the Islamic juristic perspective. It explores ethical conducton financial products and services. It also discusses the impact of Islamic ethics in business areas and emphasises moral values in all aspects of human daily activities. The study explains freedom of enterprise in Islam and keenness to earn lawful income. It highlights prohibited conduct in business transactions. Today, everybody's concern is to earn profit even if that means ignoring ethical standards in business. This phenomenon is widespread in Muslim and non-Muslim countries. In Islam, there are ethical rules and regulations to be followed in business transactions. It is crucial for merchants to implement those rules and regulations in their business in order to establish a stable and sustainable financial system.

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INTRODUCTION

In Islam, ethics play a significant role in all aspects of human life as the Prophet s.a.w is reported to have said, "indeed I was sent to complete the most perfect ethical values".<sup>1</sup> Aishahr. a was asked about the ethical values of the Prophet s.a.w and she replied with a very concise sentence that his (s.a.w) character was the *Qur'an*<sup>2</sup>. This means if you want to know about the character of the Prophet s.a.w, then refer to the *Qur'an*. This highlights the central importance of ethicalin Islamic law. In business transactions, ethics have the highest consideration in terms of conduct of merchants and invested assets as well as the pace of the market. Islamic law prohibits any kind of business transaction in which there is ambiguity or uncertainty in delivering the subject matter or the price. It was reported by Umar r.a that any merchant who does not possess

Sufficient jurisprudential skills on business transaction is not eligible to trade in our market (market of *al-Madinah al-Munawwarah*) in order to avoid *ribÉ* and any conduct not in conformity with Islamic business ethics in the market.<sup>3</sup>

Prohibited products are not allowed to be transacted in the market. Cheating, fraud, corruption and other elements which are not in conformity with the rules and regulations of Islamic business transactions are forbidden to be transacted in the market. The merchants should behave according to the principles of Islamic business ethics and guidance, as mentioned in the *Qur'an* and *Sunnah* of the Prophet s.a.w. It was mentioned that a man cannot recommend another until after having dealt with him in business matters. This is because the real character of a man does not emerge except in business matters. Thus, Islamic business ethics playan important role for the stability of the economy and financial system.

2.The meaning of ethics in Islamic law

Ethics in Arabic is "*al-Akhlāq*, the plural of *khuluq*. It refers to morality, which means a nature, or an innate disposition or temperament".<sup>4</sup> It was mentioned in the *Qur'anto* describe the

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<sup>1</sup> AÍmad bin Hanbalal-ShaibÉnÉ, vol. 5 *Musnad al-ImÉm Ahmad bin Hanbal*, (Cairo: Mu'asassahQurtubah, n.d),Hadith no. 8595

<sup>2</sup> AÍmad bin 'AlÉ bin ×ajr al-'AsqalÉnÉ, *FatÁ al-BÉrÉ, SharÍ, ÓalÉÍ al-BukhÉrÉ*vol. 3 (DÉr al-RayÉnli al-TurÉth, 1986 ), 633. ×adÉtÉh no. 3332. See also Ibn BÉz, *FatÉwÉ Ibn BÉz* vol. 4 (Saudi Arabia: al-RiyÉsah al-'AmmahlilBuÍÉth al-Ilmiyyahwa al-IftÉ'a), 79.

<sup>3</sup> Al-TirmizÉ, MuÍammad bin 'IsÉ bin SÉrah,*Sunanal-TirmizÉ*, vol. 1( DÉr al-Kutub al-ImiÉyyah . n.d ), 151

<sup>4</sup> Muhammad Yusuf Saleem, An Introduction to the Theoretical Foundations of Islamic Transactions, revised edition (Kuala Lumpur: Ilmiah Publisher, 2012), 4

character of the Prophet s.a.w. Allah s.w.t said, "Truly you are at the highest level of character (*khuluq*)".<sup>5</sup>

According to Imam al-Ghazali, "ethic is a character which is an established state of the soul from which actions proceed easily without any need for reflection or deliberation".<sup>6</sup>

One can deduct from the abovementioned definitions that ethics have a crucial impact on human conduct, including in business transactions. They are rules and regulations that differentiate one from another.

### Movement of the market

In Islam, collecting and keeping large amounts of essential commodities without offering them in the market in order to create artificial scarcity to dramatically increase the price is prohibited. This kind of practice should be avoided because it is a form of business exploitation strictly forbidden by Islamic law. The Prophet (s.a.w) is reported to have said, "One who hoards things for increasing their prices, is a wrong doer".<sup>7</sup>

Offering more money than somebody else in order to unreasonably increase the price without being a potential buyer is prohibited. This kind of practice is forbidden by Islamic law. The Prophets. a.w is reported to have said, "Do not outbid (*walÉtanÉjashÉ*)".<sup>8</sup> Furthermore, middlemen are not permitted to protect consumer's right. Dwellers of towns may be prevented from selling the merchandises of farmers or villagers on their behalf. Farmers and villagers are allowed to sell their goods directly to anyone they wish. The Messenger of Allah forbade the selling of things by a town dweller on behalf of a rural dweller (farmer).<sup>9</sup>

The Islamic business market should be free from hoarding, outbidding, and other business transactions not in accordance with the principles of Islamic business ethics. The transactions in the market must run smoothly according to the principles of Islamic law. Misconduct in the market is not permitted. Sellers and buyers must deal with each other according to the principles of Islamic business ethical values as mentioned in the *Qur'an* and the *Sunnah* of the Prophet .s.a.w.

### Fair Competition in the Market

Merchants should avoid misleading advertisement and bribes. If there is any important information, it should reach all merchants in the market without resorting to bribery and corruption. Allah s.w.t said in the *Qur'an*, "And do not eat up your properties among yourselves by false means, neither seek to gain access thereby to the judges, so that you may eat up a part of the property of others wrongfully".<sup>10</sup> The Messenger of

Allahs.a.w said, "Allah cursed the briber and the bribed".<sup>11</sup> Therefore, the merchants should balance between competitiveness and co-operation in the market in a way which does not contradict rules and regulations of Islamic business ethics.

The merchants should avoid entering into a transaction which another person has already entered into. Ibn Umarr. areported that Allah's Messenger (s.a.w) is reported to have said, "A Muslim should not enter into a transaction in which his brother had already entered into but not finalized yet".<sup>12</sup>

One can deduct from the foregoing that in the Islamic business market, the merchants are competing in a way that creates a cooperative market movement which benefits all parties. There is no bribery and fraud in the market. Everyone in the market is urged to behave in a manner that can protect both merchants and consumers' rights.

### Standard of commodities

The commodities which are circulating in the market should be free from deception and fraud as well as false advertisement. "The Messenger of Allah (s.w.t) once passed by a stock of grain. He touched it and felt moisture inside the stock. Then he asked the seller what is this? The seller said: 'O Prophet of Allah it was affected by rain.' The Prophet (s.a.w) said: 'Then why you did not place the wet wheat over the rest of the stock, so that people could see it for themselves. Any one practiced deception has no relationship with me'.<sup>13</sup> If there is any defect in commodities, the seller should inform the buyer about the defect. "A Muslim is a brother of his fellow Muslim. It is not lawful for a Muslim to sell such a commodity that has a defect, except that the defect is shown to the buyer".<sup>14</sup>

In case of weight and measurement of commodities, the accurate weight and measurement must be given to the buyer. The description of weight or measurement must match the reality. Allah s.w.t said in the *Qur'an*, "Give full measure, and be not of those who give less than the due, and weigh with the true balance".<sup>15</sup>

In Islamic business, transacting in goods containing the elements of *gharar* and are defective is not permitted. In case there is a defect in the goods, this defect should be shown to the purchaser. It is impermissible to sell such goods to a purchaser without first informing him about it.

### MERCHANTS' BEHAVIOURS

The merchants (the contracting parties) should conclude their contract with mutual consent. The seller does not have the right to force a buyer to buy from him and the buyer does not have right to force the seller to sell his/her asset to him/her. In the

<sup>5</sup> Surah al-Qalam (verse no.4)

<sup>6</sup> Al-Ghazali, AbÉ×Émid, Muáammad bin Muáammad bin Muáammad al-TawsÉ, *IlyÉ: 'UlÉm al-DÉn* (Cairo: Mu'asasah al-IhrÉm, 1988), 238.

<sup>7</sup> AbÉal'AlÉMuÉlammad'Abd al-RaáimÉn bin 'Abd al-RahÉm al-MubÉrakafÉrÉ, *Tuhfat al-AhwazÉ, fÉSharáÉmi' al-TirmizÉ* vol. 4 (Beirut: DÉr al-Kutub al-'Ilmiyyah, n.d), 484-486

<sup>8</sup> Ibn×ajr, ×adÉthno. 2052 at 436 and BÉz., vol. 3 at 236

<sup>9</sup> Al-BukhÉrÉ Muáammad bin IsmÉ'Él, ÓaáÉÍ al-BukharÉ, vol. 2 at 757, see also Al-NisÉ'É, Sunan al-NisÉ'É, ×adÉth no. 4496

<sup>10</sup> Surah al-Baqarah (verse 188)

<sup>11</sup> Muáammad Shamsu al-×aqal-'ADÉm ÓbÉdÉ, 'Awnu al-Ma'abÉd, *SharáSunan AbÉDÉwÉd*, vol. 9 (DÉr al-Fikr, 1995), 496×adÉth 3580

<sup>12</sup> Ibn ×ajr, ×adÉth no. 2032 at 414

<sup>13</sup> Al-nawawÉ, AbÉZakariyÉ MuáýÉ al-DÉn YaáýÉ bin Sharf, *al-MinhÉj SharáÓaáÉ Muslim bin al-×ajÉj*, vol. 2 (Beirut: DÉr lhyÉ al-TurÉth al-'ArabÉ, 2010), 108

<sup>14</sup> Surah al-'Ashu'arÉ' (verse 182)

*Qur'an* Allah s.w.t said, "O you believe do not eat property of each other unlawfully except by trade with mutual consent from you".<sup>16</sup>

The contracting parties must fulfil their contractual obligations and promises. When they have undertaken any obligation or promise to each other, they have to fulfil it. As Allah s.w.t has mentioned in the *Qur'an*, "O you believe fulfil your contractual obligations and promises".<sup>17</sup> The seller and buyer must adhere to the terms and conditions of the contract which they have concluded. The Prophet s.a.w is reported to have said, "Muslims are at their terms and conditions except the terms and conditions which make what is *haram* (unlawful) *halal* (lawful) or what is *halal* (lawful) *haram* (unlawful)".<sup>18</sup>

From the foregoing, one can observe that the contracting parties in Islamic business have to conclude their contracts in accordance with the principles of Islamic law. Their conduct should not contradict the rules and regulations of business ethics which are accepted by Islamic law. Once the terms and conditions of the contract are met, the contract is binding on the parties involved in the contract. They should not include in the contract any terms and conditions which are not in conformity with the principles of Islamic law. They should also not conclude their contract on prohibited elements.

## Conclusion

In conclusion, Islamic business ethics play a significant role in boosting the economy. Its market instruments are real instruments which are free from any defect and deception. The merchants in the market are dealing honestly with each other. Their competitiveness is such that ethical values are increased in the market without violating the rules and regulations of the market. In the market, the rights of consumers are protected because there is no outbidding in the market and middlemen are not necessary. Everyone in the market is free to buy and sell to anyone. The commodities are not hoarded in order to increase the price in the future. The commodities are transacted in the market without misconduct and fraud. In case there is a defect in the commodity, this defect should be shown to the buyer or otherwise the contract is void. Implementing Islamic business ethics may help prevent and avoid economic crises. It can also create financial sustainability. This is because everyone who is dealing in business is observing ethical and moral values.

Merchants and consumers are dealing with each other in a confidential manner and within a trustworthy atmosphere. The market environment is competitive in order to enhance ethical and financial environment in the country, particularly in business. Everybody's right is protected because of ethical values observed in their dealings with each other. The market is full of confidence and tranquillity without fear of cheating and

deception which usually occurs in other conventional markets wherein there is no business ethics.

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<sup>16</sup> Surah

<sup>17</sup>Surah al-NisÉ' (verse 29)

<sup>18</sup>Ibn Taimiyyah,Taqiyu al-DÉnAbÉ al-'AbÉs 'Ahmad bin 'Abd al-×alÉm bin 'Abd al-AsalÉm bin 'Abd Allah bin AbÉ al-QÉsimbin Muammadal-×arÉrÉ, al-×anbalÉal-MaqdasÉ,*QÉ'idahfÉ al-Malabah*, TaÍqÉq, Muammad RashÉdSÉlim( Cairo:Maktabah al-TurÉth al-IslÉmÉ, n.d) 131