

BUSINESS AND TRADE ETHICS IN THE ISLAMIC PERSPECTIVE

Mohmad Ilham Shiekh

Ph.D. Research Scholar

Centre for Shaikh-ul Aalam Studies (CSAS), Markaz-i Noor
University of Kashmir, Srinagar, India

Abstract:

Business is an economic system in which goods and services are exchanged for one another or money, on the basis of their perceived worth. A business (also known as enterprise or firm) is an organization designed to provide goods services or both to consumers. Business and trade are important activities in the economic and social life of the people, extending to individual, societal, regional, national and international levels. Religion is the basic source of ethics and Islam presents a proper and systematic ethics in form of Qur'an and Sunnah. The religion of Islam greatly encourages business because it directly contributes to improving the standard of living and providing worldly comforts to mankind. Islam provides the full fledged ethics of business if once implemented transparently; it can bring the resolution in the field of business and economy. Ethics are considered the moral standards by which people judge behaviour. To meet the challenges in future in all fields of life, like in trade and business, in social interactions etc the development of today's youth is very important because today's youth are the parents and leaders of tomorrow. Islamic ethics should be interrelated in them so deeply that they can be a true and good Muslim and can present Islam well amongst the international community. So this paper attempts to examine the business and trade ethics in the Islamic perspective that would be beneficial for whole humanity to live a prosperous life.

Keywords: Business, Ethics, Islam, Trade

I. Introduction

Business and trade among Muslims is not a new thing. The Prophet Muhammad ^(s.a.w) himself was directly involved in the business before being appointed Prophethood. He became one of the traders who market goods owned by Hadhrat Khadijah ^(R.A) to the countries such as Syria and Yemen. In the early days of Islam, it appears that many of the companions of the Prophet Muhammad ^(s.a.w) who had ventured into the field of business and trade. Among the Hadhrat Uthman bin Affan ^(R.A) and Hadhrat 'Abdul Rahman bin 'Auf ^(R.A) they both are successful businessmen and gain much wealth. Among the main factors causing them to gain a lot of success and profit in business is because they work hard and do business according to business ethics in Islam. Traders or Businessmen are part of the community that is accepted as important in the development of a community. They play an important role in solving the problems faced by the society for the development of the national economy. In the era of globalization, various offenses in business ethics committed by traders or businessmen such as bribery, breach of trust, to practice usury and more for gaining the wealth through unlawful means. In line with the challenges of globalization, businesses are required to provide a strong commitment to ethics as it ensures credibility, image and reputation in the eyes of the community, customers and other stakeholders. Therefore, the values and ethics of Islam played an important role in business activities and thus creating such traders who fear Allah ^(s.w.t).

II. General Concept of Ethics

Ethics deals with those standards that prescribe what man out to do. It also addresses virtues, duties and attitudes of the individual and the society. In addition, ethics is related to customs, traditions as well as beliefs and worldviews. Ethics is closely related to law, feelings and culture, however, it is hard to equate ethics with all of these. For instance, it is true that ethics and human feelings are closely related to each other. However, being ethical is not to follow one's feelings and desires. Indeed, human feelings might frequently go against ethics and deviate from moral standards of right and wrong. Hence, it is not true to equate ethics with one's feelings. Similarly, law and ethics are principle-guided fields. Both of these fields prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society or fairness.¹ In addition, ethics is also not confined to the standards of behaviour (culture) which our society accepts. It is

true that in any society majority of them accepts standards that are ethical, but being moral does not necessarily mean the same as doing whatever the society accepts.

Hazard defines ethics as 'norms shared by a group on a basis of mutual and usually reciprocal recognition'.² Erhard et.al. provide a more elaborate definition of ethics as 'the agreed on standards of what is desirable and undesirable; of right and wrong conduct; of what is considered by that group as good and bad behaviour of a person, sub-group, or entity that is a member of the group, and may include defined bases for discipline, including exclusion'.³ They identify ethics to be in the realm of 'group virtue domain'. One way in which ethics can be understood is to examine the ends or consequences of actions or activities. Thus, an act will be ethical 'when it promotes good of society or more specifically, when the action is intended to produce the greatest net benefit (or lowest net cost) to society when compared to all of the other alternatives'.⁴

III. Islamic Concept of Ethics

Islamic ethics is the ethical system formed by the teachings of the Qur'an and explained by the Prophet Muhammad (s.a.w) through action and words. The Arabic term: *Akhlaq* (singular, *Khuluq*) is laterally translated into English as "Ethics". Another Arabic word which is employed as a literally interchangeable to *Akhlaq* is *Adab*. *Adab* means manner, attitude, behavior, and the etiquette of putting things in their proper place. As such, Islamic ethics are those universal standards of right and wrong that prescribe what humans *ought to do* as taught by the Qur'an, and demonstrated in the exemplary life (actions and words) of the Prophet Muhammad (s.a.w).⁵ In this sense, ethics "subsumes all actions that are characterised as virtuous deeds in the terminology of the Qur'an".⁶ For a Muslim, ethics is Shari'ah. It is the divine law which guides all aspects of Muslim life, including the way of an individual should think and act towards other individuals and things in his or her everyday life. Believing in the Shari'ah as divine guidance; the Muslim tries to internalise its values and express them in thinking activities and overt actions.⁷

Within an Islamic context, the term most closely related to ethics in the Qur'an is *Khulq*. The Qur'an also uses a whole array of terms to describe the concept of goodness: *Khayr* (goodness), *Birr* (righteousness), *Qist* (equity), 'Adl (equilibrium and justice), *Haqq* (truth and right), *Maruf* (known and approved), *Taqwa* (piety). Pious actions are described as *Salihat* and impious actions are described as *Sayyiaat*.⁸ Thus Ethics has been defined as the study of right or wrong, good or bad in conduct. It was also defined as that aspect of religious teaching and philosophy which tells us how we ought to behave. The difference between ethics of revelation and manmade ethics is that, the ethics of revelation is what Allah (s.w.t) Has ordained but not what man thinks it is.⁹ Ethics is also described as a normative field of study because it prescribed what one should do or abstain from doing.

Ethics is as an Islamic moral that deals with the relationship between man and Allah (s.w.t), man and his fellow men, man and other creatures of Allah (s.w.t), man and his innermost self. Therefore, man should adhere to Allah's (s.w.t) command and should do good to his fellow men and other creatures of Allah (s.w.t). His role is to do what is right and fight what is evil, seek what is true and abandon what is false, shun away arrogance, vanity, and indifference since they are distasteful, offensive, displeasing to Allah (s.w.t) and therefore unethical. Man should act ethically in earning and dealings with others. Similarly, man should not separate economic activities and fear of Allah (s.w.t), because if the two separates that may lead to immorality, corruption, cheating, dishonesty and exploitation.¹⁰ Man should be honest, just and equitable in earning and in dealings with others. He must abstain from injustice, transgression and everything that are against the principle of justice and equity.

IV. General Concept of Business and Trade Ethics

Business and trade ethics is the application of theories of right and wrong to activity within and between commercial enterprises, and between commercial enterprises and their broader environment. It is a wide range of activity, and no brief list can be made of the issues it raises. The safety of working practices; the fairness of recruitment; the transparency of financial accounting; the promptness of payments to suppliers; the degree of permissible aggression between competitors: all come within the range of the subject. So do relations between businesses and consumers, local communities, national governments and ecosystems. Many, but not all, of these issues can be understood to bear on distinct, recognized groups with their own stakes in a business: employees, shareholders, consumers, and so on.¹¹

In business there are many different people you have to answer to: customers, share holders and clients. Business ethics are ethics that refer to the moral rules and regulations governing the business world. In general, business ethics is the branch of ethics that examines ethical rules and principals within a

commercial contest. The various moral or ethical problems that can arise in a business setting; and any special duties or obligation that applies to persons who are engaged in commerce. Significance and importance of business ethics can be enhanced by comparing it with the foundation of a building. It plays the same vital role just like the foundation and pillars play in constructing and designing a building skeleton. Every professional who conducts a business always needs a guideline, comprises on rules and principles. These ethics are designed differently keeping in mind the core values and standards of the respective organization. Every member or employee is bound to follow the designed code of ethics with sincerity, honesty, uncorrupted virtue and solidarity so that the organization can achieve the required goals /profit in business. Webster Collegiate Dictionary defines ethics in business or business ethics as it is often called, is the application of the discipline, principles, and theories of ethics to the organizational context. Business ethics have been defined as “principles and standards that guide behavior in the world of business.” So business ethics is the behavior that a business adheres to in its daily dealing with the world. They apply not only to how the business interacts with the world at large, but also to their one to one dealing with a single customer.¹²

V. Islamic Concept of Business and Trade Ethics

Islam as a religion and a way of life has prescribed desirable and undesirable ways of conducting business dealings. It enjoins truthfulness, trustworthiness, fair treatment of workers, honesty, and fairness, honouring and fulfilling obligations. It also prohibits dealings in unlawful items, speculation, hoarding of food stuff, exploitation, cheating and fraud in business transactions.¹³ Business misconducts, such as giving short measure, short weight, adulteration, deception, cheating, and concealment of defects mixing good and bad products are illegal ways of conducting business and hence prohibited. In Islamic business transaction both the buyer and the seller have the responsibility to abide by buying/selling rules and regulations, they would be rewarded for telling the truth about their good and punishment awaits falsehood from either of them.¹⁴ In business transaction, it is forbidden to do anything which is dishonest, therefore, dealings in usury, gambling, shady deals and hoarding are illegal and unfair method of business, and hence justice and fair play must govern all transaction.¹⁵

Islam places the highest emphasis on business ethical values in or so called ‘muamalat’. Referring to the Holy Qur’an and the teachings of the Prophet Muhammad (s.a.w) strongly stress the observance of ethical and moral code in trade and business. Allah (s.w.t) says:

“You are the best nation that has been raised up for mankind; you enjoying right conduct, forbid evil and believe in Allah”.¹⁶

The purpose for these rules and ethics is to lead to a happy state of affairs, which is the ultimate goal of Islam. Islamic market is concerns by certain norms that take care of the interests of both the buyer and the seller. There are a number of rules of ethical discipline in Islamic commercial transactions. Without these, business contract would be regarded as lacking perfection. One of the most important things is the matter of gaining legitimate (halal) earning in handling business. The Prophet (s.a.w) endorsed the importance of legitimate ways of earning in the following words:

*Asked “what form of gain is the best”? [the Prophet] said, “A man’s work with his hands, and every legitimate sale”.*¹⁷

The phrase stress that a Muslim trader must be keen to earn just from legitimate source, while in other Hadith, Prophet (s.a.w) said:

*“A sale is a sale only if it is made through mutual consent” which enforce the concept of trade through mutual consent.*¹⁸

In business transaction Islam requires use of appropriate and standard weight and measure between sellers and buyers of commodities. In a Hadith, the Prophet (s.a.w) has said

*“measure your food stuff and you will be blessed”*¹⁹

In business dealings fraud constitutes where a man desire for higher standard in his own favour and he is not willing to exact higher standard against himself. The Prophet (s.a.w) explains the value of proper and standard weight and measure in business and said:

“Islam laid emphasis and stress upon the use of correct and standard weight and measure”.

Islam also prohibits false oath with an intension of convincing the buyer.²⁰ Islam prohibits bad activities of businessmen which may results in causing artificial scarcity of goods needed by consumers and cause rise in price of the commodities. These bad activities include speculation, hoarding, black marketing and smuggling.²¹

Islam does not accept speculative activities caused deliberately by the bad activities of businessmen that result in rise in price of commodities Prophet (s.a.w) said:

“He who accumulates stock of grain during storage of it (with a view of profiteering later) is a great sinner”.

Hoarding may create artificial scarcity of goods, which in turn lead to rise in price of goods. *Qur'an* and *Sunnah* condemned hoarding and declares grievous punishment for those who encourage hoarding.²² Prophet Muhammad (s.a.w) also taught traders to be generous and lenient in doing business transactions. That is why the Prophet (s.a.w) invokes Allah's (s.w.t) mercy thus: May Allah's (s.w.t) mercy be on him who is lenient in his buying, selling, and in demanding back his money [or debts].²³ Islam also being practical in avoiding conflict between traders with enforcing them to keep up their trust, promise and contract as Prophet (s.a.w) said that

*“Muslims are bound by their stipulations”.*²⁴ and condemning promise-breaking as the hallmark or trait of a hypocrite: *“If he makes a promise, he breaks it, and if he makes a compact, he acts treacherously”.*²⁵

Prophet Muhammad (s.a.w) as a wise man also plays important role in showing how fair treatment of workers should not being taken far granted. He once said that ‘the wages of the labourers must be paid to him before the sweat dries upon his body’²⁶ showing how concern he is and that's how People should be, accepting Prophet (s.a.w) as an idol and following his beautiful ways living life.

Prophet Muhammad (s.a.w) presented in front of us how to be a successful trader. He had a remarkable reputation in dealing. Many people in Makkah even the enemies were used to praise his sincerity, honesty, hard work, truthfulness etc. Prophet Muhammad (s.a.w) always emphasized on fair dealings in business with the customers. He (s.a.w) said:

*“Allah (s.w.t) shows mercy to a person who is kindly when he sells, when he buys and when he makes a claim”.*²⁷

Islam encourages an honest trader greatly and offers a high rank on the Day of Judgment. A businessman will be honored along with the martyrs but the conditions are sincerity, truthfulness and honesty in dealings. Prophet Muhammad (s.a.w) says:

*“The Truthful and honest merchant is associated with the prophets, the pious people and martyrs”.*²⁸

Allah (s.w.t) says:

“Allah (s.w.t) made trade lawful and made interest unlawful”.²⁹

In these lines Allah (s.w.t) specifies the basic Islamic ethics in trade and business. It is very clear and obvious that who obeys Allah's (s.w.t) rules and standards and refrains from interest in affairs heaven is ready and prepared for him but the one who do not follow will burn in hell for ever. Allah (s.w.t) permits trade and forbids interest. Allah (s.w.t) declares in Qur'an Trade is ‘Halal’ and interest is ‘Haram’. Islam gives special importance and stress on lawful and unlawful codes of business affairs. Many Qur'anic verses strictly prohibits Haram and do not think suitable to take of property wrongfully and dishonestly. Allah (s.w.t) says:

“And eat up not one another's properly unjustly (in any illegal way e.g. Stealing, robbing, deceiving etc, nor give bribery to the rulers (judges before presenting your cases) that you may knowingly eat up a part of the property of others sinfully”.³⁰

In these verses of Holy Qur'an Allah (s.w.t) not only emphasis and shows the legitimate and illegitimate dealings, but also emphasis not to keep any kind of doubt in trade. Allah (s.w.t) says in Qur'an:

“O you who believe! Eat not up your property among yourselves unjustly except it be a trade amongst you, by mutual consent And do not kill your selves (nor kill one another). Surely Allah (s.w.t) is most merciful to you”³¹

A lot of examples are there in Qur'an and Hadith which clearly explain the importance of Islamic ethics in any business. In another place Prophet Muhammad (s.a.w) said:

*“The buyers and the sellers have the option to cancel or to confirm the deal as long as they have not parted or till they part and if they spoke the truth and told each other the defects of the things, then blessings would be in their deal and if they hid something and told lies, the blessings of the deal would be lost”*³²

Among all the religions, Islam is the only religion, which tells us the significant ethics in business and also presents Prophet Muhammad (s.a.w) as a role model. He was also famous as a truthful trader. Even amongst his enemies named him as ‘Sadiq’(truthful) and ‘Ameen’ (honest). Islam covers and encourages trade and

business in all aspects. If once we follow Qur'an and the Sunnah of Prophet (s.a.w); the Muslims can emerge as the driving force of the whole world.

Similarly in many places 'Trade' is considered as 'Ibadat' (worship) if done according to the standards of Islam. Allah (s.w.t) strictly prohibits interest and considers it 'Gunah-e-Kabeera.' (Greater Sin) Just imagine an interest free business and society following the ethics of Islam and foot steps of Prophet (s.a.w). A society where people donate their extra money in charity, 'sdaqat / zakat instead of collecting them in banks, a society where people refrain from 'Interest' and earn 'Halal' only keeping in mind the rewards from Allah (s.w.t) on the day of judgment as Allah (s.w.t) promises in Qur'an. A society where richer will not be the richest and poorer will not be the poorest. Honesty, truthfulness, generosity, integrity, sincerity etc will be the stamps of that society and people will not only involve in getting profit but also in urge to seek pleasure of Allah (s.w.t) and the Prophet (s.a.w). As a good person we should always practising living the way Prophet Muhammad (s.a.w) has taught us as he is a great Messenger delivered to teach us the right way of doing well for now and in the hereafter, business ethics is nothing excluded.

VI. Conclusion

Islam encourages work in general, and trade and commerce in particular. Islamic business practices and perspectives represent an alternative to the way business is conducted today. Islam requires that traders, both organizations and individuals, achieve a balance between commercialism and humanitarianism, and between profit and social responsibility. Not only does this approach to business conduct provide a solution to the problems of profiteering, customer exploitation, irresponsible corporate governance and environment destruction, it seeks to promote positive aspects of business such as honest conduct, reasonable profit, fair competition, high standard of service culture, business partnership, cooperation, minimum wage for employees and basic consumerism principles such as the right of buyers to return purchased goods. Honesty in business dealing is also move up in Islam. There should be clear dealing between seller and buyer. If seller sells his goods or things on fake basis then he will be guilty for that. Islam condemns all fraudulent business dealings. The seller and buyer must be honest in dealings there would be no other motive which make a transaction fraudulent and in which both become guilty. Islam gives us the complete picture of livings both how to deal in a community and how to deal with 'Deen' .By following Qur'an and the teachings of Prophet Muhammad (s.a.w), the parents can easily turn their child to be a good Businessman. By teaching and inheriting in them the seeds of honesty, truthfulness, sincerity, chastity, generosity, integrity, hospitality etc. They can emerge as a nation which is honored by all. We are forgetting the teachings of Islamic ethics which Prophet (s.a.w) not only taught us but also presented a lot of examples in front of us. He had developed trust through business ethics than presenting faith not only amongst Muslims but also amongst non Muslims. Religion is the basic source of ethics and Islam presents a proper and systematic ethics in form of Qur'an and Sunnah. It is the dilemma of the Muslim world that it had lost faith and trust in business. They need proper education to ensure the ethics. If we see today, Muslims have lost their identity amongst the trade and business community. Different cases of corruptions have totally spoiled the image of Muslims among business community. It's just because we have changed our path and not following the Islamic ethics taught by our beloved Prophet (s.a.w). So it is the need of the hour to introduce business and trade ethics in Islamic perspective that would be beneficial for whole humanity to live a prosperous life in this world as well as hereafter.

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