

## **The Role of Ethics in Economics and Business**

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### **I INTRODUCTION**

Quite apart from the distinct dichotomy of man's life into the secular and spiritual, conventional economics is still plagued with undue emphasis on the positive at the expense of the normative treatment of the subject.<sup>1</sup> 'What is' becomes the norm, in fact, the rule rather than 'what ought'. The positivity of economics is one of the factors which stems from the desire to be exact, scientific or objective without any consideration for its behavioural aspects. It is as though man is a pure technocrat who has no feelings, prejudice or value judgements. It is as though of necessity that man, in his economic pursuit, must discard all values so that he can achieve his objectives independently of any other considerations. At the same time, economists accept blindly that the axiom of selfish actions inherent in man as rational behaviour. In attempting to portray economics as a science, the economists created their 'economic man' whose sole purpose is maximizing his objectives in every economic pursuit.

Islam, on the other hand, has recognized the integrative nature of the secular and the spiritual. Both components of man are simultaneously considered, not only in economics but, in fact, in every facet of human life. The very basis is that Islam is a complete way of life and not just a religion which is completely divorced from material life. The material life has to be governed by Islamic injunctions as much as the spiritual. This integration is based on the 'Unity' or 'Tawhidic' paradigm which needs to be translated into actions, whether in the realm of the material or spiritual. The objective of all actions in Islam is nothing but to seek the pleasure of Allah - one of which is to establish a very balanced or just world. It is in this context that we

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<sup>1</sup>Throughout this paper, conventional economics refers mainly to mainstream classical or neoclassical economics.

attempt to approach this subject. The establishment of justice as lauded by Islam is not possible however, unless it is preceded by Tawhid. Hence, section 2 of this paper will dwell on this precondition to prepare us for the sections to follow. Section 3 is concerned with the second fundamental principle of the establishment of justice. Once these two principles have been explained and their significance highlighted, we shall then synthesize ethics with economics and business in section 4. We shall depict an economic system and business practices which are different from those we are used to.

## 2 THE TAWHIDIC PARADIGM

Tawhid is not only an important concept but also a fundamental principle and basis for the Islamic faith. It occurs in the belief system of every revealed religion, so much so that Islam has been acclaimed to be the only religion taught to man since Adam (A.S.). Literally, Tawhid signifies a unique relationship with the Only One that excludes all similar relationships with anyone else. Its uniqueness negates the remotest possibility of admitting the existence of another being worthy of worship.

The Oneness or Tawhid is not only confined to number but it also implies oneness or uniqueness in all His sublime qualities or attributes. All other beings have to be different from Allah in every respect. In its simplest form, the difference can be in terms of degree. For example, if one is rich, others are richer but Allah is the richest. Obviously the superlative is only for Allah and the difference is infinite. Any similarity is negated for otherwise it contradicts the very concept of Tawhid itself. Such uniqueness in qualities not only makes Him different from all others but also easier for us to logically accept His complete independence from all others. This quality of being completely independent makes it logical to believe that He provides for all and that all His creations depend upon Him.<sup>2</sup> Hence man is expected to be committed to Allah alone Who is the focus of all his reverence and gratitude. Man has no other choice but to recognise that there is no other authority except His and that there is no other guidance except His.

Tawhid also signifies the "emancipation and restoration of man's essential freedom from all human (man-made) and superhuman bondages before his commitment to Allah can be genuine and positive".<sup>3</sup> Any form of bondage to other than Allah is unacceptable. Man is not obliged ultimately to submit to any other authority since "he owes

<sup>2</sup>Al-Iklas (112):2.

<sup>3</sup>Siddiqi, M.N., "Tawhid : The Concept and the Process," in K. Ahmad and Zafar Ishaq Ansari (eds.) *Islamic Perspectives; Studies in Honour of Mawlana S.A.A. Mawdudi*, Islamic Foundation, U.K., 1979, p. 18.

nothing to any being other than Allah to Whom he owes everything".<sup>4</sup> He must be fully conscious of his freedom and independence vis-a-vis all beings other than Allah before he can enter into the relationship with Allah as required of him. Any deficiency in this consciousness will adversely affect his relationship with Allah.

Tawhid therefore presupposes a consciousness which brings a sense of equality among all men. The moment one feels inferior to another being, his freedom and independence is adversely affected. Similar is the case when one upholds the opinions of others without question, simply because such opinions belong to someone who is acknowledged for his holy status, power, wealth or colour of skin, etc. These cases run counter to the very spirit of independence and equality. Mughirah bin Shu'bah's description of Islam to the Persian general, Rustam, clearly reflected this independence. He explained, ".....and to emancipate people from its obedience of men to the obedience of Allah".<sup>5</sup> The second Muslim emissary to the same court of Rustam, Rabi' bin 'Amir, repeated the same description of Islam thus: "Allah has sent us forward so that we may liberate whomsoever He wills, from following men to the obedience of Allah and pull them out of their narrow world into the broader one, and from under the suppression of various religions into the justice of Islam".<sup>6</sup>

Yet another aspect of Tawhid concerns man's particular relationship with the universe. The universe is undoubtedly created for man's use and not to be feared or revered. The way he handles or uses the world of nature around him has to be dictated by Tawhid. This is necessary because the revealed Will of Allah provides him with a vision of a society endowed with a system of values, healthy, well-provisioned, good life in cooperation with fellow men. It is only under the direction of Tawhid that man would not create "fasad" or mischief on this earth. Instead, this vision would inspire man to change the world around him according to Allah's Will. This is the real mission of a Muslim. This mission is to be undertaken with full commitment to Allah.

It is this commitment, and its concomitant mission, which creates a positive attitude towards the world of nature since man requires sufficient resources to fulfil that mission and to stand by that commitment. The manner in which man utilises the resources around him should reflect his adherence to Tawhid. He is considered a failure if he does not accomplish his mission or misuses his resources which are all God-given. This becomes the most relevant aspect of Tawhid in the discussion of this paper. Man's only objective of seeking the

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<sup>4</sup>Ibid, p. 18.

<sup>5</sup>Ibid, p. 20.

<sup>6</sup>Ibid, p. 20-21.

pleasure of Allah dictates his actions towards Tawhid. In other words, Tawhid has a very important role to play in the realms of economics, business or any other aspects of human life.

### 3 ESTABLISHMENT OF JUSTICE

It is interesting to note that the establishment of justice and the removal of hardship is one of the principal aims of Shari'ah. This is borne out by the fact that the earth itself has been created "for just ends".

"And We created not the heavens, the earth and all between them, but for just ends" [Al-Hijr (15):85].

"We created not the heavens, the earth and all between them, merely in (idle) sport. We created them not except for just ends. But most of them do not understand" [Ad-Dukhan (44):38-39].

The above verses and some others<sup>7</sup> clearly state the very purpose of creation of this earth, in fact the whole universe, namely to establish justice and to ward off "zulm" or evil. In order to establish justice it would normally be necessary to provide a conducive environment for it. This has also been emphatically stated in the Quran, thus:

"He created the heavens and the earth in true (proportions). He makes the night overlap the day and the day overlap the night. He has subjected the sun and the moon (to His Law). Each one follows a course for a time appointed. Is not He the Exalted in Power-He Who forgives again and again" [Az-Zumar (39):5].

The above verse implies that the heavens, the earth and all those between them have been created in exact proportions in terms of their size, movements, and functions. These components are so precisely regulated to achieve the desired equilibrium which provides the conducive environment for the creatures, including man, to settle. Although Allah has prepared conducive environment, He did not leave His servants by themselves. Rather, He has appointed Prophets with Books to guide man towards justice<sup>8</sup>.

"We sent aforetime Our apostles with Clear Signs and sent down with them the Book and the Balance (of right and wrong), that men may stand forth in justice ....."[Al-Hadid (57):25].

Having created the whole universe for the sole purpose of estab-

<sup>7</sup>Other examples, see Al-An'aam (6):73, An-Nahl (16):3.

<sup>8</sup>Surah Yunus (10):47 ; Surah Al-Hadid (57):25.

lishing justice, Allah has made the environment conducive for the same purpose. Over and above that, He has provided clear guidelines towards the establishment of justice through His appointed apostles. It is then logical and fair that He demands justice, His principal objective of creation, to prevail.

“God commands justice and doing of good”[An-Nahl (16):90].

#### 4 SYNTHESIZING ETHICS WITH ECONOMICS AND BUSINESS

As alluded in the introduction, economic theorizing has excluded the consideration of the effect of “outside forces”, ethics in particular, on the process of economic change. This methodology has been adopted so as to make economics as objective and scientific as possible. Ethical values which govern behaviour have been considered as exogenous or outside the model which bear little significance to the analysis. Our interest here is to discern the kinds of changes which would occur when ethics is interwoven with material pursuits. In particular we would like to see what happens to economics and business when the economic man has to abide by the Tawhidic paradigm with the objective of establishing justice.

##### 4.1 *Economics and the Tawhidic Paradigm*

The fictitious ‘economic man’ has been universally accepted in the theorizing of conventional economics. His objective is to maximize his benefits subject to the feasibility constraints. He is expected to calculate the benefits he could reap and the costs he has to incur. He chooses only those actions which will yield the maximum benefits for himself. He does not consider it his responsibility to cater for the needs or welfare of the others. He is a technocrat in the economists’ sense. He is not expected to have any feelings, prejudice or system of values, which would influence his decisions. Yet, in reality, a man is still a man whatever form he takes. He still has a certain behavioural patterns governed by some values. However, the economists prefer to pretend that his ‘economic man’ does not behave differently at different dates, locations and situations except if the variables in his utility and cost functions change. He is presumed to behave in a manner the economists want him to behave. As such, there exists some pattern of behaviour even for the ‘economic man’.

On the other hand, Islam considers such assumptions invalid for three reasons. Firstly, man by his very nature changes his behaviour according to his feelings, needs, prejudices, moods, etc. Islam requires man to be consistent and rational, which can be attained by following strictly all Islamic values. His decisions may differ at different times, even if the economic conditions are the same. Secondly, the Tawhidic

principle, which governs his behaviour, is the only consistent and amicable principle which can lead man to achieve his objective of seeking the pleasure of Allah. Tawhid itself, among others, emphasizes "equality, brotherhood, justice and benevolence, truthfulness and honesty, compassion and kindness, priority of the social good over that of the individual, acceptance of the principle of rule of consent and decision through mutual consultation, the sanctity of the family, and that sex relations shall be based on contracts, emphasis on co-operative living and recognition of the right of the society to private wealth".<sup>9</sup> These principles, although not exhaustive, are quite sufficient to provide a different perspective towards the analysis of man in his economic pursuits. Thirdly, Islam as a complete way of life, seeks to conscientiously unify the current schism between ethics and economics. It is only through the synthesis of both economics and ethics that a different economic behaviour consonant with the Tawhidic requirements will be brought about. Under these circumstances, the following changes may be spelt out.

First, the character of the 'economic man' will be completely different from those argued so far. His utility-maximizing behaviour can no longer be constrained by the feasibility frontier alone. He now has to consider the second constraint, that of ethical allowability. This is obvious since Islam explicitly prohibits consumption of goods which are harmful. His utility from consuming such goods which are prohibited should be negative, since all prohibited goods are harmful. As such, utility maximization should be subjected not only to his budget (feasibility) constraint but also the allowability constraint. The resultant commodity space will have to be redefined to exclude all goods considered unlawful by Islam. In fact this is also true in the case of goods for production.

Second, the redefined 'contracted' commodity space does not imply that the desire of an individual to consume commodities will not be "insatiable". Firstly, as is apparent in the preceding paragraph, the utility derived from consuming the prohibited goods is negative because they have been considered harmful.

"...eat of what is on earth, lawful and good..." [Al-Baqarah (2):168].

Indeed, for this reason the total utility derivable from the apparent 'contracted' commodity space should be higher. Secondly, the Quranic rejoinder:

"...eat and drink but waste not by excess" [Al-A'raaf (7):31].

<sup>9</sup>Siddiqi, op. cit. p. 23.

implies that the commodity space for an Islamic society has been contracted to avoid undue waste. Extravagance and waste are frowned upon by Islam, and hence one who strictly adheres to this injunction will derive additional utility.

Third, from the discussion above, one can infer that the commodity space of an Islamic man is different from that of an economic man in the sense that utility is not only derived from his physical consumption of goods, but more importantly, through his adherence to Islamic injunctions. His utility function, the arguments of the function, as well as his calculus change dramatically. As Monzer Kahf<sup>10</sup> suggested, his time horizon extends infinitely.

Fourth, a competitive economy in an Islamic setting will also change tremendously. This is so because of the Islamic ethical biases concerning resource ownership. That all wealth belongs to Allah and that man, as His servant and vicegerent, holds in trust whatever is on earth, will obviously change the character of competitive equilibrium. The manner of production will change substantially because of the sense of accountability involved. In addition, "the 'contents' of the efficiency locus will change since the commodity mix, coming out of the interaction of consumers and producers, is bound to be different in an Islamic economy".<sup>11</sup>

Fifth, the economic man can no longer continue to be selfish. He has to take into consideration the consumption and production behaviours of others in the society. This is contrary to one of the basic assumptions of the neo-classical utility theory, that utility functions are independent. Such an assumption actually implies that one's utility is never affected by other people's consumption, even of the same goods. This assumption is not acceptable in Islam. The concern for others, the brotherhood concept and the like, will definitely affect the utility of any individual in the society. For instance, one actually finds utility or satisfaction by giving the needy a helping hand. Hence the interdependence of utility functions and production functions must be explicitly taken into account. This means that one must consider the situations of others as Islam treats man simultaneously as an individual as well as a collective entity.

Sixth, the Tawhidic concept of human freedom is consistent with a substantial role of the state in an Islamic economy. On the contrary, this fact is against the basic philosophy of pure and perfect competition, which is based on the dominance and superiority of the 'Invisible Hand'.

"It is interesting to note that much of the mystery surrounding

<sup>10</sup> Kahf, Monzer, *The Islamic Economy*, MSA, Plainfield, 1978.

<sup>11</sup> Naqvi, S.N.H., *Ethics and Economics: An Islamic Synthesis*, The Islamic Foundation, U.K., 1981, p. 63.

Monstesquieu's Invisible Hand - an invisible force reconciling effortlessly the pursuit of selfish interest with social welfare, which is maximized under competitive equilibrium - largely disappears in an Islamic economy. This is because the unitary (Tawhidic) Islamic philosophy 'conditions' individual preferences in such a way that they no longer conflict with public welfare. This conditioning comes about not unknowingly or accidentally, but as a result of a conscious regulation of man's economic activities, specifying not only the needs but also the means for achieving them".<sup>12</sup>

#### 4.2 *Economics and the Principle of Justice*

The requirement that justice hold in all aspects of human activity will be one of the most important determinants of economic behaviour in an Islamic economy. In order to ensure that justice prevails, all impediments to its establishment must be removed. As long as such impediments prevail, injustices will surely recur. This is at least one of the methods of establishing justice adopted by Islam.

The prohibition of *riba* is one example of removing an impediment towards justice. In other words, since it is an unjust practice, *riba* in all its forms must be completely removed from society so as to pave the way for practices which are just in the eyes of Islam. Indeed, all prohibitions have the same import and purpose.

If justice is to prevail in all aspects of activity, then the basic consumption, production and distribution relationships will be in a certain state of equilibrium which would avoid the concentration of economic power in a few hands. It follows then that monopolies in both the goods and factor markets will not be consonant with Islamic sense of justice. The obvious exception will be public utilities whose size will be determined by the amount of "externalities". Hence, state enterprises may be essential for efficiency as well as welfare reasons. However, the individual consumers or producers cannot lower the social welfare by dictating price and output levels. Justice here demands that the price level should be determined by the natural forces of demand and supply. This is possible in an Islamic economy because Islam has removed all obstructions to justice in the form of 'monopolistic hoarding' or "ihtikar", cheating, deceit, etc.

The second transformation that an economy would undergo through Islamisation is with regards to the distribution of income and wealth. Islam unequivocally rejects the acute inequality of income and wealth.

"Let it (wealth) become not a commodity between the rich among you" [Al-Hashr (59):7].

<sup>12</sup> Ibid, p. 66.



The implication here is that growth must be simultaneously accompanied by distribution. Distributional efforts must be planned and executed, for otherwise inequalities will definitely set in.

“He set on the (earth) mountains standing firm, high above it, and bestowed blessings on the earth, and *measured therein* all things to give them nourishment *in due proportion, in four periods,* in accordance with (the needs of) those who seek (sustenance)” [Al-Fussilat (41):10].

This is a very pertinent verse with regard to income and wealth distribution pattern. The creation of mountains on earth, not only helps to stabilise the earth which moves at a great speed on its axis around the sun, but it also helps with the formation of rivers and streams. The first part of this verse describes clearly these two purposes of the creation of mountains. The second part of the verse describes the creation of food as the source of nourishment and strength to all creatures on earth. One of the main sources of food comes from water (rivers and streams) and the other from the mountains themselves. As we know, these mountains are normally filled with all kinds of minerals which form the sources of wealth to man. Allah specified that the whole process of creation of all these sources of food and riches took four long periods. This means that two-thirds of the time taken to create the whole universe (six periods) was spent on the creation of food and riches for all creatures. What is important is the fact that the quantity of food created was sufficient for each and every creature in accordance with the individual needs of all those who seek such sustenance.

In other words, Allah (S.W.T.) has created enough for every creature on earth. The question is, how should the distribution be? If the nourishment is sufficient, then should everyone get equal amount? In actual fact, Islam allows the accumulation of wealth without limits, but it does not allow anyone to be deprived of his basic needs. The basic needs to live as a human being should be provided at any cost. The obligation to provide for the basic needs falls upon, first, the next of kin, followed by the immediate society and then the government, in that order. Once the basic needs are fulfilled, there is no necessity to redistribute. This view is consonant with the verse (41:10) above. “in accordance with (the needs of) those who seek (sustenance)”. It implies that the wealth accumulated should be proportionate to the needs of the individual in question, as well as the effort and ability of the person. The needs refer to the needy who are either in desperation which may be temporary, or the invalid, including the young or the very old. Whereas those who seek refers to those able-bodied people who could make the effort to obtain their needs or accumulate wealth.

In other words, the Islamic system states that everyone ought to be able to live decently while others may enjoy the luxuries of this life in accordance with the ethical standards as determined by the Quran and Sunnah.

This concept simply implies equitable distribution and not equal distribution. It calls for an economic system which allows for the interplay of the normal demand and supply forces, without distortion. At the same time, it calls for essential institutions whose responsibility is to regulate such interplay of market forces. The distributional aspect has to be undertaken deliberately and not left to the market mechanism.

In order to attain this state of affairs, Islam prohibits hoarding of wealth:

“Who hoard their wealth and enjoin avarice on others, and hide that which Allah hath bestowed upon them of His bounty. For disbelievers We prepare a shameful doom” [An-Nisaa (4):37].

“Woe to every (kind of) scandal-monger and backbiter, who piles up wealth and lays it by, thinking that his wealth will make him last forever!” [Al-Humazah (104):1-3].

Three vices have been mentioned above and are condemned in the strongest terms:

- (1) scandal-mongering, talking or suggesting evil of men and women by word or innuendo, or behaviour, or mimicry, or sarcasm or insult;
- (2) detracting from their character behind their backs, even if the things suggested are true, where the motive is evil;
- (3) piling up wealth, not for use and service to those who need it, but in miserly hoards, as if such hoards can prolong the miser's life or give him immortality: miserliness is itself a kind of scandal” [Abdullah Yusof Ali's Translation of the Holy Quran, note 6266, p. 1789].

Hoarding is hereby condemned in the same breath as scandal-mongering and backbiting. It is a vice which affects society and can have very far reaching negative consequences. This kind of vice can render continuous punishment until the whole society is completely free from the consequences.

Hoarding of wealth is dangerous and injurious to society because it stagnates investment and hence impedes economic expansion or growth. Injection of capital into the economy does not lead to instantaneous growth because of gestation lag. Hence, hoarding for a period  $t$ , will not only stagnate the economy for the same period  $t$ , but, due to the economic retrogression during the stagnation period, will stag-

nate the economy even for a longer period than  $t$ . In fact, this is not the end of it. It will be some period of time before the retrogression is completely nullified.

What about the effects of economic stagnation and retrogression on the welfare of the poor? The person who hoards or is responsible for hoarding is accountable for all these consequences. The Quran is clear concerning accountability, thus:

“...and We record that which they send before and that which they leave behind, and of all things have We taken account in a clear Book (of evidence)” [Yaasin (36):12].

Apart from the prohibition on hoarding, Islam condemns ostentatious consumption, and extols the virtues of voluntary, giving.

“Spend your wealth for the cause of Allah, and be not cast by your hands to ruin; and do good, Lo! Allah loveth the beneficent” [Al-Baqarah (2):195].

By effecting a proper balance between saving, spending and voluntary giving, Islam seeks to lead the society towards the ideal state.

#### 4.3 *Business and the Tawhidic Paradigm*

Business is an economic activity which stems from the need for exchange between the economic agents — the consumers and the producers. This need arises because of various factors. Among them are included the inability of any one consumer to produce all that he needs; the specialisation and division of the benefits of large scale production; and the use of money as a medium to facilitate exchange.

Business from the Islamic viewpoint is an activity which is very much encouraged because it forms ninety percent of sustenance. According to a hadith quoted by Al-Ghazali<sup>13</sup> “(Encouraged) upon you is business, for in it is nine out of ten of your sustenance”. This particular hadith may be reconciled by considering business or trade as an activity of exchange. Exchange can be between goods and goods, goods and services, services and services, goods and money, and services and money. If exchange is meant here, then only transfer payments will not be included or would form the remaining ten percent. All receipts such as zakat, voluntary sadaqah and inheritance are not earned and hence considered as transfer payments. These transfer payments should form a much smaller proportion of total incomes out of exchange.

However, despite its significance, business has been considered

<sup>13</sup> Al-Ghazali, *Ihya'ulum-uddin*, vol. 2

by Al-Quran to be very tempting activity which can lead one to delay or even forget to remember Allah.

“Oh you who believe, when the call is proclaimed to prayer on Friday, hasten earnestly to the remembrance of Allah and leave off business” [Al-Jumu‘ah (62):9].

“It is no crime in you if you seek of the bounty of your Lord (during pilgrimage)” [Al-Baqarah (2):198].

“A truthful merchant will be raised on the Day of Judgement together with the truthful and the martyrs.” Hadith reported by At-Tirmizi and Al-Hakim from Abi Said).

Verse 9 of Surah Al-Jumu‘ah specifically calls man to leave off business and any other activity when the call for Friday prayer is proclaimed. Why did Allah specifically mention business or “al-bai‘” instead of other forms of activity in pursuit of sustenance. Verse 198 of Al-Baqarah permits the pursuit of material wealth through trade during pilgrimage. It is not only the fifth pillar of Islam but it also signifies a special ‘ibadah’ which requires one to keep away from many worldly matters. For example, Allah says: “For Hajj are the months well known. If anyone undertakes that duty therein, let there be no obscenity, nor wickedness, nor wrangling in the Hajj. And whatever good you do (be sure) Allah knows it. And take a provision (with you) for the journey. But the best of provision is right conduct. So fear Me, O you who are wise”<sup>14</sup>. Indeed the best of provisions one should bring for Hajj is none other than right conduct, which is instilled by the fear Allah. Yet Allah has permitted us to seek His bounty including through trade during the Hajj itself.

The Hadith emphasizes the requirement of being continuously mindful of Allah when one indulges in trade. Again it is not trade per se that is being emphasized here but the proper conduct of trade.

These verses of the Quran and hadith exemplify the fact that business in itself is no doubt permissible and encouraged. However, in each case, it is associated with some strong injunction to be mindful of Allah, in the conduct of that business. The permissibility of business is not singled out. The main reason being that pursuit of wealth through trade or business, as evident in the modern world, is an activity which is most rewarding and satisfying. The return or profits from business is almost always in cash. One is able to satisfy himself at the end of the day counting the cash he earns through the day’s hard work. As such one tends to delay going for prayers if his business is crowded with potential customers.

Like economics, when business is synthesized with ethics, it will

<sup>14</sup> Al-Baqarah (2):197.

definitely bring about change. Since, in most instances, the temptation is too great to indulge oneself in malpractices, breach of trust, embezzlement and mismanagement of funds, it is therefore incumbent upon businessman to know the Islamic rules of business before indulging oneself in it. But the most important factor that could improve the ethical standards of businessman is through Tawhid.

#### 4.4 *Business and the Principle of Justice*

The essence of justice in business transactions is contained in the following verse:

“Oh ye who believe! Eat not up your property among yourselves in vanities: But let there be amongst you traffic and trade by mutual good-will” [An-Nisaa (4):29].

This is one of the many examples in which Allah first forbids a “fasad” or mischief and then provides us with the alternative. This verse implies that it is quite natural or instinctive for man to devour one another’s property in the wrong way. Thus the first part of the verse exhorts us not to perform it. It is the second part of the verse which gives the alternative and just manner of dealing with one another. In this case, there should be free interplay of demand and supply forces so that a just and fair agreement can be mutually arrived at. The basic objective of this verse is of course to guide man to the way of justice which consists of two parts. First, which is incumbent on us, is to ward off an evil of devouring one another’s property. Once this is completely eliminated, it should automatically pave the way for the free flow of goods and services in the market, which allows for a more amicable dealings to take place.

This is still a general principle which obviously needs further refinements. These refinements, mainly in the form of prohibitions, are meant to ensure that the conduct of business in Islam will be free from any unjust practices. The prohibition of *riba*, particularly that of *riba an nasi’ah*, would remove the exploitative nature of *riba* to society. Since capital is allowed to earn interest under the *riba*-based system, business risks are usually borne by the hard-working entrepreneurs. The capital owner who gives loans on interest does not bear any risks, but is ‘guaranteed’ a predetermined, positive rate of return in the form of interest.

Islam severely condemns the practice of interest and provides a general alternative, in the form of “*al-bai’*” or business. It is the Muslims, who have come up with alternative modes of financing which are non-interest bearing. Among them are *mudharabah*, *musharakah*, *murabahah*, leasing, etc. Let us consider the exact sequence of events.

Transactions involving interest were widely practised even among

Muslims, until the first revelation on the prohibition of riba before Hijrah. At the same time, some of the non-interest-based financing such as mudharabah and musharakah were also practised. The first revelation<sup>15</sup> was directed at prohibiting riba and enjoining charity (zakat) but not business. It was only the last (fourth) revelation on riba which enjoins business. This chronology of events exemplifies that what is prohibited is really an obstruction to justice. Once this obstruction is eliminated, then only can justice prevail.

The argument can be similarly carried through in the case of hoarding. Hoarding of wealth, as alluded in section 4.3 above, prevents economic growth and hence other benefits associated with it. In order to correct the situation, hoarding should not be allowed. Once we remove hoarding, we are in fact making the path of justice clearer and wider. We can continue the discussion through all prohibitions in the same manner.

Essentially therefore, Allah has removed for us those impediments or obstructions to justice by prohibiting them. One can infer then that the Shari'ah objective of establishing justice is to be achieved, among other ways, by prohibiting malpractices. Such malpractices include cheating, deceit, concealing facts, short weights and measures, breaking promises or pledges.

The second inference one can make from analysing the implications of Shari'ah injunctions is the creation of a conducive environment necessary for the establishment of justice. If justice here refers to "equilibrium", then we are actually referring to an equilibrium which is the optimum.

## 5 CONCLUSIONS

The Shari'ah is very clear with its principle objective of establishing "al 'adl wal ihsan", the 'adl part of which has been discussed in this paper. These form the framework within which the whole gamut of business will be conducted. However, the most important element which could determine the success or failure of Islamic economics (including business) is the economic agents themselves. No matter how important the enforcement of laws can be, it still boils down to the attitude of these agents, which cannot normally be seen by the naked eye. Hence in conclusion, we list down six prerequisites of such agents envisaged by Islam through its ethical principles.

- (a) Proper intention
- (b) To set the objective of performing the "fard kifayah"

<sup>15</sup>Al-Rum (30):39.

- (c) Be mindful of Allah
- (d) Remembering Allah even while doing business
- (e) Practise moderation
- (f) Avoid all the forbidden and the doubtful

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