

It's a matter of principal

In Islam, there is no distinction between the sacred and the secular. Economics, business, finance, accounting and politics, along with religious and social affairs all fall under *shari'ah* law, explains Mervyn K. Lewis.

The word Islam means submitting or giving oneself up to the will of God, and human beings are vice-regent and trustees of His on earth and bound to observe the regulation (*shari'ah*) of all activities. Individuals are trustees of what they have been given by God in the form of goods, property and less tangible 'assets'. How they use these is specified in the *shari'ah* which literally means 'the way to the source of life'. Similarly, in a business or financial enterprise, both management and the providers of capital are accountable within and outside the firm to society (*umma*) at large. Muslims cannot separate their behaviour into religious and secular dimensions, as their actions are always bound by the *shari'ah*.

Business activity must be broadly inspired and guided by *tawhid* (oneness and unity of God), *ihsan* (goodness), and *tawakkal* (trust in God) while regulated within those boundaries by a legal framework committed to values such as justice, the ban on *riba* (interest), the prohibition of *ihtikaar* (hoarding) and other malpractices. There are many positive values such as *iqtisad* (moderation), *adl* (justice), *ihsan* (goodness), *amanah* (honesty), *infaq* (spending to meet social obligations), *sabr* (patience) and *istislah* (public interest). Similarly there are a number of values which are negative and thus to be avoided, such as *zulm* (tyranny), *bukhl* (miserliness), *hirs* (greed), *iktinaz* (hoarding of

wealth) and *israf* (extravagance). Also to be avoided are *ihتيال* (fraud), *khiyana* (dishonesty), *tanajush* (collusion), *maysir* (gambling) and all forms of *gharar* (speculative) activities in any business transactions.

Economic activity within the positive parameters is *halal* (allowed and praiseworthy) and within the negative parameters *haram* (prohibited and blameworthy). Production and distribution which are regulated by the *halal-haram* code must adhere to the notion of *adl* (justice). Collectively, these provide a framework for a just business and commercial system.

TRADE AND COMMERCE

The Holy Qur'an encourages honest and legitimate business trade and commerce but this should not dominate life. Following are 10 basic principles:

Work and production: The Prophet Muhammad teaches: "Never be lazy and helpless." (Rahman, 1994:9). The route to economic achievement is hard work and the assumption of risk.

Consumption: Islam preaches moderation. Luxury and over-consumption are condemned, as is poverty which is seen as a threat to society.

Social responsibilities: In general, the aim of the Islamic economic system is to allow people to earn their living in a fair and profitable way without exploitation of others and to the benefit of society.

Business ethics: Monopolies and price fixing are prohibited. Those engaging in trade and commerce should behave equitably. Vendors should not hide defects, dealing in stolen goods is prohibited, products should be useful not harmful, and trading and investment in anything harmful to society are prohibited.

Property: While God is the absolute and eternal owner of everything, man is His vice-regent on earth and the stewards of his possessions. Ownership of property is therefore a trust (*amanah*) to be enjoyed conditionally so long as man follows the *shari'ah* and remains worthy of the trust.

Transactions and contracts: The general principle of the Islamic law of contract is contained in the Qur'anic verse: "O you who believe! Fulfil all obligations." (S5,1).

Business organisation: Governance in all manifestations is essentially about decision-making: by whom, for whom, and with which resources. The Holy Qur'an and *sunna* give clear guidelines on this. The concepts of *shura*, *hisba* and the *shari'ah* establish the basic building blocks of a system of Islamic corporate governance and business organisation.

The concept of *shura* – 'by whom': The Holy Qur'an is very clear on the question of decision-making and the issue of 'by whom' as demonstrated in the following verses:

"And consult them on affairs (of moment). Then, when thou has taken a decision, put thy trust in Allah." (Al-Imran 3:159)

"Those who respond to their Lord, and establish regular prayer; who (conduct) their affairs by mutual consultation; who spend out of what We bestow on them for sustenance." (Ash-Shura 42:38)

Leaders must encourage others to participate in decision-making and consultative procedures should be applied to all those affected, for example, shareholders, suppliers, customers, workers and the community. Employees are expected to contribute to the formulation and implementation of the organisational vision.

The institution of *hisba* – 'for whom': The answer to the question of decision-making 'for whom' is straightforward in Islam because the starting points are from God. The ultimate ends of business and economics, indeed any human activity, are to Allah, and the means employed should not deviate in any way from the holy law of Islam, the *shari'ah*. Under the early Abbasids (750 CE onwards), *hisba* ensured compliance with *shari'ah* via an office of local administration. This office of the 'inspector of the market', continued into Islam from Byzantine times enforcing Islamic behaviour in terms of community affairs and behaviour in the market, such as accuracy and honesty in business

dealings and fair trading rules. Today it survives in terms of the right of every Muslim to enforce Islamic standards of governance.

***Shari'ah* supervision – 'with what':** To a Muslim, all resources are God-given, and belong to God, individuals are only trustees. A religious audit is taken by a supervisory board to assure both insiders and outsiders that God's laws are being followed by the firm in its business dealings. In the case of an Islamic bank, this auditing is especially important since a qualified report would be extremely damaging to its reputation among those seeking to invest in accordance with Islamic precepts.

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