

Current Practice of Online Business in Malaysia: The Sha'riah Compliance

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Keywords: Islamic law, sha'riah compliance, online business

Abstract. Globalization or international expansion has fundamentally and phenomenally changed the world economic landscape. The implication of globalization includes the expansion of the number of nation producing goods and distribution strategies, rapid technological evolution, lowered cost of communication and transportation and many more. Accordingly, due to the rise of global competition, all the business organizations nowadays are using internet as a medium of selling their product and services. Online business becomes common of people's daily lives as such; people can purchase and sell various products and service through internet. Nowadays, the modern society in the developing countries have changed their practice in trading from conventional practices into the modern and cutting edge technology. The fast grown in the current business organizations are involving the "Online Business" between seller and buyers. This article is written down to examine and evaluate whether their current practice of online business is permissible in Islamic perspective or Islamic law. Online Business in Islamic perspective is defined as "to sale the product which has to include the product specification in the contract and pronounced with Salam or Salaf". Therefore, the objectives of this paper are to identify whether the current practice of online business in Malaysia is in accordance with Islamic law of fiqh muamalat. This paper will look into both perspectives; online seller and online customer. This research paper concludes the current practice of online business which is in line with Islamic law of fiqh muamalat.

Introduction

Online business is the current trend that has been applied by all nations as a trading nowadays. This is because it is a medium that makes it easy to sell and buy because everything is using internet facilities and does not have to go out to the store to buy something. Nowadays, online businesses are growing and usage on sales is also increasing as they provide convenience and save time to buyers. However, there are some rules that cannot be ignored for doing business. Islamic traders still have to follow the method of buying and selling according to Islamic law. In the course of modernity, we cannot exclude the Shariah in any affair involving human life. All of users in the online business need to know about the pillar of the Islamic Economic on how to use the Islamic ways in business. It is because to protect the buyer and seller from cheating and not trusting in the business. The understanding is not only to the seller side but needs understanding from the buyer too.

"Do not devour another's property wrongfully – unless it be by trade based on mutual consent."
(Al-Nisa: 29)

With regards to this issue, this paper aims to identify and evaluate the current practice of online business in Malaysia is in accordance with Islamic law of fiqh muamalat. The outline of this paper consists of several sections which start with literature review, followed by the methodology, findings and discussion. Then, the last part is conclusion with suggestion of future study.

Literature Review

Online business is commercial transactions involving organizations and individuals based on the processing and transmission of digital data including texts, sound and images [1]. According to [2], online business enables potentially billions of consumers and business worldwide to be engaged in business activities. In other word, online business is a process that include buying and selling products, supplies and services, processing payments, managing production control, collaboration with business partners and more [3]. In 2016, the Malaysian Ministry of International Trade and Industry (MITI) launched a new e-commerce Initiative with the goal to bring roughly 80% of small and medium size

enterprises into the world of e-commerce and to expand market access for more than 87 million digital customers in the ASEAN region [4]. Meanwhile, Malaysia also has approximately 22 million active internet users that contributed to 68% of the population and will be increase more in the next year [5]. As a result of Malaysia’s internet and mobile connectivity, as well as support from the public sector, Malaysia has high rates of e-commerce usage and boasted 15.3 million online shoppers in equivalent to 50 % of the population and 62% of mobile users used their devices to shop online [6] and supported by Iprice Group that mentioned, e-commerce industry in Malaysia was grown progressively and contributed to RM24.6 bil business [7]. It was reported that, Lazada ranked as the top e-commerce company in Malaysia, followed by Zalora and 11Street, based on their online traffic, stuff numbers and followers in social media applications such as Instagram, Facebook, Twitter, LinkedIn and SimilarWeb. For local fashion e-commerce websites, Fashion Valet and Poplook were become most popular among Malaysian’s shoppers. The local brands succeed mainly through social media such as instagram, where they can easily feature their products via images and collaborate with popular local celebrities and brands [7].

Online business according to Islamic law of fiqh muamalat

In perspective of Islam, Islamic online business has similar definition with conventional, but some rules and obligations must be aligned with the need of Islamic principles and permissible by Islam [8]. Some types of Islamic contract are Bai’ as- Salam, Bai’ al-Istisna’ Bai’ al-Ju’alah and Bai muajjal which is related to online business are summarize in the following table:

Terms	Definition	Evidence	Pillar
Bai’ as-Salam (Payment in advance)	Referred to “carry forward”. According to the Fiqh Scholar, the word of Bai’ as-Salam is regarded to ‘the form of forward contract where the price of a product is paid in cash at the meeting site and the product shall be delivered later or soon’. Bai’ as-Salam has referred to ‘purchasing the certain product (with the determination of the product specification) with payment in advance and to be deferred the delivery of product in as-Salam Contract’. In other word, Bai’ as-Salam is referring to ‘a contract whereby payment is made in cash at the point of contract but delivery of asset purchased is deferred to a pre-determined date’.	<i>The Prophet of Muhammad (PUBH) came to Medina and the people used to pay in advance the price of fruits (Dates) to be delivered within one or two years. He said to them, “Whoever pays in advance the price of things to be delivered later should pay it for a specified measure at specified weight for a specified period.”</i> (Narrated Bukhari no. 2125 and Muslim no. 1604)	<ol style="list-style-type: none"> 1. Al-A’qidaan (Buyer and Seller) 2. Al-Sighah (Pronouncement of offer and acceptance) 3. Ra’sul Mal (Fund/ Capital or price of products/services) 4. Al-MuslimunFiih (ordered or purchased products or services)
Bai’ al-Istisnaa’ (Manufacturing Sale)	Istisnaa’ is defined as a contractual agreement with manufacturer to produce items with specified description at a determined price and manufactured from his own materials with his own effort. In other word, the customer made request to a seller/ manufacturer to produce of their wanted product with the agreement to pay for when the product is ready. Istisnaa’ is defined as a contractual agreement with manufacturer to produce items with specified description at a determined price and manufactured from his own materials with his own effort. In other word, the customer made request to a seller/ manufacturer to produce of their wanted product with the agreement to pay for when the product is ready	عَنْ أَنَسٍ رَضِيَ اللَّهُ عَنْهُ أَنَّ نَبِيَّ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ كَانَ إِذَا رَآدَ أَنْ يَكْتُبَ إِلَى الْعَجَمِ فَقِيلَ لَهُ إِنَّ الْعَجَمَ لَا يَقْبَلُونَ إِلَّا كِتَابًا عَلَيْهِ خَاتِمٌ فَأَصْطَنَعَ خَاتِمًا مِنْفِضَةٍ. قَالَ: كَأَنِّي أَنْظُرُ إِلَى بَيَاضِهِ فِي يَدِهِ The Prophet of Muhammad (PUBH) was about to write a letter to the king (non-Arab), then told him that Kings were unwilling to receive an unmarked letter. So, he ordered that he be made a seal ring from silver material. Anas separates: It appears I can now see the white sheen in her hands	<ol style="list-style-type: none"> 1. Mustasni’ (customer/ buyer) 2. Sani’ (manufacturer/ seller) 3. Ra’s al-mal (the price) 4. Masnu’ (the product) 5. Sighah (offer and acceptance)

Terms	Definition	Evidence	Pillar
Al-ji’alah	Al-ji’alah is defined as the wage or reward given to a person because of that person's work or performs a certain job. From Shari’ah perspective, according to fiqhmu’alah, Al-ji’alah is defined as an action or certain jobs that have been rewarded as an exchange for the jobs that have been done as agreed by seller and buyer either it has been appointed in details or orally. The reward or return has been given for their accomplishment of job. From Consensus’ of Fiqh Scholars, they have agreed from the point of consensus’ view (Shari’ah Regulations) that the al-Ji’alah Contract is permissible (lawful). There are two important Al-Jia’lah terms that need to be understand; Ja’il (Buyer: who ordered and A’mil or Seller (Implementer).	They said, <i>We are missing the measure of the king. And for he who produces it is [the reward of] a camel's load, and I am responsible for it.</i> (12): 72	<ol style="list-style-type: none"> 1. Al-a’qidan: Those who did the purchase contract (Buyer and Seller); The man who promised wages or gifts. 2. Al-A’udh: The exchange of products or services; Reward or prize should consist of something of value the property and clear the amount. Illegal wealth is not viewed as a property value (Madzhab Maliki, Shafi’i and Hanbali). 3. Al-A’mal : Work is expected that the results should contain clear benefits and can be used according to Islamic rules’. 4. Al-Lafz: Pronouncement of Acceptance and Offer by the buyer and seller.
Bai muajjal	Literally: Deferred payment sale. Technically: Sale contract in which the payment of the price is deferred and payable at a certain time in the future. Bai’ Mu’ajjal is a deferred payment sale contract in which the parties agree to payment of the price at a time in future. A deferred payment sale contract is valid if the date of payment is set unambiguously. That means, the date can set with reference to a specific date or a specific period. However, the date of payment cannot be set with reference to a future event when the exact date of the occurrence of that event is either unknown or uncertain. If there is ambiguity in the date of payment, the sale is considered void.	Hadith by a Companion, Jabir, that the Prophet (PBH) bought a camel from him outside the city of Madinah whereby the payment was settled later in Madinah.	<ol style="list-style-type: none"> 1. Seller 2. Buyer 3. Asset/goods/product 4. Price 5. Sighah

(Sources: Abdullah et al, 2017 [1])

In summary, bai as salam had to both parties, seller and buyer should agree with pronouncement of offer and acceptance such as ijab; “I sell this product”, then, buyer will accept (qabul) by saying “I buy this product”. While Istisna’ contract must be agreed by the seller/manufacturer (receive an order) and the buyer (make an order). The istisnaa’ contract is legitimate on the basis of the people’s current practice of online business and their practices are in line with shari’ah [1]. Nowadays, this method widely used for those who are involved in online business such as pre-order of certain products. For example, there are customers who book online clothing (wedding attire) and food (cake, biscuits) according to their desired specifications and defer a payment until the order is made complete[1]. Al-Jia’lah is a contract that involved the

exchange of services or products between the two or more people; owner of product or service (seller), reseller (dropship agent) and buyer (customer). The current online business that has been practice according to al-jia'lah is online dropship business. In online dropship business, the dropship agent only needs to have internet access to promote and sell the products or services on behalf of the owner through online [9]. No capital is needed and the agent will get reward or commission from the owner of product for job done [1, 5]. Bai' muajjal the price is higher than normal pricing.

Methodology

This study used mixed method, that is qualitative methods are used to collect information on the theory of contracts in Islamic law, where both classical and contemporary literature has been researched in understanding the permissibility of online business from the Islamic perspective. This study also employed quantitative methods in which online survey questions are distributed at random to Malaysians via email, whatsapp and facebook using Google docs online survey. The purpose of the questionnaire is to collect information related to the current practice of online sale and purchase based on Islamic rule.

Finding and Discussion

Data Analysis. The result from online questionnaire were analysed into two parts, respondents profile information and the understanding of respondents on their current practice of online business in both perspective; online seller and online buyer whether their current practice in accordance with Islamic law or not.

Part I Respondents Profile Information

The following are the aspects described in the respondents profile information:

- i) Respondents gender
- ii) Age of respondents
- iii) Race of respondents
- iv) Level of education
- v) Duration of engagement with online business
- vi) The types of business involved
- vii) The frequency of buying the product via online
- viii) Duration of engagement with online purchase
- ix) The types of product that is always bought
- x) The frequency of buying products through online

Table 1: Distribution of respondents by gender

Gender	Frequency	Percentage (%)
Male	28	20.8
Female	106	79.2
Total	134	100

Table 2: Distribution of respondents by age

Age (years)	Frequency	Percentage (%)
15-25	26	19.40
26-35	63	47.01
36-45	27	20.15
Above 45	18	13.43
Total	134	100

Table 3: Race of respondents

Race	Frequency	Percentage (%)
Malay	133	99.2
Chinese	0	0
Indian	0	0
Others	1	0.8
Total	134	100

Respondents used in this study were Malaysian selected at random. Online questionnaire was used to get the response from sample. This study has involved 134 respondents with 20.8% from male and 79.2% are female in all around Malaysia (Table 1). Meanwhile, the ranges of respondents' age is summarized in Table 2 above and the respondents' race are mostly Malay as shown in Table 3.

Table 4: Level of respondents' education

Level of education	Frequency	Percentage (%)
PMR	0	0
SPM	9	6.72
STPM/Diploma	24	17.91
Degree	49	36.56
Master/PHD	48	35.82
Others	4	2.98
Total	134	100

Table 5: Monthly incomes of respondents

Income (RM)	Frequency	Percentage (%)
≤ 1,000	30	22.39
1,001 – 3,000	32	23.88
3,001 – 5,000	29	21.64
5,001 – 7,000	16	11.94
≥ 7,000	27	20.15
Total	134	100

Most of the respondents of this study have a degree level qualification as per summarized in Table 4 and the monthly income of respondents are shown in Table 5 were mostly between RM 1, 001 to RM 3, 000.

Table 6: Duration of engagement with online business

Years	Frequency	Percentage (%)
1 – 5	91	67.91
6 – 10	10	7.46
11 – 20	2	1.49
More than 20	0	0
Not applicable	31	23.13
Total	134	100

Table 6 above shows the duration of online seller involved with online business around Malaysia. The result shows 91 or 67.91% out of 134 respondents involved with online business within 5 years, while 31 respondents were not involved with online business.

Table 7: The types of business involved

Types of business	Frequency	Percentage (%)
Foods	25	16.89
Services	15	10.13
Clothes	36	24.32
Health products	19	12.84
Cosmetics Product	12	8.10
Equipment	9	6.08
Others	32	21.62
Total	148	100

Based on table 7, most respondents are engaged in clothing business, followed by other business products, food business and healthcare business. There are also respondents involved in more than one type of businesses.

Table 8: Duration of engagement with online purchase

Years	Frequency	Percentage (%)
1 – 5	98	73.13
6 – 10	26	19.40
11 – 20	2	1.49
More than 20	2	1.49
Not applicable	6	4.48
Total	134	100

Table 8 shows the result from the online survey on the duration of Malaysian engaged with online purchase. The result shows 98 respondents out of 134 were involved in purchasing products or services online within 5 years. However, only 6 respondents were not involved with purchasing goods or services through online.

Table 9: The types of product that is always bought

Types of products	Frequency	Percentage (%)
Foods	27	9.96
Services	9	3.32
Clothes	80	29.50
Health products	32	11.80
Cosmetics Product	36	13.28
Equipment	58	21.40
Others	29	10.70
Total	271	100

From the online survey that has been conducted, the results shows in Table 9 above. Most of respondents (a total of 80 out of 271 respondents) buy clothing through online, followed by equipment, cosmetic products, health products and food.

Table 10: The frequency of buying products online

	Frequency	Percentage (%)
Everyday	3	2.34
Once a week	18	14.06
Once a month	86	67.18
Once a year	21	16.4
Total	128	100

The frequency of buying products online has been summarized in Table 10 above. A total of 86 respondents from 128 respondents made online purchases once a month, followed by once a year, once a week and only 3 respondents made online purchases on a daily basis.

Part II Response of respondents about their understanding on online business in accordance with Islamic law

This study used 9 statements to identify the respondents' understanding on online business in accordance with Islamic law. They need to answer the statement given by indicating YES or NO. The questions and result from the online questionnaire has been summarized in the following table below:

No	Statements	YES
1	Do you understand the online business according to Islamic law?	57.8%
2	There are five (5) pillars of muamalat Islam; seller, buyer, contract agreement, pronouncement of offer and acceptance (sighah), and products/services.	96.9%
3	Every business carried out must be based on the five pillars of muamalat Islam (as per Q2 above), regardless whether the business is done directly or through the internet.	93.8%
4	Seller and buyer should pronounce an offer and acceptance after the business has carried out.	85.9%
5	Example of pronouncement of offer (Ijab) and acceptance (qabul); the sellers have to say "I sell this product" and the buyer will accept by saying "I buy this product"	89.8%
6	Online sellers should provide a detailed description of the items sold/services offered to customers to avoid fraud issues (gharar/uncertainty).	99.2%
7	The sellers must show or disclose the price and features of the products/ services offered when making online promotions.	96.8%
8	Have you ever experienced any problems in the online business?	22.2%
9	Have you ever experienced any problems as buyers of online items?	36.6%

From online surveys made, most respondents understand how online businesses are based on Islamic law. This is supported by feedback received from respondents as summarized in the table above. All 7 questions given to know their understanding of the online business pillars according to Islamic law have shown that more than 50% of respondents understand online business requirements according to Islamic law. The result showed their current practice of online business are in accordance with Islamic law based on their response on statement given in online survey.

Conclusion

From the survey conducted, this paper has concludes that online seller and online buyer throughout Malaysia were well understand on Islamic law of online business. The current practices of online business in Malaysia are in according with the Islamic law of fiqh muamalat. Most of Malaysians are aware that their current practices of online business today are in line with the requirement of Islamic law.

Besides, most of the respondents (online sellers) also indicate that they do not experience any problem with customers as they engage with online business. The result from the survey showed 77.8% out of 103 respondents do not face any problems with their customers during making online business. It also similar goes to online buyer, they also do not experience much problems with online sellers as indicated in the table above, 63.4% from 128 respondents (online buyer) do not face any problems with the online sellers.

Therefore, our future study will conduct in the identifying problems faced by both of parties; online seller and online buyer to examine the types of problems experienced by them during their engagement on online business.

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