



A PRELIMINARY STUDIES ON ETHIC OF MUSLIM ENTREPRENEURS

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ABSTRACT

Quran stipulates: “and give measures and weight with (full) justice.” (The Quran 6: 152) and also “and give not short measure or weight.” (The Quran 11:84). This reminder signifies that there is always the tendency of committing fraud and irregularities in any business transactions, whether simple or complex which will result in prolong disputes between the parties involved. Entrepreneurs are individuals who actively form or lead their own businesses and nurture them for growth and prosperity. In this endeavor, entrepreneur cannot get away from the lure of high turnover, even if it results in customers becoming victims.

Growing number of fraud cases either from online or offline business shows mishandling of information that is passed to the consumers. Consumers then were influx with deceived facts that may lead them in purchasing unneeded item(s). Hence, this study is to explore the awareness among Muslim entrepreneurs about Islamic entrepreneurship principles that they should conduct while operating their businesses.

Keywords: Muslim Entrepreneur, Ethics, Malaysia, Code of Conduct

1. INTRODUCTION

According to Stevenson, H. in Eisenmenn, T.R (2013), *entrepreneurship is the pursuit of opportunity beyond resources controlled*. Entrepreneurship is a field related to the attitudes, skills and knowledge related to the exploration, creation, innovation, business and enterprise. It is very important to the individual, family, community, religion and country development. Generally, entrepreneurship is something that is necessary in the formation of human civilization and economic development of a society and the country.

Entrepreneurship occurred since time immemorial which traders started to do the trading activities from one place to another. In the Islamic history, the Prophet himself was involved in trading activities around the Arab Peninsula with other Arab caravans. The glory of Islam continues to be supported by entrepreneurs who spread Islam throughout the world during these trading activities. They have proven that business is a key resource in mobilizing the Muslims' economy (Ab. Mumin & Suhaili; 2005).

2. RESEARCH BACKGROUND

Fundamentally, an entrepreneur can be defined as the one who organizes and manages the business (Abdullah & Azam, 2015). In numerous literatures, an entrepreneur has been interpreted as a rational decision maker who assumes the risk and provides management for the firm. According to SME Corp Malaysia, until 2011, the number of entrepreneurs registered with the Companies Commission Malaysia (CCM) are 645,136 throughout multiple industries and its constantly increasing.

In Malaysia, plenty of opportunities in terms of access to capital and business prospects initiated by government-led companies with corporations from private agencies, are offered to those who wish to be an entrepreneur. According to recent studies on Interest on Entrepreneurship among Muslim students, the youth group is found to have a relatively high score of about 95% of respondents having entrepreneurial potential and interest. Meanwhile, the rising of information and communications technology (ICT) also bodes well for the development of more technologically savvy entrepreneur in Malaysia resulting in growing numbers of entrepreneurs (Chan, 2009).

Nonetheless, the escalating number of entrepreneurs may also influence the prevalence cases pertaining ethical and socially responsible practice in commercial setting. As mentioned by the Ministry of Domestic Trade, Co-operatives and Consumerism, 18,078 fraud cases were reported from January – June 2015 which relate to GST related fraud, internet transaction scam, deceptive prices and many more. The Holy Quran makes reminders about being honest and trustworthy, to protect people from committing fraud and irregularities, particularly in business transactions. Prophet Muhammad (PBUH) said, the truthful, honest merchant is with the prophets and the truthful ones and the martyrs. Islam recognizes

entrepreneurship not only as means to earn a living, but also as a noble vocation that can elevate the rank of Muslim.

In line with this, this present study is aimed at assessing the consciousness of entrepreneurs in relation to the effects of their behavior due to poor utilization of knowledge and manipulation of data towards consumer well-being. Firstly, the study is intended to come up with a model for Muslim entrepreneurs. It is then hoped that Muslim entrepreneur may have a framework or code of conduct that they can emulate while practicing their business.

3. ETHICS AND ENTREPRENEURSHIP

Entrepreneurship involves entrepreneurial business activities. One of the purpose of the business is to generate profit. No matter how committed an entrepreneur is in generating profit, it must be based on ethical and moral values. Generally, entrepreneurship activities will influence how society lives. Individual's and society's lifestyle are shaped by market activities. Changes in the day to day life are sometimes influenced by entrepreneurs. These visionaries create and commercialize new products and services for which there has not been a market previously. One of life way is in the selection of food. The influx of fast food on the market makes people prefer to eat it as it is easily prepared. Indirectly, it will affect the individuals and society's diet style and health. The above situation, supported by Norkumala Awang (2015), found that most of the food and beverages consumed by Muslims is produced by a non-Muslim entrepreneur. Correspondingly participation by many other Muslim entrepreneurs in this industry should be more intense and encouraged by Muslim consumer itself. Perhaps the existence of entrepreneurs from among the Muslims will guarantee hygiene and halal characteristics of a food product. Perhaps the existence of entrepreneurs from among the Muslims will guarantee hygiene and halal characteristics of a food product. Indirectly, involvement of good entrepreneurs are very important in ensuring the establishment of a healthy, prosperous and harmonious society.

According to Kuratko and Hodgetts (2004), ethics provides the basic rules or limited behavior for carrying out activities in an acceptable form. Ethics itself comprises a set of principles that describe the conduct and behavior procedures that explain what is good and not good and what is right and wrong as well as the responsibilities and moral obligations. Brenkert (2002), identified that there are several views on ethics in entrepreneurship. Some scholars see ethics as limiting entrepreneurship and another view see ethics as a personal judgement and making a choice in relation to the various dilemmas. Sometimes different values may apply simultaneously. Entrepreneurs should be alert and concern on values in certain places and areas. Ethical entrepreneurship involves an entrepreneur exploiting conflicting values to create new

ones that yield greater value to the community (Wempe, 2005). Dunham (2005), found that entrepreneurs are viewed as having high integrity when their personal values are perceived as congruent with those of the prospective resource providers and when their ventures are perceived as making a positive social contribution. These entrepreneurs are more likely to win the support of key stakeholders.

In Islam, the integrity or '*amanah*' is emphasized in discharging its responsibilities. It is rooted in the implementation of ethical action in any field including entrepreneurship. Successful entrepreneurs must carry out the activities of social entrepreneurship in order to eradicate poverty in the countries by practicing the values that have been discussed based on the Quran and Sunnah (Mohd Adib Abd Muin, et.al., 2013),

4. ISLAM AND ENTREPRENEURSHIP

Islam has its own entrepreneurship characteristics guiding principles based on Al- Quran that guide entrepreneurship operations. Islam stress the importance of involving in entrepreneurship activities that give advantages and improvise the life of individual and society. In the prayer call (adzan) there is also a call for Muslims to perform prayers and at the same time, calls for success. This means, engaging in entrepreneurial activities is encouraged in Islam as long as it sharia compliance (Kayed and Hassan, 2011). Muslim entrepreneurs are prohibited to engage with anything deemed harmful from a moral standpoint, such as those involving alcohol and gambling.

There are nine characteristics that must be followed by the Muslim entrepreneurs which are taqwa as a framework, halal as a top priority, do not waste, worship to Allah is a priority, practicing high moral values, trustworthy, concern for the welfare, knowledgeable and caring for the society and environment. (P.R.M Faizal et. al, 2013). All the nine characteristics are shown in figure 1 below.

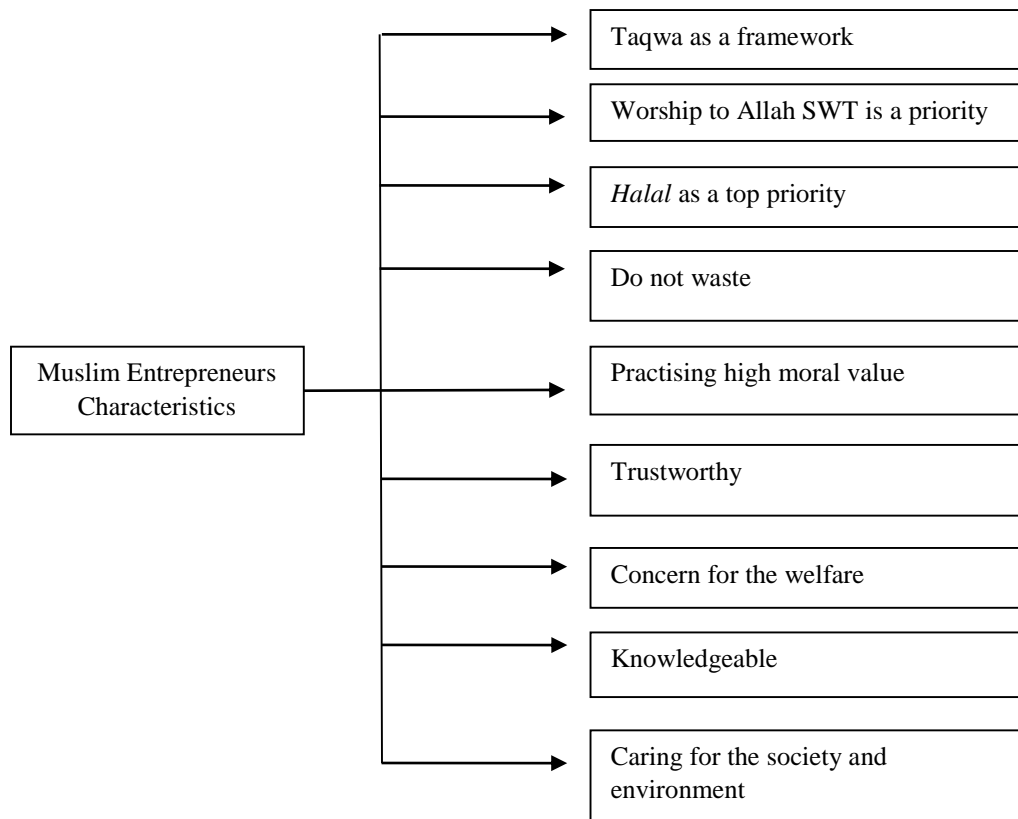


Figure 1 Muslim Entrepreneurs Characteristics

Source: (M.Faizal et.al., 2013)

4.1 Taqwa as a framework

Imam al-Ghazali divides taqwa into three levels which firstly; is fear and a sense of awe. Secondly; obedience and worship. Thirdly; is freeing the heart from sins, which is the reality and essence of taqwa. In summary, taqwa is to guard oneself against the anger of God and His punishment by fulfilling His commandments and abstaining from what He has prohibited. The reality of taqwa is that your Lord never sees you where He has forbidden you to be, nor does He miss you where He has commanded you to be. By having the nature of taqwa, the Muslim entrepreneurs will be able to rid themselves from a negative nature in managing their business. The entrepreneurs that have the nature of Islam will not manipulate business for the benefit of themselves by denying the rights of others. All results obtained only rely on Allah SWT. (Sabri Wan Hussin, 2003).

4.2 Halal as a top priority

Among the characteristics of Muslims entrepreneurs are first to ensure that capital resources obtained is halal according to Islamic law. This means that Muslim entrepreneurs should ensure that capital loans obtained are independent of the elements of the ‘riba’ in Islam.(Raziah Md Tahir, 2008). According to Joni Tamkin, 2013; Nor ‘Azzah, 2013; Siti Rahmaniah, 2013, the Muslim entrepreneurs should choose a halal source, pure and clean as well as practice halal procedures.

4.3 Do Not Waste

According to Joni Tamkin, 2013; Nor ‘Azzah, 2013; Siti Rahmaniah, 2013, the Muslim entrepreneurs should use all the resources efficiently and do not become Muslim entrepreneurs who waste energy and resources.

4.4 Worship to Allah is a Priority

Generally, several features have been set out as a guideline to make every activity and job done as a worship to Allah. These include do the halal job and follow the Sharia, good intensions, and does not ignore the specific worship to Allah SWT. (Yusuf Qardhawi, 1995). The above guidelines if adhered to are the basis of the implementation of the Islamic business ethics among Muslim entrepreneurs. (Nor ‘Azzah Kamri, 2009)

4.5 Practising High Moral Values

The Holy al-Qur’an and the traditions of the Prophet Muhammad SAW explicitly praise entrepreneurship and commend moral entrepreneurial activity such as the elimination of riba (M.Faizal et.al., 2013). P.R.Mohd.Faizal, 2013; Joni Tamkin, 2013; Nor ‘Azzah, 2013; Siti Rahmaniah, 2013 stated that practising high moral values means do not engage in any activities that are prohibited by Islam such as usury, bribery, embezzlement, adultery, stealing, etc.

4.6 Trustworthy

Stacey.A (2008) stated that trustworthy or honesty or amanah is something or someone left to someone to protect or keep. Trustworthiness further enhances the integrity and sound moral conduct that is inherent in the notion of honesty. Being trustworthy implies being honest, fair in dealings and punctual (in terms of both regularity and timeliness) as well as honouring trusts and keeping promises and

commitments. An important part of the noble Islamic character is being trustworthy. Prophet Muhammad was known, even before his Prophethood to be *Al Amin* (the trustworthy one) (Stacey, 2008).

4.7 Concern for the Welfare

As an entrepreneur, one of the responsibilities that should be implemented is the welfare of the people around by helping the poor, needy and hungry. The Islamic social welfare system or *Zakat*, in which everyone is obligated to give a percentage of their excess goods to community, is just one example of such mercy between community members (M.Faizal et.al., 2013). Prophet Muhammad was exemplary as an initiative social entrepreneur. The revelation given to Prophet Muhammad was about the establishment of radical forms of social justice in which tolerance, equity, and charity were at the heart of the Islamic ideology (T. J. Lovat, 2005; M.Faizal et.al 2013).

4.8 Knowledgeable

Another important characteristics as a Muslim entrepreneur is always seeking for new knowledge while keeping themselves updated with information. Prophet Muhammad SAW was also committed to education in order to ensure the importance of knowledge and emphasize the risk of neglecting it. He particularly encouraged his followers to obtain knowledge of religion and law. He taught his followers that his educated companions taught the ignorant, and many of his followers during his time and after who followed this attitude of sharing knowledge are successful entrepreneurs, who played a significant entrepreneurial role in other communities beyond Arabia (M.Faizal et.al., 2013)

4.9 Caring for Society and Environment

M.Faizal et.al (2013) stated that Prophet Muhammad cared for the health of the society, and encouraged women to participate in this sector, enhancing the role of women in the society. He also encouraged his followers to care for their aged parents and the elderly people in society. He played with children, talking and listening to them, which gave them self-confidence and influenced their future. Prophet Muhammad educated his followers to be kind to all living souls and to protect the environment. As a Muslim entrepreneur, they must concern about the production that they produce do not harm the environment (M.Faizal, 2013; Joni Tamkin, 2013; Nor ‘Azzah, 2013; Siti Rahmaniah, 2013).

5. CONCLUSION

Society is now faced with rapid changes in terms of the values that were once held but changes in line with changes in society that practiced it. What is considered unethical conduct has been slowly accepted since its widespread practiced at present. As discussed earlier, entrepreneurial activities significantly affect the lives of individuals and society.

Based on the number of issues and problems arising from unethical code of conduct by some entrepreneurs, it is very important for entrepreneurs needs to think about the consequences of their actions. To avoid conflicts among entrepreneurs, Islam has laid down clear guidelines in the implementation of entrepreneurial activities. It is in line with what is proposed in The Muslim Entrepreneurs Characteristics model established by M.Faizal et.al (2013) are taqwa as a framework, halal as a top priority, do not waste, worship to Allah is a priority, practising high moral values, trustworthy, concern to the welfare, knowledgeable and caring for society and environment.

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