



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 5.2
IJAR 2015; 1(10): 809-812
www.allresearchjournal.com
Received: 16-07-2015
Accepted: 18-08-2015

Dr. OM Ashtankar
Associate Professor-D.M.S.
K.I.T.S., Ramtek-441106,
India.

Business Management from Islamic Perspectives

OM Ashtankar

Abstract

Religion has a major impact on human behavior, social interactions, and social relations. One can argue that laws and regulations are enough to induce ethical and moral decision making. But just like having a police force doesn't alleviate crime. Having business regulations do not ensure that businesses will conduct their affairs ethically. Regulatory drivers alone are not sufficient to safeguard public interest from the ill affect of greed and unethical corporate behavior. The focus of Islamic way of business is not just to earn profit but to serve the society. The human welfare is the gist of Islamic business ethics. The present paper is an attempt to examine the relationship between Islamic notions of work and management and there relevance in the context of business management.

Keywords: Islam, business, profit, ethics, quran, halal

Introduction

The concepts of management are not absolute and perfect. Besides, western world were not the first to present their theories and models of management. Islam, being a complete code of life, presented its concepts of management for the humanity more than 1400 years ago. Unfortunately, its teaching, especially related to business are not highlighted and propagated as it should be. Owing to the reasons the world, even Muslim world, is unable to reap the fruits of these teachings. This paper is an attempt to highlight the Islamic principles of management.

Islam is a code of life but unfortunately it is considered as merely a collection of some rituals. It is misunderstood by even those who are the followers of this religion (Branine, 2001) [3]. It is something beyond religion, a system of governing the lives and behaviors of human beings. It has a socio-economic and political effect besides the mutual relations of individual (Metcalf, 2007) [7]. The need is to implement its ideas and philosophies as for as business organizations are concerned.

In Islam business stresses on an organization that sells goods or renders services to end customers, but forbids unethical practices such as gambling, deceit & fraud. At the same time, products and services are must be those of halal. Non-halal products and services are not permissible and condemned by the teaching of Islam.

Islamic management principles are unique in its nature as it not only guide but shapes the behaviors of individuals spiritually and morally. It has a socioeconomic and political effect besides the mutual relations of individuals. Its principles and management approach is based on ethico-metaphysical dimensions which are not stimulated by material objectives. Employer-employee relationship is purely based on religion. Both are accountable and answerable to Almighty Allah for their deeds and are His trustees on earth.

Literature Review

Samir Abuznaid (2006) [3]: said that a Moslem administrator is more likely to be influenced in his thinking, behavior, and lifestyle by his religious beliefs. It is apparent that Allah supreme names have laid the foundation for good management and leadership because of their business connotations.

Gohar Zaman et al. (2009) [19]: said that unlike modern western thinkers' philosophies and concepts where technical and material objectives are important, Islamic management system comprise of principles derived from the Holy Qur'an and the *Sunnah*. Its principles and

Correspondence
Dr. OM Ashtankar
Associate Professor-D.M.S.
K.I.T.S., Ramtek-441106,
India.

management approach is based on meta physico-moral dimensions which are not stimulated by material objectives. Employer-employee relationship is purely based on religion. Both are accountable and answerable to Almighty Allah for their deeds and are Almighty Allah's trustees on earth. Spiritual and moral facets are deemed important in Islamic Management system in decision process. By knowing and understanding such principles a combination of Islamic and western management system can be formulated which can be flawlessly implemented in other non-Islamic countries as well.

Abdus Sattar Abbasi, Kashif Ur Rehman & Amna Bibi (2010) ^[11]: said that holistic approach views how every thing fits together to work effectively and efficiently. Holistic management approach gives more than the sum of individual approaches. Before proceeding to the holistic approach to management, it is imperative to build organizational environment on components of Islamic value system for successful implementation of Islamic management model. These components of Islamic value system provide knowledge and practices in establishing a holistic approach to organizational management. Islamic management model is flexible enough to adapt according to the circumstances for maximum outcome of the organization.

Muhammad Hashim (2012) ^[8]: said that In today modern business world business ethics have their own dominant role in business society. We accept that the secular business morality is utilitarian and supposed to be relative and may give benefit to the society and both to seller and buyer as well, but the Islamic perception on business ethics not only useful and relative but also base on humanity and work for long time. Muslims especially adopt those practices which benefit to mankind and review all the business activities which are unlawful and also harm for society and for his/her own organization. This way we can say the business world will be prosperous and will survive for long time.

Hossain, M. Z. (2012) ^[16]: said that today the main task of every Muslim is to create solidarity with the poor to eradicate social injustice and poverty. People do not want to be poor. Their poverty is largely the byproduct of capitalism and oppression. And this is the reason the Holy Qur'an stresses to establish the system of Zakat in society.

Claudia Volpato (2009) ^[13]: talks about Islamic banks & saidas interest free banks they operate on the basis of profit and loss sharing. This way "profits from bank deposits and investments are not fixed and predetermined but calculated ex post in relation to actual earnings. This is the main differences with Western banks, which are interest-based, with interests paid at on both capital raised or invested"

Adeel Bari et al. (2011) ^[5]: said that there is a need of re-evaluation of educational system in Pakistan. Business education must be integrated with the Islamic code of ethics and Government should make such policies that are compatible with Islamic way of business. From the basic level to higher level, Islamic education must be integrated in syllabus as a compulsory subject. Government should restrict such advertisements that include such elements, which is against the culture or religion.

Research Methodology

The epistemology of this paper is Constructionism and arguments are constructed in the light of Quran and Hadith of Prophet Muhammad (PBUM). Constructionism is inspired by constructivist approach and it argues that individuals can only learn by connecting their tangible objective experiences with their cognitive interpretation (Piaget, 1967) ^[10]. Constructionism rejects the objective knowledge without human interpretation. Crotty (1998) ^[9] further explains that there is no meaning of anything without mind.

Principles of Management in Islam

The principles of Islamic management can be traced back to the time of Prophet Muhammad when he laid down the foundation of an Islamic Society. Those principles were administered by the *Shura*— a group of his companions for consultation. Al-Hirrawi (1986) ^[12] was of the view that being a Prophet his companions were supposed to obey him without questioning, The Holy Quran is a source of guidance for the principle of management, work ethics and sayings of Prophet. The Holy Quran clearly states on the significance of justice, honesty and fairness in employee and employer's relationship. Besides, it encourages and stresses on the learning of skills and struggle for good work to benefit the community as well. Islamic business stresses on an organization that sells goods or renders services to end customers, but forbids unethical practices such as gambling, deceit and fraud. At the same time, products and services are must be those of halal. Non-halal products and services are not permissible and condemned by the teaching of Islam. The main principles of Islamic management are as follows:

Shura (Consultation): An important principle of Islamic management is *Shura*. A Muslim leader should work by seeking the suggestions of its subordinates through consultations. He or she should not adopt autocratic style of management. The Holy Quran states, "*Their matters are settled through shura among them.*" (Chapter-42, Verse-38). All matters of life including socio-economic and political etc should be decided by consultation. The principle of *Shura* is an important concept of Islamic management which guides managers to behave with their subordinates with equality and justice.

Ikhlās (Sincerity): Sincerity and keeping promise are the important principles of Islamic management. One should fulfill his or her moral obligations with sincerity and should keep the promises. The Holy Quran states, "*O you who believe! Ful fill (all) obligations*". Hence, sincerity tries to infuse a culture of trust, confidence truthfulness and cooperation among managers & subordinates.

Lawful earnings

Islam emphasis on legitimate and Halal earning. There is no compliance in Islam for those business men who conduct their business dealings through unlawful and unligitimate means and earns profit. Islam permits only for legitimate business as Quran tells us, "*O you who believe: Eat not up your property among yourselves unjustly except it may be trade among you by mutual consent*" (P. 5, S. 4,V. 29.)

Islam forbids tyrannical dealing such as Riba (interest) and condemns it, Holy Quran says "*Allah has permitted trading and forbidden Riba*" (S.2 p.3 v.275.)

Almighty ALLAH says, “eat up not one another’s property unjustly (stealing, robbing, deceiving etc.) and nor give bribery to the rulers” (s.2.p, 2 v.188.) so we can see from the above verses and Hadith that how Islam strictly forbids unlawful dealings and business

Profit Making: Country to the economical systems, profit maximization is not the only and ultimate goal of Islamic way of business. It is mentioned in Quran, “Wealth and sons are attractiveness of the life of this world; but the things that endure, good deeds, are the best in the sight of Allah, as rewards, and best as the foundation for hopes.”(Quran, 18:46)

Righteous Conduct: Islamic ethical system demands from its followers to do the right and forbade the wrong. Quran says, “You are the best people, evolved for mankind, enjoying what is right, forbidding what is wrong, and believing in Allah” (Quran 3:116)

Adl (Justice): Wilson (2006) ^[17] stated that justice is a quality everyone should develop irrespective of his gender (he/she) and level of employment (manager/subordinate). The Holy Quran says about justice in these words, “O you who believe stand out firmly for God as witnesses to fair dealing and let not the hatred of others to you swerve to wrong and depart from justice...” (Chapter-5, verse-8). Islam teaches the lesson of justice without personal interests and likeness. It should be free of prejudice. There is no restriction of beliefs in Islam and everyone should practice his/her belief freely.

Deceptive Advertisement: In Islamic business ethics honesty is the key to all business practices. The act of giving deceptive/exaggerated/selective message advertisement is considered unethical in Islam because of its deceptive nature. Prophet Muhammad said, “He who cheats is not one of us”. And selling the product by cheating is against the Islamic business ethics.

It is clearly mentioned in quran: “Give just measures and cause no loss. And weigh with scales true and upright and withhold not things justly due to men” (Quran, 26:181).

The fairness of the advertisement is also an important thing in the Islamic ethical system. By fairness it means that the features and quality that is being advertised and perceived by the people, should be there in the product

Commercial Transactions: Islam forbids people for commercial transactions relying on interest (*riba*), speculation (*gharar*) or risk (*massir*).

Zakat: Islam prohibits earning only for self and not caring the poor people in the society. Islam prevents the concentration of wealth in few hands but ensures the distribution among the poor people in a prescribed rate. Zakat will be collected from all those who are involved or engaged any productive business activity or having excess money or holding assets for a period of not less than one year. In various places in the noble Quran Allah Almighty says “take Saddaqa from their wealth in order to purify them” (S. 09, V. 103, P. 10).

And other place Allah says “As – Sadaqat are only for poor Al Masakin, and those employed to collect and to attract the

hearts of those who have been inclined, and to free the captives, and for those in debt, and for Allah’s cause”.(S.09, V. 60,P. 10).

Mutual Respect & Kindness

Give respect to others in business dealing is the dominant principle of Islam. In several places in the holy Quran it is mentioned that “Allah loves kindness and deal with people with kindness”. (S.03,V.119) and (S.05,V.54)discussed about love with people. So kindness and mutual respect in business dealing is the leading principal of Islam.

Reasonable treatment to the Staff/workers: Prophet said “the wages of the workers must be paid before the sweat dries upon his body”. And other place said “I will be opponent to those persons on the day of resurrection who does not give him his due to a person who have finished work for him” Islam also teach us to give your brother as you self eat, drink as u self drink wear as u self wear and think as u self think for your self and family. This is the responsibility of the employer that he should provide all the basic things that is give him fair wages, provide him good working condition, and treat him ethically.

Conclusion

This article explores management issues from an Islamic perspective. Islam is a way of life. Evidence for that can be found in the Holy Quran, as the Quran devoted minor portions to theology and the rest for rules of conduct and social and economic matters. Unlike modern western thinkers’ philosophies and concepts where technical and material objectives are important, Islamic management system comprise of principles derived from the Holy Qur’an and the *Sunnah*. Its principles and management approach is based on metaphysico-moral dimensions which are not stimulated by material objectives. Employer-employee relationship is purely based on religion. Spiritual and moral facets are deemed important in Islamic Management system in decision process. By knowing and understanding such principles a combination of Islamic and western management system can be formulated which can be flawlessly implemented in the corporate world. Quran is not only for the followers of Islam but for the entire mankind because it shows the right path of life as well as managerial skills for new entrepreneurs and managers.

Future Research Implications

Islam has a complete socioeconomic system in itself. This paper only attempts to touch only few Islamic values which the author felt important for the business world. Further research can be done to understand the Islamic way of financial management, Human Resource Management, Trading and other business practices. Islam provides a complete way of doing business by focusing on the central idea of human welfare. A complete guide of trading can be found in the life of Holy Prophet. In future, there is a need to evaluate current trading practices in the light of Quran and Hadiths of Prophet Muhammad and implement it to overcome the ethical and social problems.

Theoretical aspects will also include:

- the decision-making process and dispute resolution in Islam, where *Shura*(conciliation) is part of the summons made by Allah to Muhammad and thereby of Muslim law;

- trade ethics, widely dealt with in *fiqh*, which establishes the prohibition of selling goods without owning them, speculating on the market without purchase intentions, selling fruits still hanging on the tree, and so on;
- the re-discovery of Sufism in a way that is similar to the European interest in different personal development techniques.

Limitations

In Islam there are so many social, cultural and religious dimensions & values which are relevant for the business world. This paper pointed out only few of them that become a limitation for this paper. Also the Literature review is not sufficient to cover this broad topic. A detailed and deep study of Quran and Hadiths are required to cover all the areas of this topic. This paper limits many other dimensions that can be picked from the same topic.

References

1. Al-Quran. The holy book of Islam.
2. Al-Bukhari Sahih. Hadith No. (1.32)(3.403)
3. Branine, M. (2001). "Human resource management in Algeria" in P Budhwar and Y Debrah(Ed.), *Human resource management indeveloping countries*, London: Routledge
4. Abuznaid S. Islam and management: What can be learned? *Thunderbird international Business Review* 2006; 48(1):125-139.
5. Adeel Bari, Rana Zamin Abbas. Advertisement & islam: a muslim world perspective, *Australian Journal of Business and Management Research* 2011, 1(6).
6. Al-Bukhari Sahih. Hadith
7. Metcalfe BD. Gender and human resource management in the Middle East. *International Journal of Human Resource Management*. 2007, 18(1).
8. Muhammad Hashim. Islamic Perception of Business Ethics and the Impact of Secular thoughts on Islamic Business Ethics, *International Journal of Academic Research in Business and Social Sciences*. 2012, 2(3).
9. Crotty M. *The Foundations of the Social Research*. New Delhi: Sage. 1998.
10. Piaget J. Search Title Constructionism (Learning Theory), *Wikipedia the free encyclopedia*. as on 23-06-2011. 1967.
11. Abdus Sattar Abbasi, Kashif Ur Rehman. Islamic Management Model, *African Journal of Business Management*. 2010; 4(9):1873-1882, <http://www.academicjournals.org/AJBM>
12. www.hrmars.com/journals , (accessed on dt. 27-08-15, 3.30 pm)
13. Claudia Volpato. *Islam and the World of Business: Money Ethics and Business Management Oasis: Islam at the crossroad. Tradition Reform & Jihad*, 2009. Zahid, Search Quran, retrieved, 2011. www.Honestzahid.blog.com
14. GoharZaman, Fahad Khan Afridi. *Islam and Management Principles: Evidence from Literature*, *Journal of Managerial Sciences*. 2012, VII, 2.
15. Hossain MZ. *Zakat in Islam: A Powerful Poverty Alleviating Instrument for Islamic Countries*, *International Journal of Economic Development Research and Investment*. 2012; 3(1):7.
16. Wilson R. *Islam and business*, *Thunderbird International Business Review*, 2006; 48(1):109-123
17. Al-Hirrawi. *Human resource management with Islamic management principles: a dialectic for a reverse diffusion in management*, *International Journal of Human Resource Management*. 1986, 16(1).
18. Gohar Zaman. *Impact of Organizational Justice on Employees Outcomes: An Empirical Evidence*, aupc.info/wp-content/uploads/2012/12/org-justice.doc (accessed on dt.27-08-15, 3.30 pm)