

# ISLAMIC BUSINESS ETHICS BETWEEN REALITY AND HISTORY

Hasyim Nawawi

STAIN Tulungagung

Jl. Mayor Sujadi Timur 46 Tulungagung

Email: hasyimnawawi21@yahoo.com

## Abstrak:

Sesungguhnya sejarah etika bisnis Islam tidak dapat dipisahkan dari sejarah induknya yakni ekonomi Islam, sedangkan ekonomi Islam berusia setua Islam itu sendiri. Sebagaimana kita ketahui, misi mulia Rasulullah SAW. di muka bumi adalah membangun masyarakat yang beradab. Adapun prinsip-prinsip dasar etika bisnis Islam yang ditanamkan oleh Rasulullah adalah sebagai berikut: (1) berlandaskan ketauhidan (keesaan), (2) keadilan (keseimbangan), (3) kebebasan berikhtiyar, (4) amanah (bertanggung jawab), (5) menegakkan kebenaran, kebajikan dan kejujuran. Dalam konteks keindonesiaan, penegakan hukum dalam bisnis sebenarnya sebagian besar sudah dilaksanakan, meskipun pelaksanaannya berbeda dengan bisnis yang dijalankan pada masa awal peradaban Islam. Pada awal peradaban Islam sudah terdapat lembaga pengawasan (*al-hisbah*) yang fungsinya adalah meninjau keberadaan bisnis di pasar, baik dari segi halal dan haramnya produk yang dijual, ukuran timbangan, kejujuran seorang penjual, dan hal-hal lain yang merugikan. Ukuran penegakan hukum di Indonesia didasarkan atas klausul yang menyangkut hal-hal yang merugikan orang lain, bukan terkait halal dan haramnya produk. Dalam implementasinya diharapkan pelaku bisnis mampu melaksanakan dengan menekankan pada cara yang dikenalkan Islam dalam etika berbisnis yang Islami. Bisnis dalam bidang-bidang yang halal, bermanfaat positif, tidak dengan penipuan, harus disampaikan dengan apa adanya (jujur), serta tidak merusak lingkungan dan ekosistem yang lainnya.

## Abstract:

Actually, the history of the Islamic business ethics cannot be separated from its parent's history which is the Islamic economics, whereas the Islamic economics is as old as the religion of Islam itself. As we know, the noble mission of the Prophet Muhammad (peace be upon him) in this world is to build a civilized society. The basic principles of Islamic business ethics instilled by Muhammad is follows: (1) based on *tawhid* (oneness of Allah), (2) justice (balance), (3) freedom to make efforts (4) *amânah* (being responsible), (5) upholding the truth, virtues, and honesty. In the context of Indonesian-ness, actually in the business of law enforcement, it has been mostly implemented, although the implementation is different when the business is run in the early days of Islamic civilization. At the beginning of Islamic civilization it is available an oversight agencies (*al-hisbah*) whose function is to review business presence in the market, in terms of both lawful and illicit products sold, the size of the scales, the honesty of a seller and other things that harm. The standard measurement of law enforcement in Indonesia is based on the clause related to harm

others, not related to *halâl* and *haram* products. In its implementation it is expected that the practice of businesses can be done by emphasizing ways introduced by Islam in the Islamic business ethics. Business in the law full field with positive benefit, non by fraud, should be stated as for what it is (honest), by not to damage the environment and other ecosystems

### Kata Kunci:

Islamic business, ethics, *Tawhid*, *Amânah*, *al-Hisbah*

### Introduction

The large number of scandals in the *Wall Street* Stock exchange both in industrial and business sectors which is marked by so many deceits in their business' conducts such as cheatings, frauds, and extortions has prompted many companies to rethink the ethical standards in business. This is due to the fact that business ethics are considered to be capable of being *the control agent* that can change the negative matters into positive ones or, at least, they are expected to be able to eliminate the negative practices in business, economic and industrial activities.

The word *ethic* is derived from the Greek word "*ethos*" which means character, decency or custom. The ethics is defined as *a set of rules that define right and wrong conducts*.<sup>1</sup> It is synonymous with the word *moral* which comes from the Latin word "*mos*" (in its singular form) and "*moralis*" (in the plural form) which also means custom or way of life. According to the *Encyclopedia of Education*, the ethics is a philosophy or critical and fundamental thoughts on the teachings, norms, values, and the customs of moral views.<sup>2</sup> Or, the ethics is a philosophy of the decency's values regarding good and

bad.<sup>3</sup> This new attention to ethics can be more clearly understood by discussing issues of the organization's social responsibility related to various stakeholders there in.<sup>4</sup>

Having it that way, ethics can help people to act freely and responsibly because every action is always born out of a personal decision that must be accounted for. Although there is no absolute guarantee, in general, an ethical company is a successful company which is in accordance with the adage "*good ethics, good business*". However, it should not be implied that expectations of success become the primary motivation to behave ethically.

The term *moral* means customs or habits in the way of life of a person or a group of people. A morality appoints to the actions or attitudes of men. A morality is not found in any animal or even those that have been domesticated since only human beings that are considered to have reasons/intelligence. By having their intelligence, people can make choices in their actions based on the norms that

<sup>1</sup>Muslich, *Etika Bisnis Islami* (Yogyakarta: Ekonisia, 2004), hlm. 1.

<sup>2</sup>Ibid., hlm. 7.

<sup>3</sup>Burhanuddin Salam, *Etika Sosial* (Jakarta: RinekaCipta, 1997), hlm. 2.

<sup>4</sup>Muhammad, *Etika Bisnis Islam* (Yogyakarta: UPP AMP YKPN, 2002), hlm. 73.

provide guidance to act, using the criteria of good and bad, right and wrong.<sup>5</sup>

The morality in all its forms cannot exist except in a community. It will not change except in relation to social conditions. In other words, morality is not rooted to an individual, but rather it is rooted to a community and is a symptom of society. A society's moral has power over individuals in the sense of obligation. For example, the talk is the voice of society, so it is the society that defines and asserts that all rules are applied.<sup>6</sup>

What is meant by *business* had been widely expressed by various experts, such as; business comes from the English language meaning: company, affairs or venture.<sup>7</sup> Morality is an "institution" like religion, politics, language, and so on that has been existing from long time ago and is passed from generation to generation. Ethics is a critical attitude of individuals and community groups in bringing the morality into reality. So, it is not surprising to find that morality may be the same, but the ethical attitudes differ from one person to another even within the same community, or between a community and another alike.<sup>8</sup> According to Will and Ariel Durant that had conducted a historical exploration, "There is no significant example in history before our time where a society could successfully maintained its moral life without the aid of religion."<sup>9</sup> Therefore, if

this assumption is used as the foundation or starting point, then morality may be defined as the science which studies human behavior or the value of human acts with good and bad decisions based on the dogmas and doctrines of a religion; in Islam, the benchmark employed is the Quran and the Sunnah. So, the stressing point of the ethics is focused on the implementation of universal ethical values of the Quran and the Sunnah in the economic activities.

Such view is associated to a fact that ethics is something that is very important in human life. As we all know, human beings with their all complex behaviors can reflect positive actions on one hand, while on the other hand they may reflect negative attitudes. So, in order to minimize the negative side, Islam emphasizes the application of ethics in every walk of life, including business.

### **Tracing the Principles of Conventional Business Ethics**

From the exploration of the various references carried out by the author, the principles of conventional business ethics can, at least, be described generally as follows:

#### **1. Being Independent (Autonomous)**

Every business activities should be independent (from any form of coercion) as every entrepreneur knows what is good and not, is fully aware about the field of activity, understands the situation he/she faces as well as the rules that apply to their activities, so that they can make their own decisions and act on that decision. Therefore, the freedom is a necessary condition so that any person can act ethically.<sup>10</sup>

---

<sup>5</sup>M. DawanRahardjo, *Etika Ekonomi dan Manajemen* (Yogyakarta: Tiara WacanaYogya, 1990), hlm. 4.

<sup>6</sup>Emile Durkheim and Henri Bergson, *Moral dan Religi* (Yogyakarta: Kanisius, 1994), hlm. 36-37.

<sup>7</sup>Buchari Alma, *Pengantar Bisnis* (Bandung: Alfabeta, 1997), hlm. 15.

<sup>8</sup>Salam, *Etika Sosial*, hlm. 2.

<sup>9</sup>M. Umer Chapra, *Islam dan Tantangan Ekonomi* (Surabaya: Risalah Gusti, 1999), hlm. 28.

---

<sup>10</sup>A.S. Mahmoeddin, *Etika Bisnis Perbankan* (Jakarta: Pustaka Sinar Harapan, 1996), hlm. 81-82.

This principle can also be called the *autonomous principle*; autonomous is the attitude and the ability of mankind to make decisions and act on their own awareness of what is considered as a good thing to do. Decisions and actions taken will be adapted to specific moral values and norms. Should those decisions and actions be contrary to certain values and norms, he/she is aware and knows that they are still taken by certain considerations and reasons. Therefore, an autonomous person is not one who merely follows norms and moral values that exist but a person who does things because he/she knows and realizes that it is good.<sup>11</sup>

In the ethics, a freedom is the main pre requisite for acting ethically. It is admitted that only free/independent people who can act ethically because ethical action is one that comes from a good will and personal awareness. It is only due to his/her freedom that a person can be demanded to act ethically.<sup>12</sup> In business, being independent or autonomous is absolutely necessary since this attitude can give a distinctive feel to the business executants so that they can freely demonstrate their participation in enlivening business activities.

## 2. Being Responsible

The attitude of being responsible is an act that uplifts the ethics and morals; for business people, the very basic attitudes are being independent and responsible, which can be spelled out as follows: *First*, the responsibility to one self; it is defined as the responsibility to one's conscience, i.e. whether he/she

carries out his/her profession in accordance with his/her conscience as a good and responsible businessman/businesswoman or other wise.

*Second*, the responsibility to the trust grantor; it can be equated with the responsibility to the people or parties who have entrusted their business activities to him/her. So, he/she will try to maintain that trust, and of course give the accountability of such trust to the people who have entrusted it.

*Third*, the responsibility to the people involved; e.g. the responsibility of the superiors to their subordinates (i.e. those employees under their responsibilities). In such a case, whether he/she, as a boss, has given due regard to the employees' rights, for example whether the salary, leave, bonus, benefits, and promotion is in accordance with the rights and achievements or not.

*Fourth*, the responsibility to the customers and the public, i.e. the responsibility to the consumers. In the business world, the business executants certainly can not be separated from their customers, so they both get reciprocal profits from the business activities that have been conducted.<sup>13</sup>

Consumers (customers) should be treated well morally; it is not only an ethical requirement, but rather an absolute prerequisite to gain success in business. As with any other business ethics topics, in the theme as discussed here also prevails that ethics in business practices is in line with the business' success. Unfortunately, apprehensive facts show that in the modern context, consumers are often easily tricked and victimized by producers' manipulation.

<sup>11</sup>A. Sonny Keraf, *Etika Bisnis* (Yogyakarta: Kanisius, 1998), hlm. 74.

<sup>12</sup>A.S. Mahmoeddin, *Etika Bisnis*, hlm. 81-82.

<sup>13</sup>K. Bertens, *Pengantar Etika Bisnis* (Yogyakarta: Kanisius, 2000), hlm. 227-228

Therefore, a business activity has a moral obligation to protect consumers and prevent the loss for them.<sup>14</sup>

The moral responsibility that is expected from any autonomous (independent) business executives has two directions; first is the self-responsibility (i.e. the responsibility to the business executives themselves) bearing in mind that no one can fool him self/her self. Therefore, the most fundamental thing to consider is whether one's business decisions and actions taken can be self-accounted to him/her and his/her conscience.<sup>15</sup>

Second is the moral responsibility which is directed to all interested parties (*stakeholders*) namely: customers, suppliers, investors or creditors, employees, the public, the business relations, government and so forth. It means that whether the business decisions and actions which have been taken consciously and independently, when viewed from the interests of the relevant parties, can be morally accounted or, shortly speaking, whether the business decisions and actions that will or have been taken do not harm the rights and interests of the relevant parties.<sup>16</sup>

### 3. Being Honest

At a glance, it seems peculiar that honesty becomes one of principles of business ethics because the myth says that a business activity is no more than deceptive stratagems to gain profits. It must be admitted that this principle is the most problematic one since, factually, many business executives that stand their operations on deceptive stratagems or

fraudulent, either due to certain external circumstances or because they themselves are inherently deceptive.

At least, in these three business activities scopes there can be clearly demonstrated that a business would not survive for long and gain its success if it is not based on the principles of honesty, among others:

- a. The honesty is relevant in fulfilling the terms/prerequisites of the agreements and contracts. In binding certain agreements and contracts, all parties (in this case is business executives), by *apriori*, trust each other. Each party is sincere and honest in making agreements and contracts, and more of it, they are seriously, sincerely, and honestly carry out their promises.
- b. The honesty is relevant in supplying goods and services with the quality and price that are comparable. In this modern competitive business, consumers' trust is the most essential. So, once a businessman deceives his/her consumers, either through advertising or services that do not conform to what have been described consumers will easily run (i.e. shift their option) to other products. Thus, bombastic ways and any deceive (that are practiced in selling products) is no longer a good business manner.
- c. The honesty is also relevant in the internal working relationships within a company. It is utopian to believe that a company would survive if the employment relationship within a company is not based on honesty; therefore, the honesty within a company is actually the real core and strength of the company.<sup>17</sup>

---

<sup>14</sup>Ibid., hlm. 227-228.

<sup>15</sup>A. Sonny Keraf, *Etika Bisnis*, hlm. 76.

<sup>16</sup>Ibid., hlm. 76-77.

---

<sup>17</sup>Ibid., hlm. 77-78.

Honesty is closely related to the trust since the trust is a valuable asset for business activities. Once a particular party is dishonest, he/she would not be trusted anymore and that would bring him/her hardship to survive in his/her business. The border line between honesty and dishonesty can not always be sharply drawn. In economics, a problem often can not be described in black or white, because there are very likely present other possibilities in a complex situation. Such problem usually occurs on the issues around honesty and truth. In general, it can be said that dodging to provide the right information can sometimes be morally justified; however, false information that may mislead should never be conveyed.<sup>18</sup>

#### 4. Conducting Good Deeds (Mutually Beneficial)

Conducting good deeds can be divided into two types, both by being active and passive, namely:

- a. Actively carry out activities to do good deeds to the society, and
- b. Passively not engage in activities that harm society.

Ideally, however, a member of a society should actively do good activities that are mutually beneficial to the community.<sup>19</sup>

This principle requires that the business is carried out in a way that it benefits to all parties. So, if the principle of justice requires that there should be no aggrieved party regarding to their rights and interests, then the principle of mutual benefit (doing good deeds) positively demands the same thing, namely that all

parties must work for the mutual benefit of each other.<sup>20</sup>

#### 5. Being Fair

The word *fair* in the English language is defined as "to give to everybody what he/she owns" or in Indonesian it is translated as "*memberikan kepada setiap orang apa yang dia miliki.*" The explanation of the Roman law regarding to justice can be translated as "to give to every person (whatever that becomes) their rights".<sup>21</sup>

The principle of justice requires that everyone in their business activities, either in the company's external or internal relations, is treated in accordance with their respective rights. The justice demands that there should not be any party who is aggrieved in his/her rights and interests. So, the principle of reciprocity must prevail which means that each person must be treated according to his/her rights, for examples a bank's customer has the rights to obtain services and benefits/interest from his/her deposit, an employee has the rights to a salary, promotion, study opportunities, bonuses, prizes for his achievements, and so on.<sup>22</sup>

The justice can involve individuals' obligation to the community and vice versa, as well as the obligations between individuals. A classification of justice had been put forward by Aristotle (384-322 BC) and Thomas Aquinas (1225-1274 AD), which comprises of:

- a. The public justice (general justice); based on this type of justice, each community members is required to give to the community (concretely means the state) what the community

<sup>18</sup>K. Bertens, *Pengantar Etika*, hlm. 76.

<sup>19</sup>A.S. Mahmoeeddin, *Etika Bisnis*, hlm. 83.

<sup>20</sup>A. Sonny Keraf, *Etika Bisnis*, hlm. 79.

<sup>21</sup>K. Bertens, *Pengantar Etika*, hlm. 87.

<sup>22</sup>A.S. Mahmoeeddin, *Etika Bisnis*, hlm. 83.

is entitled to. This public justice presents a foundation for the ideology of "common good" (public good or general good). Due to the existence of such *common good*, we must put the public interests above our own personal interests.

- b. The distributive justice; based on this type of justice, a state (concretely means the government) has to divide and distribute everything in the same manner (i.e. fairly) to all members of the community.

The commutative justice; based on this justice everyone should give to others what they are entitled to (i.e. their rights). This applies to both individual and social levels, so it is not only an individual that must give to another one what he/she is entitled to, but also one group (of people) must do the same to other groups. In the Indonesian language, such is also called *keadilan tukar-menukar* (in English: exchange fairness).<sup>23</sup>

### **Building the Islamic Business Ethics**

Islamic business ethics can be defined as a set of rules and assessments about whether something is *right* and *wrong* in business activities that are based on the Quran and the Sunnah. The Quranic vision about ethics has broad horizons regarding to the values for the realization of human life in a variety of fields in all levels - whether individual, society and state -which are egalitarian, integral, fair, safe, prosperous and cheerful in this world and in the life after mortality. The concept of the Quran about the business is very comprehensive; the parameters used are not only related to this present life but also the life in the hereafter. A business that is considered to

be truly successful (good) in the concept of the Qur'an is a business that brings benefits to the executants in both of the two phases of human life namely: this *fana* (limited, i.e. this present world) and the *baqa* (eternal and infinite i.e.the here after) lives.

### **The Reality and Historical Studies on the Islamic Business Ethics**

Actually, the history of the Islamic business ethics cannot be separated from its parent's history which is the Islamic economics, where as the Islamic economics is as old as the religion of Islam it self. As we know, the noble mission of the Prophet Muhammad (peace be upon him) in this world is to build a civilized society. The Prophet taught that every people must respect and care each other in conducting their lives in accordance with the Quran and the Hadits. He forbade people from performing actions that violate religious values for the sake of their glory in this present world concerning their occupation, wealth or others. This is so because what ever a man does would be futile since, essentially, the human's nobility is viewed from his/her piety and not on the material success he/she gains in this world life *per se*.

The Prophet Muhammad was a member of a big family of the Quraish tribe and therefore he was expected to have a profession just like any other members of the Quraish. Despite having no capital to do business, he received a lot of capital from rich widows and orphans who could not afford to run their own funds and welcomed an honest person to do business with the capital they had with a system of cooperation. Thus, such situation opened up opportunities for Muhammad to enter the business world

---

<sup>23</sup>K. Bertens, *Pengantar Etika*, hlm. 89-90.

by running capital of others, either by receiving salary or by agreements of profit sharing as a partner. Khadija was one of many wealthy ladies in Mecca who conducted their businesses through agents based on various types of contracts.

After marrying to Khadija, the Prophet continued his trading business as usual, but he began acting as a manager as well as a partner in his wife's business. Since his marriage (at the age of 25 years) until the arrival of the prophetic call of duty (at the age of 40 years), the Prophet had made trade voyages to the various regions including the Arabian Peninsula, the countries at the borders of Yemen, Bahrain, Iraq, Syrian and other places.<sup>24</sup>

If prophet Muhammad was entrusted to manage other people's capital for his honesty, business around us is still coloured by the practice of semi-fraud. For example, in the trade of ex-used goods is modified with attractive layout. This practice can be found in the practice of buying and selling the ex-used of motorcycles, mobile, TV, and house. These items are repaired in a such away in term of the quality of machines at a glance, but it looks better. So, when the price is far from its original one, it cause buyers are interested in buying based on the financial owned. However, the benefits cannot be enjoyed in a long period of time, considering that if the gotten goods are not really have good quality, the goods are damaged, cranky. Although it is found most of honest business by showing the goodness and badness of business done. If the business is conducted in honesty, open as it is suggested by Islamic business ethics,

consumers will feel comfortable, and it offers mutually beneficial.

Once appointed as the Apostle, Muhammad began to actively spread the teachings of Islam either to his family, relatives, and even the surrounding community. At Mecca, the Prophet was simply a religious leader, but when in Medina the situation changed. Within a short time, he had become the leader of a small community of followers (of Islam) and their number increased from time to time, so eventually the Prophet became the leader for the people of Medina. Under his leadership, the Medina grew fast and within ten years it turned out to be a very large country compared to other regions in the Arabian Peninsula.<sup>25</sup>

The economic problems of the *ummah* (Islamic community) came across to the attention of the Prophet. This was so because the economy is a pillar of faith that must be highly considered. As narrated by Muslim, the Prophet said, "*Poverty leads people to disbelief*". So, any effort to eradicate poverty was a part of the social policies taken by the Messenger of Allah (571-632 AD).<sup>26</sup>

After the death of the Prophet, the leader of the government was held by the *khulafâ al-râsyidîn* (successors of the Prophet who are in guidance). A number of new developments emerged during the time of *khulafâ al-râsyidîn*; they were mainly reflected in the difference of policies from one caliph to another. The emergence of these policies was resulted from the process of acculturation of various cultures and the emergence of new problems. One of the problems was related to the provision of people's living needs so much so that technical problems

<sup>24</sup>Adiwarman Anwar Karim, *Sejarah Pemikiran Ekonomi Islam* (Jakarta: IIIT, 2002), hlm. 19.

<sup>25</sup>Ibid., hlm. 20.

<sup>26</sup>Ibid., hlm. 115-116.

to solve the trade problems which are a part of *mu'âmalah* emerged at that time. A number of rules (in the form of *ijtihad*s) which referred to the Quran and the Hadits were present to resolve the economic problems that existed. The *mu'âmalah* (any activity of a man in relation to the nature and other human beings) problems became a significant part of the society's development at that time.

The foundations established by the Prophet Muhammad were later applied and developed by the second caliph Umar bin al-Khattâb who was very famous for his firm and brave leadership. So, this brought a climate that was conducive to the development of business during his reign. Legal certainty was guaranteed, any fraud in the business activities were dealt with firmly and the poverty was alleviated so that people could live in a fair and prosperous condition.

In the context of Indonesian-ness, actually in the business of law enforcement, it has been mostly implemented, although the implementation is different when the business is run in the early days of Islamic civilization. At the beginning of Islamic civilization it is available an oversight agencies (*al-hisbah*) whose function is to review business presence in the market, in terms of both lawful and illicit products sold, the size of the scales, the honesty of a seller and other things that harm. The standard measurement of law enforcement in Indonesia is based on the clause related to harm others, not related to *halâl* and *harâm* products. In the shortest case, when scarcity of onions happens, then the scarcity of fuel oil related offices carry out oversight functions so that any violations are found which is followed by the draft of Criminal

Code. One of forms of ban on Islamic business ethics that is still encountered in this case is hoarding. Business operating profit amid scarcity by hoarding. In the case of onions, when business people know that supply of onions is getting thin, the prediction of price is getting increase because the availability of the onion in the market is less, then the doer of businesses detain the goods and they have to wait until the price is getting higher. In this condition the scarcity of goods is inevitable, consequently the price is soar. The fact shows that consumers in this case are harmed because of the rising prices and , on the other hand, the traders are benefited due to hoarding and it gets a high different selling price . In case of short age of premium fuel, which is caused by the raising of the abolition of subsidies, it gives an impact on the increasement of price, among users of premium fuel intend on guard for a certain period. Considering almost all users of premium fuel and diesel to do so then it leads to scarcity. Business behavior such attitudes cause market imbalances.

Adam Smith, in his book *The Wealth of a Nation*, compared people with different and under developed economic with those of advanced one. A sample of underdeveloped society which is typified by majority professional hunters is the Indian people in North America, while a sample of advanced economic which is indicated by trade activities is the Arabs, which he called as a society which was lead by "*Mohammed and his immediate successors*".<sup>27</sup>

---

<sup>27</sup>Didin Hafidhuddin dan Hendri Tanjung, *Manajemen Syariah dalam Praktek* (Jakarta: GemaInsani Press, 2003), hlm.50.

In his opinion, in the year 774 AD, King Offa who ruled England produced gold coins which were a *direct copy* of the Islamic dinar complete with its Arabic inscription. All inscriptions on the coin was written in Arabic except on one side that reads "Offa Rex". Interestingly, the gold coins also listed the inscription "Lâ ilâha illâ Allâh Muḥammad Rasûlullâh" as well as two small crosses underneath it since King Offa was a Christian.<sup>28</sup>

This historical reality reflects that at that time the Islamic dinar was the strongest currency in the world. The Muslims' economies were far more advanced than that of the European. It also shows that the international trade activities done by Muslim traders had reached far places, even into the Northern Europe.

In the first time is the currency dinar, business practices now assisted by the smoothness of paper and metal currency. Distinguishing in this respect is intrinsically linked to the quality of the money is used. Given the dinar with the raw material is gold, which is equal to the intrinsic quality of the actual quality contained by gold.

Islam has opened a new era in the human history and the birth of the Prophet Muhammad is an unrivalled event. He is the last Messenger of Allah and is the carrier of the good to all mankind (*rahmat li al-'âlamîn*, the Holy Quran Surah al-Anbiyâ' (21): 107). Michael Hart in his most recent book put him in the top list of one hundred people who have great influence in history. Hart said: "Muhammad was chosen to occupy the first position in the world's one hundred most influential figures, as he was the only man who had the best

success in two areas, the religious and social areas".<sup>29</sup>

The commandments of Allah indeed do not stop only on the order of ritual worship, but also are closely related to good deeds towards fellow human beings and the environment as a tangible proof of the social piety of Muslims who are required to conduct good deeds. Besides, Islam strongly denounces and forbids doing bad behaviors and harming to oneself, others and the environment. Even, Allah extremely curses those conducting crimes, mischief, and causing disasters and devastations on earth.

In the framework of the business not conducted by harming themselves and others, to exploit the natural resources that cause damage. In practice that exploits displayed with the Brantas river impact on the soil around the sand mining. In the existing practice of the government crackdown against businesses that conduct business such this activities.

The ethics in Islam refers to the two transcendental sources which are the Quran and the Sunnah (the Hadits of the Prophet). These two sources are the centre for every source that guides all manners in conducting worship, acts or activities of every Muslim. In implementing the application of these two sources more substantively in line with the demands of the dynamic development of culture and era, a process of re-interpretation and *ijtihad* both contextually and textually is required.<sup>30</sup>

Thus, it can be concluded that the discussion of ethical issues is the closest one to the guidance of Islam. This is so because, in Islam, discussing the ethics

<sup>28</sup>Ibid., hlm. 51.

<sup>29</sup> Karim, *Sejarah Pemikiran*, hlm. 19.

<sup>30</sup>Muslich, *Etika Bisnis*, hlm. 30.

means describing the behaviors and attitudes which are good and bad as well as merits and sins as the impacts of good and bad conducts in the view of the Islamic teachings.

The Islamic business ethics are motivated by the teachings of Islam themselves and the Prophet Muhammad was sent (to mankind) by Allah to perfect their morals/ethics. So, the normative foundation of the Islamic business ethics is certainly derived from the teachings of Islam which are the Quran and the Sunnah that have provided references for the business executives to run or manage their businesses in Islamic way.<sup>31</sup>

In the implementation is expected to be implemented by businesses able to emphasize the way that introduced Islam in the Islamic business ethics. Business in fields lawful, positive benefit, non by fraud, should be submitted to what the (honest), do not damage the environment and other ecosystems.

Many good conducts had been exemplified by the Prophet Muhammad; in doing all business transactions, he did them based on honesty and fairness; he did not disappoint his consumers, always kept his promises, sold merchandise with the quality standards according to the customer's demand and showed a sense of responsibility for any transaction made. His honesty and transparency in conducting trade transactions is a timeless exemplary for the next generation of entrepreneurs.

---

<sup>31</sup>Departemen Agama RI., *Al-Qur'an dan Terjemahnya* (Surabaya: CV. Jaya Sakti, 1989), hlm. 862.

## The Principles of the Islamic Business Ethics

From the development of the Islamic economic literatures, it can be concluded that at least there are some generally agreed consensus regarding to the principles and ethics of business in Islam, namely:

### 1. *Tawhîd* (the Oneness of Allah)

All activities of the Muslim society cannot be separated from the Deity's values as Allah SWT says in the Holy Quran Surah al-Dzariyât (51): 56: "*And I did not create the jinn and the men but that they may worship Me*". So, any activity of a man in relation to the nature and other human beings (i.e. *mu'âmalah*) is framed within a grand framework of his/her relationship with Allah. This is so because every man will be accounted a responsibility before his/her God for his/her actions, including his/her economic and business activities.<sup>32</sup>

Islam offers the integration of religious (values), economic, and social (problems) in order to form a unity; based on this view, therefore, ethics and economics or ethics and business are integrated both vertically and horizontally, forming a very crucial equation in a homogeneous system of Islam.<sup>33</sup> Even it may be said that the matters of economy in Islam are considered part of the *ibâdah* (obedience to God) due to the fact that in economic practices there are found so many codes of conduct relating to the status of being "*halâl*" (lawful) or "*harâm*"

---

<sup>32</sup>AdiWarman Anwar Karim, *Ekonomi Mikro Islam* (Jakarta: Indonesia IIIT, 2002), hlm. 18.

<sup>33</sup>Muhammad dan Lukman Fauroni, *Visi Al Qur'an Tentang Etika dan Bisnis* (The Visions of the Quran on Ethics and Business) (Yogyakarta: Salemba Diniyah, 2002), hlm. 11-12.

(unlawful).<sup>34</sup> Al-Ghazâlî said, "It is not proper for a trader to focus his/her eyes on the world (i.e. the business' profits only) by forgetting the hereafter because should he/she do so the transaction will be in vain and he/she will lose". Long before al-Ghazâlî, a companion of the Prophet, Mu'âdz bin Jabal, said in his testament: "Surely it is mandatory for you to pay due attention to your share of this present world without losing sight of your journey towards the hereafter. In other words, you have to arrange both of them in such a way as Allah says: *And do not forget thy portion of worldly pleasures.* Do not forget your share of this present world as a preparation for the hereafter because this present world is a farm for the future life in the hereafter. In the future life (i.e. the hereafter), you shall acquire plenty of virtues".

In the context of oneness (of Allah), good conducts and behaviors should always be performed by men as the *khalîfah* (vicegerents) of Allah on the earth. By this, humans must reflect the attitudes and characters of Allah which are contained in the ninety-nine *Asmâ` al-Husnâ* (beautiful names associated to the characters of Allah) in managing their business activities, especially in relation to the empowerment of the needed and necessitated resources.

## 2. Justice (Balance)

Allah commands mankind to do justice, not to do wrongs or to become victims of such conducts. The enforcement of justice and the elimination of all forms of injustice have been emphasized in the Qur'an as the primary mission of the Messenger of Allah (Surah al-*Hadîd* (51): 25). There are at least one hundred expressions of the word "*adil*"

(being just) and its various derivatives in the Holy Quran; even through His decree in the Quran, Allah places justice in a status that is "closest" to piety (Surah al-*Mâ'idah* (5): 8). All of these show how important the justice is in the structure of faith.<sup>35</sup>

The implementation of the tenets for employing the balance and justice principles in business activities should be associated with the distribution of benefits to all components and parties involved either directly or indirectly in accordance to the role and contribution that they give to the success or failure of the business activities carried out by the business executives in a balanced and fair or commensurate proportion. The benefits achieved must be distributed in accordance with the rules or agreements that are just and balance.

In the context of Indonesian people, there are still found many cases where forced conditions in business activities are taking place such as selling goods below the standard price to pay off one's debts. Such business transaction where there is an element of "taking advantage of people who are forced to sell their belongings", although legally is valid, but religiously is reprehensible.

So, it is clear that the balance and justice are the basis of thought and consciousness in the utilization and development of one's property so as not to cause human misery but rather as a media to gain perfection of human soul as a *khalifatullah* (a vicegerent of Allah).<sup>36</sup> As Allah says in the Holy Quran Surah al-Baqarah (2): 264: "O ye who believe! Do not eliminate (the reward of) your charity

<sup>34</sup>Mahmud Muhammad Babilly, *Etika Bisnis* (Solo: Ramadhani, 1990), hlm.16.

<sup>35</sup>Chapra, *Islam*, hlm. 211-212. See also Karim, *Ekonomi Mikro*, hlm. 18.

<sup>36</sup>Muhammad dan Fauroni, *Visi Al-Qur'an*, hlm. 15.

by reminding it and hurting (the feelings of the receiver) like those who spend their wealth to be seen of men but he does believe neither in Allah nor in the Last Day. They are in parable like the hard barren rocks, on which is a little soil: on it falls heavy rain which leaves it just a bare stone. They will be able to do nothing with aught they have earned. And Allah guide th not those who disbelieve".<sup>37</sup>

### 3. Freedom to Make Efforts

Islam gives freedom to people to use all the potential resources available as well as gives independence and freedom to create, perform and carry out business transactions or investments. Mankind are, on one hand, endowed by Allah with elements or potencies of emotion, intelligence, power of reasoning or argument and, on the other hand, they are granted with the spiritual basic ability, thinking capability and instinct so that by having these potencies, they are capable to create all cultural products that can differ them from other creatures.

Having a condition of being free/independent to do any effort together with the provision of capital, resources and other supporting factors, a man as a business executant can develop his/her business activities. As a vicegerent of Allah, he/she is only obedient to Him, therefore all forms of servitude and abdication let it be social, political, or economic one must be disclaimed. The Quran asserts that one of the main objectives of sending Muhammad as the Prophet is to liberate people from the burden and the shackles imposed upon them (Surah al-A'râf (7): 157).

The human freedom that is based only on the devotion to Allah will give courage and self-confidence. A Muslim views that every thing on earth has been arranged by Allah in such a way that all of them have beneficial effects to humans. Of course, these benefits must be explored by humans since Allah will not change a condition of human life unless they themselves make efforts to change it as Allah says in the holy Quran Surah al-Ra'd (13): 11. Similarly, the Prophet on the occasion of the Farewell Pilgrimage (*haji wada'*) also said: "Your life and happiness are sacred and inviolable by each other until the end of the day".<sup>38</sup> By having the recognition of the ownership of one's property, the business executants will certainly utilize their properties much better and more properly on the principle of the freedom to do any effort.

### 4. *Amânah* (Being Responsible)

All the freedom in conducting business activities cannot be separated from accountability, bearing in mind that all the "*wasilat al-hayat*" (devices/tools for living) that are authorized by Allah to mankind is not an intrinsic property; but rather a mandate trusted onto mankind to manage them properly according to the "*manhaj al-hayat*" (way of life) which has been determined by Allah in the Quran and by the Sunnah of the Prophet.

Being *amânah* (responsible, trustworthy or credible) becomes the mission of every Muslim. This is so because they can meet Allah (later in the hereafter) in a state of pleasure and be pleased (*râdliyyatan mardliyyah*) only when they keep well the mandate that had been given to them. The character of being *amânah* plays a fundamental role in the

---

<sup>37</sup>Departemen Agama RI., *Al-Qur'an*, hlm. 66.

---

<sup>38</sup>Muslich, *Etika Bisnis*, hlm. 43.

economy and business because with the absence of credibility and responsibility, any business and economic life will be destroyed.<sup>39</sup> The Prophet Muhammad had this character of being *amânah* in conducting his business activities. He is an example of a trustworthy trader when dealing with consumers; he kept his promises and provided the best service in the conception that "a good behavior is the best advertisement".<sup>40</sup>

A freedom without responsibility and accountability is an impossible thing, because the responsibility is the principle and the dynamic power of the individual to maintain the quality of balance in society.<sup>41</sup>

## 5. Upholding the Truth, Virtue, and Honesty

The truth is the spirit of religion and faith and becomes a character of all the prophets; without the truth the messages of the religion which the prophets entailed would not exist (for long). The truth in the conception of Islamic business ethics is intended as a preventive action against a possible loss suffered by one of the parties in a transaction, an agreement or cooperation in business activities. The Quran emphasizes that a business should not be conducted in a manner that contains falsehood, destruction and injustice, but, contrarily, it must be done with full awareness and willingness.

Islam advocates the benevolent attitudes in conducting any economic and

business activities because benevolence is an *ihsân* (good) attitude that affects giving benefits to others. Whereas honesty is the most important qualification in any transaction; if it is ignored then there will be fraud, scale's measurement reduction and cheating on quality. The importance of being honest in the world of economy had been reinstated by the Prophet relating to a reward that will be given to the honest merchants as his words in a hadits narrated by Imam Tirmidzi. The Prophet said:

*"Traders that are honest and trustworthy will be gathered with the prophets, the shiddiqin (true believers), those people who were martyred in the religious battles, and the people who are virtuous someday in the heaven".*

In the Holy Quran, Allah has warned to give punishment to the perpetrators of fraud as described in Surah al-Muthaffifin (83): 1-6, which means:

*"Woe to those that deal in fraud (1), those who, when they have to receive by measure from others, exact full measure (2), but when they have to give by measure or weigh for others, they give less than due (3), Do they not think that they will be resurrected (4), on a mighty day (5), a day when all mankind will stand before the Lord of the worlds? (6)*

## Closing

From the previous discussion, it can be concluded that the basic principles of the Islamic business ethics are as follows: (1) Based on *tawhîd* (i.e. the oneness of Allah), (2) justice (balance), (3) freedom to make efforts, (4) *amânah* (being responsible), (5) upholding the truth, goodness, and honesty.

In the context of Indonesian-ness, actually in the business of law

<sup>39</sup> Karim, *Ekonomi Mikro*, hlm. 19.

<sup>40</sup> Erick Thohir, *et al*, *Ekonomi Syariah dalam Sorotan* (Jakarta: Yayasan Amanah, 2003), hlm. 14.

<sup>41</sup> Muhammad and Fauroni, *Visi Al-Qur'an*, hlm. 16. See also Yusuf Qardhawi, *Norma dan Etika Ekonomi Islam* (Jakarta: Gema Insani Press, 1997), hlm. 175.

enforcement, it has been mostly implemented, although the implementation is different when the business is run in the early days of Islamic civilization. At the beginning of Islamic civilization it is available an oversight agencies (*al-hisbah*) whose function is to review business presence in the market, in terms of both lawful and illicit products sold, the size of the scales, the honesty of a seller and other things that harm. The standard measurement of law enforcement in Indonesia is based on the clause related to harm others, not related to halal and haraam products.[]

### References

- Alma, Buchari. *Pengantar Bisnis*. Bandung: Alfabeta, 1997.
- Babily, Mahmud Muhammad, *Etika Bisnis*. Solo: Ramadhani, 1990.
- Bertens, K. *Pengantar Etika Bisnis*. Yogyakarta: Kanisius, 2000.
- Chapra, M. Umer. *Islam dan Tantangan Ekonomi*. Surabaya: Risalah Gusti, 1999.
- Durkhein, Emile dan Bergson, Henri. *Moral dan Religi*. Yogyakarta: Kanisius, 1994.
- Hafidhuddin, Didin dan Tanjung, Hendri. *Manajemen Syariah dalam Praktek*. Jakarta: Gema Insani Press, 2003.
- Karim, Adi Warman Anwar. *Ekonomi Mikro Islam*. Jakarta: Indonesia IIIT, 2002.
- , *Sejarah Pemikiran Ekonomi Islam*. Jakarta: IIIT, 2002
- Keraf, A. Sonny. *Etika Bisnis*. Yogyakarta: Kanisius, 1998.
- Mahmoeddin, A.S. *Etika Bisnis Perbankan*. Jakarta: Pustaka Sinar Harapan, 1996.
- Muhammad dan Fauroni, Lukman. *Visi Al Qur'an Tentang Etika dan Bisnis*. Yogyakarta: Salemba Diniyah, 2002.
- Muhammad. *Etika Bisnis Islam*. Yogyakarta: UPP AMP YKPN, 2002.
- Muslich. *Etika Bisnis Islami*. Yogyakarta: Ekonisia, 2004.
- Qardhawi, Yusuf. *Norma dan Etika Ekonomi Islam*. Jakarta: Gema Insani Press, 1997.
- Rahardjo, M. Dawan. *Etika Ekonomi dan Manajemen*. Yogyakarta: Tiara WacanaYogya, 1990.
- Salam, Burhanuddin. *Etika Sosial*. Jakarta: RinekaCipta, 1997.
- Departemen Agama RI. *Al-Qur'an dan Terjemahnya*. Surabaya: CV. Jaya Sakti, 1989.
- Thohir, Erick, et al. *Ekonomi Syariah dalam Sorotan*. Jakarta: Yayasan Amanah, 2003

