
APPRECIATING ISLAMIC BUSINESS ETHICS

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Abstract

If the Belt and Road Initiative (BRI) is to achieve its goals, the Chinese people and their government must recognise the importance of their own diverse wisdom traditions, for establishing peaceful and mutually beneficial relationships with the peoples and countries that lie to the West along the Silk Road. Nowhere is this more apparent than in coming to appreciate Islamic Business Ethics. As one of the greatest of the world's religious communities, both in number of believers as well as in its influence, Islam is a faith tradition that has shaped business practices in the nations that adhere to it. This paper will explore Islamic faith and will map out what difference it makes in how Muslims think about business and market transactions. Related issues regarding the specific moral obligations all Muslims recognise as imperatives of justice and charity, will be discussed, as well as the kinds of occupations that are forbidden (Haram) and permitted (Halal), marking the path of faithfulness. This paper is offered as an appreciative introduction to Islamic business ethics, with the intent of facilitating mutual trust not only in interreligious dialogue and collaboration, but also through a realisation of the common ground upon which all wisdom traditions stand in their attempt to shape and uphold good business practices.

If the Belt and Road Initiative (BRI) is to succeed even in its strategic economic and political goals, those promoting it must come to grips with the diverse cultures and religions that they will meet as they seek to do business abroad. Many of these cultures have been shaped by Islamic faith and practice, which is also a significant factor in the Chinese provinces west of Xi'an¹. A major question for Muslims is whether China can be trusted to deal fairly with foreigners whose cultures differ significantly from China's majority Han culture. Trust, of course, is a two-way street. If Chinese people are to respect and seek to understand the ways of their non-Chinese partners, the partners in turn must show themselves to be trustworthy. Building such trust among diverse partners requires the expansion of transparency and mutual accountability. The study of Islamic business ethics, not only in general, but also as it is interpreted in various Muslim countries, therefore ought to be an important factor in building the trust that will be required for the BRI to become a lasting success.

In what follows, I will outline the principles of Islamic business ethics, showing how they are grounded in Islam's radical monotheism, and what practical consequences they indicate for business transactions involving both Muslim and non-Muslim business partners, clients and customers. My research suggests that faith in Islam, focused on Muhammad's revelation of *Allah's* will for humanity as recorded in the *Qur'an*, and subsequent authoritative interpretations of it, is decisive for understanding not only the declared values enshrined in Islamic business ethics, but also the seriousness with which these are observed in Muslim business practices². While this sketch must remain focused on the principles of Islamic business ethics—

which is conventionally located in the field of normative ethics—it cannot ignore a major and apparently universal problem—studied in the field of descriptive ethics—namely, the perceived discrepancy between declared Islamic values and actual practices among Muslim business people³. The discrepancy between “what ought to be” and “what actually happens” is no more acute in Islam than in any other perspective in religious ethics. All forms of religious ethics struggle with the problem and attempt to understand it and offer concrete proposals for overcoming it. Islam may have a different explanation accounting for how the problem arises for believers, but like the others it does offer concrete steps to realign one's conduct with one's declared values.

ISLAMIC FAITH AS AN ORIENTATION TO GOOD BUSINESS ETHICS

Islamic ethics begins and ends with the Muslim's response of faith in *Allah*. But who or what is *Allah*⁴? *Allah* reveals Himself to us, in the *Qur'an*, as a personal God who is uniquely worthy of worship. Scholars have shown that Islam is but one version of Abrahamic religion, that is, the interrelated beliefs of Judaism, Christianity and Islam. *Allah* is one and the same as the God of Abraham, Moses' “I am who I am,” as well as the One whom Jesus acknowledged as “Father”. *Allah's* existence and expectation for humanity are revealed through this line of prophets, the last and greatest of whom is Muhammad. In Islamic faith, the Great Ultimate is emphatically alive and passionately involved in this world, aware of all that we think, say and do, and responsive to our attempts to communicate with Him through prayer, worship, and the good that we do. What *Allah* demands of each person is given in the

1 Gerhard Böwering provides an impressive survey of the history of Islamic communities in China and interprets their morality, showing its convergence and divergence from Chinese moral philosophy in “Preliminary Observations on Islamic Ethics in the Chinese Context.” (Böwering, 2012).

2 W. Travis Selmier II's essay “The Belt and Road Initiative and the influence of Islamic economies,” is a useful introduction to the diversity of Islamic cultures, typically represented in the economies of Kazakhstan, Iran, and Pakistan. It suggests that what is presented here as introduction to basic principles is hardly sufficient for doing business with Muslims, without local knowledge. (Selmier, 2018).

3 Contemporary Muslim literature on business ethics often addresses this universal discrepancy. One example is Safdar Alam's *Primer on Islamic Banking: An introduction to Islamic Banking and Finance*, which not only explains how Islamic financial transactions work, but also provides a critical discussion of whether they actually do preserve faithfulness to Muslim moral and religious principles (Alam, 2019).

4 Gerhard Böwering's essay, “Names and Images of God in the *Qur'an*,” provides a basis for non-Muslims to understand how Islam's concept of *Allah* (God) is constructed from the passages of the *Qur'an*, thus showing how theology emerges from reflections on a Scripturally authoritative revelation. (Böwering, 2010).

name, “Islam.” Faith means total submission to the will of *Allah*, trusting in His justice and mercy, performing the deeds that are consistent with His will (“*halal*”) and avoiding those that are contrary to His will (“*haram*”). To live one’s life in faithfulness to *Allah* is simply to live by the truth of human existence.

Islamic faithfulness has five touchstones or “Pillars of Islam” (*arkān al-Islām*) that define what this revelation means in practice. These five are the foundation of Muslim life:

- *Shahādah*: The profession of faith in the Oneness of God and the finality of the prophethood of Muhammad;
- *Salah*: Prescribed daily prayers, recited five times a day;
- *Zakat*: Concern for and almsgiving to the needy;
- *Sawm*: Self-purification through fasting, especially during the month of Ramadan; and
- *Hajj*: Pilgrimage to Mecca, at least once in one’s lifetime, for those who are able. (Zahid, n.d.; Schimmel, A., Mahdi, M.S., Rahman, F., 2019)

The most important of these is *Shahādah*, the confession of faith, the content of which is *Tawhīd*, meaning “unity” or belief in the Oneness of *Allah* or God. The centrality of *Tawhīd* is far more than conceptual, as if it were merely an abstract philosophical proposition. *Tawhīd* implies that all things are interrelated in God, that all thoughts, words, and deeds have deep ethical significance as signs of a Muslim’s faith or lack thereof. The contrast term indicating a lack of faith is *shirk* (*širk*) or idolatry, suggesting the elevation of anyone or anything to a position of equality with *Allah*. *Allah* has no equals, *Allah* is totally, exclusively, and uniquely Absolute⁵. Idolatry in any form violates *Tawhīd*, for it fragments the unity of the world, introducing false principles or forces (idols) claiming powers over us that belong to God alone. Idolatry, therefore, is not simply a false religious practice, but a state of soul in which confusion reigns, where moral

clarity becomes impossible because forces other than God become the basis of our survival and prosperity. Riches, or the love of money, for example, can easily become a manifestation of *shirk*, insofar as we place our trust in our savings accounts rather than relying on God’s justice and mercy.

Each of the other Pillars also has profound meaning for Islamic business ethics. *Salah*, the ritual prayers said five times a day, ensure that faithful Muslims remain aware of the presence of *Allah* at all times. If they are faithful in performing *Salah* their minds will not stray from *Allah*’s will for them in every moment. *Zakat*, the practice of almsgiving or reserving a portion of one’s wealth for charitable donations, reminds each believer that *Allah* alone has absolute ownership of the earth and any goods that a Muslim may

Since *Allah* is the only absolute owner of anything, the creation of wealth through commerce must submit to *Allah*’s will as concretely and personally experienced in the actual vicissitudes, or uncertainties, of doing business.

have extracted from it. If *Allah* is the owner of all wealth, then the use of that wealth must be directed by *Allah*’s express will for the world, in short, its uses must be consistent with the principles of justice and mercy, as revealed in the *Qu’ran* and the *hadith*. *Sawm*, or the rituals of fasting, reinforce the practical meaning of faith in *Allah*. Our bodies as well as our minds must be brought into submission (Islam) to the will of *Allah*. *Sawm* cultivates self-discipline which is essential to faithfulness. *Hajj*, the pilgrimage to Mecca, which should be on every Muslim’s “bucket list,” so to speak, offers a privileged opportunity to experience the meaning of *Tawhīd*, the unity of Muslims in a worldwide community of faith (*Ummah*).

⁵ Cf. Gerhard Böwering’s essay, “God and his Attributes,” in the *Encyclopaedia of the Qurān* (2018), for an in-depth treatment of these interrelated concepts.

The concrete guidance of Islam for business ethics, while rooted in the *Shahādah*, requires further explanation. A key distinction is between performing actions that are consistent with *Allah's* will (“*halal*”) and avoiding those that are contrary to his will (“*haram*”). (Beekun, 1997, pp. 31-36) *Allah* alone can decree which acts are *halal* and which are *haram*. Though the difference is roughly equivalent to universally recognised ethical distinctions of right and wrong, good and bad, appropriate and inappropriate, in

35). Prostitution is also considered *haram*, and expressly condemned in the *hadith* (*Qur'an*, 24:33)⁶. There is also the category of “*Al Garar*... any kind of trade involving uncertainty, regarding an unspecified quantity to be exchanged or delivered. Futures trading is therefore prohibited in Islam. It involves the selling of commodities not yet in the possession of the seller...” (Beekun, 1997, p. 36). *Gharar*, in short, “occurs in all sorts of transactions where the subject matter, the price or the two, are not determined and

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Islam the basis for the distinction is not human experience, or the wisdom of ancestral sages, or any codification of natural law or other paradigms of moral reasoning, but on the manifest will of *Allah* as revealed in the *Qur'an* and the *hadith*, authoritative teachings of His Prophet Muhammad.

Allah's instructions regarding *halal* and *haram* can be quite specific. Various occupations, for example, are praised or condemned using these terms. Contemporary treatises on Islamic business ethics identify the *halal* occupations as agriculture, and work in manufacturing industries, as well as various crafts and professions. “In general, then, Islam looks on work that fulfills a *halal* need in society as good, provided that the person performs it in an Islamic manner” (Beekun, 1997, p. 34). *Haram*, however, would be earnings from trading in alcohol and illegal drugs, representative of the prohibited category of *khamr*, highlighting their intoxicating and hallucinogenic effects (Beekun, 1997, p. 34), which are incompatible with the self-awareness achieved through faithfulness. Besides these two, “the manufacture of pictures, statues, etc., as objects of worship or as objects to be likened to *Allah's* creations” is forbidden as *haram*, as is “the production and sale of *haram* goods,” that is, goods used in committing sins, for example, pornography (Beekun, 1997, p.

fixed in advance. Speculative activities in capital markets, derivatives instruments and short-selling contracts are bright examples of *Gharar* in modern finance.” (Uddin, 2015).

The prohibition on futures trading, of course, invites more questions about the ethics of Islamic finance. The moral concern expressed in a variety of precepts—including the prohibition against usury, or money lending at any rate of interest—is that the uncertainties or risks involved in an investment scheme be shared equally. Islamic teaching, in the interest of both justice and mercy, insists that both the risks and the rewards be shared equally. Similarly, the prohibition of lending at interest, or *riba*, expresses a moral concern over the fact that the lender typically makes money without any fear of loss, while the debtor is saddled with all the risks involved in accepting a loan and paying it back. As Beekun observes, “There is no opportunity cost of lending money in Islam” (Beekun, 1997, p. 46), and thus no justice in paying interest to the lender in compensation for borrowing the lender’s money. Furthermore, the prohibited practice of *riba* “simply increases the gap between the haves and the have nots.” (Ibid.)

One may well ask, if *riba* is prohibited,

⁶ The text cited by Beekun (*Qur'an*, 24:33) explicitly condemns coerced sexual exploitation, that is, a situation in which one’s “slave-girls” are forced to become prostitutes in order to make money for their masters.

how is Islamic finance possible?⁷ How can commerce be *halal*, if *riba* is *haram*? Clearly, Islam encourages business development, but favours the creation of business partnerships, even those in which one partner supplies the capital or financing and the other partner supplies the labour and skills to enact their mutually agreed upon business plan. Such partnerships are *halal* (assuming all other aspects are *halal*, such as the kind of business they are doing together), so long as the parties “agree in advance how they will share any profits or loss. Should the venture capitalist be guaranteed a profit on his capital whether his partner makes a profit or a loss, it would be similar to usury” (Beekun, 1997, p, 48). Since *Allah* is the only absolute owner of anything, the creation of wealth through commerce must submit to *Allah*'s will as concretely and personally experienced in the actual vicissitudes, or uncertainties, of doing business. To try to limit one's exposure to the risks involved through schemes involving “*riba*, *gharar* and *maysir*” would be a form of idolatry (*shirk*), a usurpation of *Allah*'s own prerogative to bless or refrain from blessing our activities. (Uddin, 2015).

As Beekun's *Islamic Business Ethics* makes clear, much of what is judged as *halal* coincides with universally recognised moral values in business. Muslims are urged to accept the following principles, which resonate well with the teachings espoused by Christians, Jews, Buddhists, as well as Chinese entrepreneurs seeking to follow the ways of Confucius:

- “Be Honest and Truthful.
- “Keep Your Word.
- “Love *Allah* More Than Your Trade.
- “Deal with Muslims before Dealing with Non-Muslims.
- “Be Humble in how You Conduct Your Life.
- “Use Mutual Consultation in Your Affairs.
- “Do Not Deal in Fraud.
- “Do Not Bribe.
- “Deal Justly.” (Beekun, 1997, p. 64-67)

Each of these might well be accepted

as common sense, except perhaps the fourth principle, “Deal with Muslims before Dealing with Non-Muslims.” Why the preference for dealing with Muslims? If partnership is the preferred model of business development, the answer lies in the community of values assumed to support the partners in their mutual interactions. Dealing with fellow Muslims first recognises the challenges involved in establishing trust among business partners. If the partners share the same faith, trust may be easier to achieve and sustain, than if the partners have nothing in common other than their desire to make a profit.

The ultimate constraint, of course, is spiritual and beyond morality: “Love *Allah* More Than Your Trade.” This is the love that emerges from Islamic faithfulness, which includes a proper fear or reverence for *Allah*, that would motivate Muslims to submit to *Allah*'s will rather than to seek to evade it through various schemes that implicitly devolve into idolatry (*shirk*). Love for *Allah* establishes moral limits to how business may and may not be conducted. To love *Allah* is to know His will as revealed in the *Qur'an* and the *hadith*—the revelations to the prophet Muhammad and the traditions based on them. Accepting these limits and abandoning any effort to evade or cheat on them, is—when understood in the light of faith—the only secure basis for prosperity, or even survival, in our lives.

This religious orientation to business ethics, nevertheless can be applied to contemporary business practice, whose implications can be clarified using many of the conventional tools of international business ethics. Beekun, for example, organises much of his presentation using the conventional categories of stakeholder theory, which allows him to highlight Islam's meaning for the various categories of persons typically involved in or affected by business activities. He quotes, for example, a code of ethics for Muslim businesses that organises its pledges according to stakeholder groups: customers, suppliers and distributors, employees, competitors, stockholders, and the Islamic communities, which such businesses are expected to serve (Beekun, 1997, p. 60-61). Beekun also shows in detail how environmental

⁷ A well-reasoned, comprehensive and systematic answer to this question can be found in the work by Usman Hayat and Adeel Malik, *Islamic Finance: Ethics, Concepts, Practice* (2014).

responsibility (Beekun, 1997, p. 53-54), corporate social responsibility (Beekun, 1997, p. 55-57), and various commonly accepted management practices, such as appointing an ethics advocate within the firm (Beekun, 1997, p.61) and performing a social audit (Beekun, 1997, p. 63-64), are consistent with Islamic practice. Beekun demonstrates that Islamic business ethics is already an informed participant in the movement to promote international business ethics

ISLAMIC BUSINESS ETHICS AND THE CHALLENGES OF THE BRI

This brief sketch of Islamic business ethics suggests that interactions with Muslim business people can and should occur on the common moral ground inhabited by all people of good will. Where there are differences, these can be understood and accommodated, if both parties—Muslim and non-Muslim—are sincere in their desire to work together. Here are two examples, one negative, one positive:

Given the religious weight of the moral distinction between *halal* and *haram*, non-Muslims should never demand that Muslims participate in activities regarded as *haram*. Some traditional Chinese customs, such as banquets sealing a business deal, involving prodigious quantities of alcohol, or various pork dishes, or after banquet visits to karaoke bars where prostitutes are available, are likely to be offensive and counterproductive, if offered to faithful Muslims. If you want to do business with faithful Muslims, you do not want to make them uncomfortable by involving them in compromising situations. The maxim, “Love *Allah* More Than Your Trade,” should be a signal for others to be wise: you may encounter real limits to what people are willing to do to make more money.

The preference for forming partnerships with other Muslims suggests that non-Muslims would be wise to work through Muslim intermediaries when negotiating business with Muslim enterprises. Consulting with Muslims who have status within the *ummah*, who can advise non-Muslims on what is appropriate and inappropriate, may help expedite and simplify

the process of learning how to work together productively for mutual benefit. Securing the conditions under which trust may develop is crucial to business success. If you are dealing with business people who identify themselves as Muslims, you should assume that Islam is central to their identity. To assume otherwise, unless there are clear indications to the contrary, may be regarded as an insult, a sign that you are not serious about doing business with them.

One of the great challenges of making BRI work is the opportunity to demonstrate that Chinese business people are capable of showing proper respect for the cultures of the people with whom they hope to do business. Many foreigners who have come to China have learned to appreciate—as did Matteo Ricci and his Jesuit companions—the universal significance of Confucian morality and its scholarly traditions. Through them, Europe first learned to appreciate Chinese culture, opening up the possibility of peaceful interactions in many areas, including commerce. BRI now provides Chinese entrepreneurs and trade representatives with an unprecedented opportunity to reciprocate. Learning to appreciate the principles of Islamic business ethics may be a major step forward demonstrating the inclusiveness of Chinese moral wisdom, supportive of China’s effort to achieve a new standard of global benevolence.



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