European Journal of Business and Management

ISSN 2222-1905 (Paper) ISSN 2222-839X (Online)
Vol. 10, No. 2 2014

Islam shows a wonderful way of Business Management, Banking, Finance & Savings. Transparent distribution policy of money and provides best investment system. Some splendid Quranic verses and Hadiths have been below supporting this statement.

The Holy Qur’aan says: "O you who believe! Do not set up any property among yourself as a feature, but let there be mutual trust and trade by mutual profit. Do not let ill or dishonesty proceed out of your property and then say that it is a good deed: this is lowly: this is God's command in order that you may be successful. (Surah 8:179)

One of the verses says: “And give full measure when you measure, and weigh a just balance. That is better and fairest in the sight of Allah.” (Surah 2:29)

The Prophet (peace be upon him) also said: “The truthful means is rewarded by being trusted” on the Day of Resurrection with prophets, patriarchs, kings, masters and pious people.” (Tirmidhi, No. 1345)

The Holy Prophet said: “Traders are worthy people”. The Companion asked: “O Messenger of Allah” have you permitted business? The Messenger replied: “Of course He has allowed trading, though (i.e. the matter) will remain as you Allah-will permit, they will not speak ill of you.” (Ahmad, No. 1460). The Prophet (peace be upon him) approved Aisha’s action when Mu’awiyah’s money was taken from her. Allah’s money be on him who is lawful in his buying, selling, and in demanding back his money (vi a生产力, Behe, No. 246).

The Prophet (peace be upon him) also reported to have said: “A Muslim and His Messenger made illegal the trade of deceptions, legal, animals, pigs and chickens.” (Muhammad b. Isma’il, No. 2682).

The Prophet (peace be upon him) said: “A Muslim makes something unlawful, he makes it in your distribution” (Ibn Ishaq, No. 716). It is reported that once the prices of some products were up during the period of the Prophet (peace be upon him). The people said: “The Messenger of Allah! Have they gone up in the price of the things? The Messenger of the Muslims said: “Allah is the One Who gives prices, with His hands, given freely, and provides, and I hope that when is most Allah, some of you will have any difference in me for an injustice regarding price or property” (Tirmidhi, No. 225).

Now days, lot of business institutions, banks, insurance have established following those Quranic verses and Hadiths and has achieved enormous success with very good performance in this areas.

In South East Asia, Islamic Banks, Bangladesh Limited (IBB), the First Shariah based bank in Pakistan to receive banking, 2011, through associating the financial and non-financial performance, is poised to carry forward its initiative through the next wave of its journey and develop itself as a model for welfare banking around the globe.

Islami Bank Bangladesh Limited

MANGLAT INTERNATIONAL UNIVERSITY MIU

A Center of Academic Excellence

Islam gives highest importance in seeking knowledge. Some Quranic verses and Hadiths have given below supporting about this....

"Read in the name of your Rabb (Hereafter and Everlasting); Who created - man, out of a tool, then He is the most knowing the unseen of you. He has taught man the use of pen. He has taught man, that which he knew not. (Quran, 96:5-9)

"Verily! Not those men who know and those who do not know: it is those who are endowed with understanding that receive admonition." (Quran, 10:6)

"Do they not travel through the land, and see what has been the end of those before them? And their signs and their messengers! It is not the eyes that are blind, but the hearts which are blindly inclined." (Quran, 2:246)

"The greater wisdom is where the plow plows, and the less where wisdom is grounded indeed in a wondrous fashion; but some will grasp the Message but some of understanding." (Qur'an: 2:259)

"O my people! Be not arrogant because of the grace bestowed on you and keener than the people with knowledge." (Qur'an: 20:123)

"Allah’s Messenger (shall Allah bless him and grant him peace) said: ‘Seeking of knowledge is incumbent upon every Muslim.”’ (Saheeh Muslim, Hadith 2796)

"The Prophet (peace be upon him) said: ‘If a Muslim wants to do a good to a person, he makes him understand the religion and of course knowledge is attained by learning.” (Muslim, No. 884)

‘...He who reads the path is in search of knowledge, Allah will make that path easy leading to Paradise for him. And those persons who will not be in one of the houses of Allah ( mosques), to the book of Allah and will not read the Quran (learning themselves), they will be separated upon their humanity, mercy will never cover them. The angels will surround them and Allah will mention them in the presence of those same angels. He who is slow going in doing good deeds, nor doth he know them go ahead.” (Mawariful Haq)

Prophet (peace be upon him) said: ‘We used to send a boy after the打了 prayer. ‘O Allah, teach us for the benefit of knowledge, acceptable action, and good manners.” (Tirmidhi, No. 934, and Ibn Mada’i)

‘It must be asked concerning five things on the day of resurrection concerning his life, how he spent it, concerning his work, how he grew old, concerning his wealth, whether he acquired it and in what way he spent it, and what was he that he did with the knowledge that he had.” (Tirmidhi, No. 1395)

Abdullah bin Umar (radiAllah anhu) reported that Allah’s Messenger (shall Allah bless him and grant him peace) said: ‘Acquiring knowledge is called for an hour in the night is better than spending the whole night in prayer” (Tirmidhi, No. 936).
# Vol 2, No.2 (Special Issue), 2014

## Table of Contents

### Articles

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Authors</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.</td>
<td>Islamic Management and its Present Applications in Islamic Organizations in Bangladesh</td>
<td>Dr. M. Ataur Rahman, Md. Golam Mohiuddin</td>
<td>01-11</td>
</tr>
<tr>
<td>02.</td>
<td>Entrepreneurship: A Culture Embedded in the Religion of Islam Service</td>
<td>Taskina Binta Mahmud, Sayema Hoque</td>
<td>12-26</td>
</tr>
<tr>
<td>03.</td>
<td>Omens and their Impacts in Bangladesh: Remedy from an Islamic Management Perspective</td>
<td>Md. Mokhter Ahmad, Md. Mahabub Alom</td>
<td>27-48</td>
</tr>
<tr>
<td>04.</td>
<td>An Islamic View of Human Development: Special Reference to Abdul Rahman Ibn Khaldun</td>
<td>Salah ben Tahar Machouche, Benaouda Bensaid</td>
<td>49-64</td>
</tr>
<tr>
<td>05.</td>
<td>The Level of Consumers’ Awareness and Perceptions in Consumption of Halal Certified Products</td>
<td>Prof. Dr. Ekrem Erdem, Prof. Dr. İnci Varinli, M. Emin Yıldız</td>
<td>65-75</td>
</tr>
<tr>
<td>06.</td>
<td>Professional Ethics Under Islamic Perspective: A Study on Islamic Banks Operating in Bangladesh</td>
<td>Mohammad Zahid Hossain Bhuiyan, Showkat Imran, Nazneen Fatema</td>
<td>76-88</td>
</tr>
<tr>
<td>07.</td>
<td>Hybrid Contract in Islamic Banking and Finance: A Proposed Shariah Principles and Parameters for Product Development</td>
<td>Muhammad Iman Sastra Mihajat</td>
<td>89-99</td>
</tr>
<tr>
<td>08.</td>
<td>An Insightful Assessment on Customer Satisfaction from Contemporary and Islamic Perspective</td>
<td>Khatijah Othman</td>
<td>100-112</td>
</tr>
<tr>
<td>09.</td>
<td>Micro Financing Products and Business Model of Islamic Micro Finance Institution (Imfis) in Indonesia: Lessons from Baitul Maal Muamalat (BMM)</td>
<td>Euis Amalia, Muhammad Iman Sastra Mihajat</td>
<td>113-123</td>
</tr>
<tr>
<td>10.</td>
<td>Are Islamic Finance Products and Services Islamic: A Perceptual Analysis from Malaysia and United Arab Emirates</td>
<td>Dr. Fayaz Ahmad Lone</td>
<td>124-136</td>
</tr>
<tr>
<td>11.</td>
<td>Determinants of Liquidity Risk in Islamic Banks: A Panel Study</td>
<td>Khoutem Ben Jedida, Hichem Hamza</td>
<td>137-146</td>
</tr>
<tr>
<td>12.</td>
<td>Micro Finance with Regard to Beneficiaries Perspective in Conventional and Islamic Paradigm with the Effect of Riba (interest): A Case Study on a Particular area of Bangladesh</td>
<td>Kazi Farzana Shumi, Afroza Bulbul</td>
<td>147-156</td>
</tr>
</tbody>
</table>
There are different business, banking, finance and management philosophies and principles established by the respective specialists in different ages. The classification of management and styles of businesses are overlapping and homogenous with slight differences. It is observed that the variation of management and business styles arise due to differences in the types of organization, national culture, personality of the managers and business environment. Although it has been inherent in all human endeavors throughout history, its significance surfaced only fairly recently when task and activities in all aspects of production, resource allocation, distribution and marketing increased in complexity and sophistication. Throughout history various school of management have succeeded one another in attracting the attention of the world’s management readers. In this journal, we will try to shed some light on a relatively obscure management and business school that far outperformed more than its contemporaries, and left indelible marks on the minds of innumerable researchers, leaders, businessmen, students, researchers and managers that followed. The success of early Muslims was achieved so rapidly yet many of consequences are lasting until today. This historically unique success induced Michale Hert to consider Prophet Muhammad (SAW) as the best influential man in human history.

Some readers might ask what Islamic management means and what distinguishes this perspective from what is found in current management literature. Is there a deficiency in current management principles and what further knowledge can be offered by trying to study Islamic management? In essence, the distinction of the Islamic perspective is that, unlike the common concepts of management, it encompasses the dimensions of belief in Allah in the hereafter. These added dimensions have innumerable ramifications on the actions and interaction of individuals, organizations and societies.

This journal is based on the belief that the teaching of Islam provides perfect guidelines and instruction for the success of mankind especially for the Muslim Manager, Businessmen and other practitioners. In other words, the teaching of Islam represents a perfect plan that, if implemented, will certainly lead to success in this world and in the hereafter. Considering the teaching of Islam as a plan, we have attempted to deduce some distinctive managerial, business and banking-finance lessons from them. This means that we have attempted to derive some specialized concepts and guides from the way the Islamic teachings are structured and integrated. The major source of management knowledge is the direct teachings of Islam which are included in the Quran and in the tradition of Prophet Muhammad (SAW). Other sources of knowledge include the leadership style of Prophet Muhammad (SAW) and his successors, the writings of Muslim as well as non-Muslim scholars who, through their intellectual and field work, have been able to understand a lot of governing rules of a human behavior that Allah (SWT) asked us to study and reflect upon. Alhamdulillah, whenever I was awarded Ph.D degree on Islamic Management (and Its Present Applications in Bangladesh) first time I felt strong encouragement to produce something regular basis on the mentioned discipline. In this regard I am grateful to Professor Dr Musharaf Hossain, my honorable supervisor, Professor Dr M. Ataur Rahman, Chairman of Management Studies Department, Dhaka University, Prof. Dr Khaliq Ahmed, Dean, Faculty of Economics and Management Sciences, Professor Dr. Abu Bakr Rafique, Vice Chancellor, International Islamic University, Chittagong, Bangladesh, Professor Dr Abu Bakar Hamid, Former Head, Marketing Department, University Technology Malaysia and Professor A.J. M. Nuruddin Chowdury, Former Vice chancellor, Chittagong University, Bangladesh.

In fine we are grateful to IISTE and its Chief Editor, Dr. Alexander Decker for his generous conception about Islam and patiently support to our initiatives.

**Guest Editor:** Dr. Md Golam Mohiuddin, Executive Director: Center for Research on Islamic Management and Business, (CRIMB), Permanent Staff: Department of Management, Islamic University, Kushtia, Bangladesh. Former Staff: Faculty of Management and Human Resource Development, University Technology Malaysia, (UTM), Johor Bahru, Malaysia.

**E-mail:** islamicmanagement2010@gmail.com, ejbmspecialissue@gmail.com, 01856644994, 01778835511
Islamic Management and its Present Applications in Islamic Organizations in Bangladesh

Dr M. Ataur Rahman
Professor and Chairman
Department of Management
University of Dhaka
Cell Phone no. +88-01712219716
ataur5585@yahoo.com

&

Dr. Md. Golam Mohiuddin
Associate Professor
Department of Management
Islamic University
Kushtia, Bangladesh.

Islamic Management and Its Present Applications in Islamic Organizations in Bangladesh

Abstract:
As Islamic Economics and Islamic Banking concepts are established practically, now it is our obligation to establish Islamic Management as a distinct concept. In this article an attempt has been taken to define Islamic Management, to identify its special features and principles, and to prove the distinctness of its entity. But it is a fact that traditional authors ignore the great contributions of Islam towards management. But it is Islam, where managerial appeals were coming from the very beginning of civilization the messengers of Allah (SWT) and it culminated in the last prophet Muhammad (SAW). Due to lack of research and deviation from Islam the golden history of the Muslims is dominated day by day by secular and materialistic managerial concepts. Unfortunately many conventional managerial concepts remain unsuitable to the organizations of Muslim society. Consequently Islamic Organizations, from family to national level, cannot show productive role in comparison to conventional organizations. In these circumstances, it has been proposed in the present study to practice management based on Islamic values, adopting the exemplary leadership role, human resource management and development strategy proposed by Islam and application of motivational techniques according to divine teachings. Lastly the constraints and possible remedial measures of Islamic Management have been pointed out.

A) Introduction and Definition of Islamic Management
To speak about Islamic management it can be rightly expressed that there is no terminology or Sura named as management in the Holy Quran or Hadith. But the word like ‘direction’, ‘control’ etc have been used in the Holy Quran and Hadith in many cases. Moreover Hazrat Mohammad (SAW) was not only the best prophet but also an ideal leader and ruler. Being the chief of Islamic state of Madina he had to enrol as chief executive of the state. Following the principles of Hazrat (SAW), the Caliphs ruled half of the then world for a long time. Later, other Muslim rulers demonstrated how to implement the principles of Islam in different regions of the world derived from the Holy Quran, the managerial practices of the prophet and the Caliphs. Their integrity, efficiency, righteousness, accountability and Tawakkul and general welfare of human beings established management as a distinct concept in Islam. From their established idea we can define Islamic Management as follows-

Islamic management means conducting activities depending upon the guidance of Allah (SWT) and following His prophet (SAW) with an accountable mentality, integrity and skill to achieve a predetermined objective (Mohiuddin, 2004).
Generally, management is the technique of getting things done through the efforts of others. When this technique is applied following Islamic principles, it is termed as Islamic management. To say the truth, with the very touch of Islam, management attained a complete shape. In the holy Qur’an and Hadith, we find a detailed indication about the type of management to be followed in solving various individual, familial, social, national and international problems.

To relate management with the history of human civilization, we have to tell about the prophets who appeared to guide the people to righteousness. All the prophets from Hazrat Adam (AS) to Hazrat Muhammad (SAW) were leaders in spreading the message of Islam. Many of them were successful executives and leaders. They were successful managers by proper evaluation. Many principles of management came from Allah (SWT) through all the prophets with the culmination achieved by the best Prophet Muhammad (SAW).

The lifestyle of the Muslim is defined by Allah (SWT) and His prophet Muhammad (SAW) in Islam. It is well recognized that Islam is the complete code of life. Since Islam clearly defines life style, it contains clearly defined directions, rules and regulations regarding the duties and responsibilities in personal, collective and social life of its followers. It deals with all aspects of human life. Management is a vital factor for the success of any organization and for any country from both micro and macro point of view. It is defined as achieving the organizational objectives and goals through group efforts of the organizational members. Islam also defines ‘Management’ from its paradigm. Islamic Management is that management whose idealism, objective, aim, method of activities and results are determined according to Islamic ‘aqidah’ and ‘shariah’. That is, management that follows the rules and regulations of Islam to achieve the organizational objectives through group efforts to the organizational members. The basic theme, philosophy and directions of this Islamic management are defined in the Quran and Sunnah (Alam, 2006).

B) Objectives of the Study
The main objective of the study is to generate an idea on Islamic Management, and the specific objectives are:

a) To define Islamic Management;
b) Show the salient features of Islamic Management;
c) To present the present applications of Islamic Management;
d) Constraints and possible remedial measures of Islamic Management.

C) Methodology of the Study
The study is leased on both secondary and primary data. For secondary data several library of the Muslim World, different officials, private records, published and unpublished materials, journals, research report and seminar papers etc. have been used. For primary data different Islamic organizations of Bangladesh like Islamic banks, Islamic NGOs, Mosques, Islamic Foundation and Islamic investment and insurance companies have been chosen. Questionnaire have been developed carefully and pre-tested before its final acceptance.

D) Limitations of the Study
The study is not assumed free from limitations. Although adequate precautionary measures have been taken in collecting data from the present study, it is supposed to be complacent in the matter of reliability of those data. The main three limitations are discussed below:

1. Due to the lack of time and resources only different four types of Islamic organizations of Bangladesh have been selected, though it is essential to include other Islamic organizations of home and abroad.
2. Scarce of adequate literature is a serious drawback to proceed with the study.
3. Lack of whole-hearted cooperation of respondents is another limitation.

E) Some Characteristics of Islamic Management
Every concept has its own distinct features. As such Islamic Management has some special features or characteristics. Important ones are mentioned below:

a. The Islamic Shari’yah, i.e. the holy Qur’an and the Sunnah are the basis of Islamic Management;
b. The original model of Islamic Management is the Prophet Hazrat Mohammad (SAW) and his true associates and followers;
c. Its target is not only to gain economic development but also social harmony, material well-being and spiritual refinement, i.e. fulfilling Haqqullah, and that of Haqqulebad;
d. The aims and its objectives is not only achieving the well-being of this temporal worldly life but also the welfare of the Hereafter life;
e. Its procedure is guided by the exemplary leadership(Ismail,1999);
f. It ensures team spirit and cordial relationship among the members of the organization and the manager and employees(Al Quran49:29,61:4);
g. It reminds all concerned that every one, whatever is his status or position, is simultaneously accountable to his immediate boss and to the Almighty Allah;
h. Here the manager considers himself as a vicegerent of Allah;
i. Here property is thought to be trusted by Allah to the trustees, i.e. shareholders and managers;
j. Here decisions are made through consultation (Mashwara);
k. Here the managers do not have such greed to grasp the post;
l. It is a universal concept and applicable to personal, familial, social, organizational and even at the state level;
m. Here activities adverse to religion, morality and integrity such as hypocrisy, fraud-forgery etc. are not tolerated;
n. It ensures such an environment that is conducive to harmony, peace, growth and development, and other benefits as well;
o. Here everyone enjoys justice (in terms of wage, reward and punishment) and freedom of expression;
p. Here competition is a common strategy for encouraging and promoting good deeds;
q. Here emphasis is given on the great objective of the Islamic Shari’yah; and
r. It is an auto-management system. Here driving-force is submission to Allah as master and following His order in every sphere of life.

F) Philosophy of Islamic Management
The basic philosophy of Islam lies in man’s relationship with Allah, His universe and His people, i.e. other human beings, and the nature and purpose of man’s life on earth. Man-Allah relationship is defined by Tawhid. The essence of Tawhid is a total commitment to the will of Allah, i.e. submission to the will of Allah and conducting life in accordance with the guidance of Allah. The will of Allah constitutes the source of value and becomes the end of human behavior. Life on the earth is a test and its purpose is to prove successfulness in the test by accomplishing and assigned duties and responsibilities in accordance with the will of Allah. The entire universe with all natural resources and power is made amenable for exploitation by man, though it is owned by Allah, Allah alone. Life on earth being a test and all the provisions available to man being a trust, man is accountable to Allah and his success in the life depends on his performance in this life on earth. This adds a new dimension to the valuation of things and deeds in this life.

With every human being sharing the same relationship with Allah and His universe, a definite relationship between man and man is also prescribed. This is a relationship of brotherhood and equality. “Tawhid is a coin with two faces: one implies that Allah is the Creator and the other implies that men are equal partners or that each man is brother to each other (Safiullah, 2005).

G) The above philosophy provides people the following directives:
• To satisfy Almighty Allah.
• To create a most congenial atmosphere in the society.
• To nourish and develop friendship and humanity in the society.
• To create a better living place and develop a peaceful life in the society.
• To lead an esteemed life in the society, and so on.

H) Ignorance about the History of Islamic Management
It is evident that traditional authors of management have not mentioned any contribution of Islam in management. The contributions of Islam in different aspects of management can never be over emphasized.
According to the Holy Qur’an, Holy Prophet (SAW) and companions (RA) faced lot of problems in managing the Islamic state and they solved those problems by introducing divine principles and guidance given by Allah (SWT). Prophet Muhammad’s (SAW) contributions and the contributions of four caliphs were great to the development of management. Then management was applied in attaining the objectives of family life, society, national and international organizations.

If simply the administration of Muhammad (SAW) and his four caliphs is discussed elaborately, it would be easy to find out how exactly and properly they could manage entire Muslim community. All aspects from planning to controlling were nicely taught to the people of the world by them. In this regard ‘Management by Shura,’ Hikmat (strategy), exemplary leadership style, appropriate financial administration, harmonious relationship and others can be mentioned. But it is observed from different literature of management of different authors that these important issues of management have not been mentioned in their literature. It may be due to two reasons: Firstly, it might be that they would not know about the contributions of Islam in management at all. Secondly, it can be rightly assumed that they intentionally ignored the great contribution of Islam in management (Mohiuddin, 2004).

I) Present Applications of Islamic Management in Islamic Organizations in Bangladesh

There are so many Islamic Organizations in the 2nd largest Muslim country-- Bangladesh. These Islamic organizations have been playing important role in socio-economic, cultural and political development in the country. A study has already been conducted on Islamic Foundation, Islami Banks, Mosques and Islamic NGOs working in Bangladesh. Among the governmental organizations, Islamic Foundation is working with different programmes in Bangladesh. Among the financial institutions Islami Bank Bangladesh Limited is on the top list by its efficiency and services. Here is presented brief pictures of managerial problems of mentioned Islamic organizations and probable solutions in the context of Bangladesh. Theses cases are the common reflections of the Islamic organizations of third world mixed economy based Muslim countries (Mohiuddin, 2004).

Islami Bank

An Islami bank is a financial institution that operates with the objective to implement and materialize the economic and financial principles of Islam in the banking arena. In banking sector Islami banks have attained a good success in Bangladesh. There are six Shariah based banks and other twelve conventional banks have opened Islamic counters. Though these banks could not organize their all activities according to the principles and rules of Islamic Management. It is observed from the study that banks authorities are trying heart and soul to establish all affairs of these banks according to the principles of Islamic Management. Following are the managerial and execution problems of Islami banks of Bangladesh (IBBL, 2009):

1. Lack of efficient, religious, trained manpower.
2. In Bangladesh there is no separate banking law for Islami Bank.
3. Though several Islami Banks have been established in the mean time, but no Islamic money market has grown till today.
4. Islami Banks have built up their own Shariah Council but there is no Shariah Supervisory Board in Bangladesh Bank.
5. There is no financial instrument approved by Shariah for the money market of Bangladesh.
6. Different types of complexity and problems are found in buying & selling of shares.
7. Lack of adequate instruments in international banking.
9. Due to the lack of branch network in entire Bangladesh the activities of Islami Banks are urban-centered.
10. Existing laws, trade and industrial policy, income tax policy and education system are not in favor of Islamic Banking System. As a result Islami Bank cannot maintain properly Musharaka, Mudaraba investment systems as per Shariah Board decision.
11. Islami Bank cannot attract the non-Muslim clients- to a great extend.

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
Recommendations

It is observed from this study that banks authority (top level management) is trying heart and soul to establish all affairs of the bank according to the principles of Islamic management. Some suggestions can be forwarded to its further growth and development:

1. Present Shariah Supervisory Boards should be more careful to check all the activities of the Islami banks so that no unIslamic practices can bring any destruction to its proper growth.
2. Management of the bank should immediately take steps so that the activities of bank can be spreaded in rural areas of Bangladesh too.
3. The primary objective of these Islami Banks should be directed towards rendering best services to the clients by investing more investment in ‘Mudaraba’ and ‘Musharaka’ basis.
4. All Islami Banks working in Bangladesh and out side Bangladesh may create instrumental Islamic money market for their own interest.
5. All the employees of the bank should try to create personal relationship and follow the dynamic leadership of Islam for their own benefit and for the growth of real Islamic society in Bangladesh.

Islamic NGOs

There are twenty one registered Islamic NGO’s in Bangladesh. Their total investment is near about two hundred fifty crore taka. The ratio between the investment of Islamic NGO’s and conventional NGO’s is 1:1300. From the above ratio we can easily understand about the small size of Islamic NGO’s. Moreover they have a lot of 

managerial and other problems. These are as follows(NGO affairs bureau, 2009):

1. Managerial inefficiency is a great problem in Islamic NGOs in Bangladesh;
2. Local officers are dissatisfied due to the presence of all foreigners in the higher position of NGOs;
3. Management by Shura is absent in these organizations and there is a lack of real Islamic knowledge among the high officials;
4. Absence of training, financial constraints and lack of dynamic leadership create problems in execution of programmes & projects of Islamic NGOs in Bangladesh.

Recommendations

Just to expand their activities and to run these Islamic organizations effectively the following suggestions are recommended on the basis of the theoretical and field study:

1. It has been observed that the quality of services of Islamic NGOs is to be developed. This can be done by the development of managerial efficiency of the executives. The high officials must work as dynamic leader with full job satisfaction.
2. The high officials must have the capability to manage the organizations having complete sense of Islamic rules and regulations.
3. All decisions of the organizations must be taken following the Shuratic(Masawara) management system.
4. Fund of Islamic NGOs both foreign and Bangladeshi is to be increased for taking intensive long term programmes and schemes for development of Islamic activities in different spheres of life for socio-economic growth of the country.

Islamic Foundation

The Islamic foundation Bangladesh has been created with a vision to preach and propagate the values and ideals of Islam as the complete code of life acceptable to the Almighty Allah (SWT) as religion of humanity, tolerance and universal brotherhood and to bring the majority people of Bangladesh under the banner of Islam.

By personal interview with the executives and staffs of Islamic Foundation it is learnt that Islamic Foundation has to face the following problems (Islami Foundation, 2009):

1. Lack of proper linkage and co-ordination among the staffs and officers.
2. Lack of generating team spirit.
3. Shuratic management is not practised in taking decision.
4. Officials of Religious Ministry do not show proper problem solving attitude.
5. Top level officials and staffs are sometimes found to participate in political activities. It hampers in smooth running of the activities of Islamic Foundation.
6. Financial constraint is a great problem.
7. Constant change of high officials like Director General of Islamic Foundation is a great problem.

**Recommendations**

Islamic Foundation is financed and controlled by the ministry of religious affairs for the spread of Islamic activities in all over Bangladesh. It is observed from the study that there are a good number of high-ranking officials working in this organization. It is also observed that there is absence of brotherhood, tolerance, self-dedication and Islamic belief among the large number of officials. Conflict of interest is also prevailing in some places of the organization. Proper training for the development of Islamic sense among the officials should be arranged. Exemplary Islamic leadership should be developed for execution of projects, programmes of this organization. Shuratic (Maswara) decision making can give better result for the execution of various projects and programmes of the organization. Government should come forward with more financial assistance for this purpose.

**Mosque**

The mosque is not only a place of worship; it is recognized as the central place of social, political and religious activities of Islam (Hassan, 1993). The mosque is the place where Islamic tradition is cultured. Unfortunately, now a day the mosque is used as the place for prayer only. But during the lifetime of Prophet (SAW) mosque was the center of driving force of all Islamic activities. If the mosque management is proper in an area, its positive effects must be felt in the surrounding locality. The Imams, the Muazzins and the Khadems occupy important positions in the Muslim community. Muslims have to make mosques for performing five times Salat, Jumma prayer and for other religious activities. In mosques other religious activities, social, even political activities would be performed during the incipient period of Islam.

The following **managerial problems** are found in mosque management in Bangladesh:
1. Lack of adequate training facilities for Imams and other staffs of mosques;
2. There are no provisions of regular meeting in mosques;
3. Tyranny of the Motowaylees is a serious drawback of mosque’s management;
4. Lack of initiative of proper utilization of mosque’s properties;
5. There is no audit system in most of the mosques of Bangladesh and
6. Absence of proper planning and dynamic leadership.

**Recommendations**

The mosque is the most sacred religious place of Muslim. There are 1,91,620 mosques in Bangladesh, the second largest Muslim country of the world. To make Bangladesh a welfare state the social activities should be largely mosque-centered. Unfortunately here mosques fail to play proper role owing to their mismanagement. To bring dynamism in mosque management and to practise Islamic management, the following recommendations are advocated (Mohiuddin, 2004):
1. Steps should be taken to buildup competent Imams for all the mosques of the country.
2. A committee of responsible persons of the area should run mosque.
3. To reduce the tyranny of Motowallies initiative of local devotees and specific policy of government are needed.
4. The number of programmes should be increased where it is necessary.
5. Monthly meeting of the managing committee is to be held regularly.
6. Every step of mosque management should be as per plan.
7. The accounts of the mosques should be kept properly and audit should be conducted on regular basis.
8. Chairman should be selected considering their ability to manage the mosque.
9. The Wakf-estate of the government should come forward to take proper step so that the properties of the mosques are not misused.
10. Proper training should be provided to the Imams so that they can efficiently manage the activities of the mosques.

11. Honorarium should be increased for Imams and Moazzins so that they can get satisfaction and work wholeheartedly for the development of mosques.

12. To spread the influence of the personality of the Imams on the society they should be made involved in social works.

13. Presence of Shuratic(Masawara) management in the mosques can help to solve the lot of problems of the mosques.

14. Various village development programmes of the government, NGO's should be executed through the mosque-management committees. It will ensure proper utilization of funds of the government for socio-economic development of the country. In this regard health and sanitation programme can be effectively organized.

Common Problems and Probable Solutions for Applications of Islamic Management in Muslim Countries

The progress of Islamic Management concept is too young to present its appeals to management experts. The above-mentioned problems and recommendations are relevant in some particular issues in Bangladesh. But there are some common reasons in most of the Muslim countries which are considered as the constraints of practicing Islamic Management in Islamic organizations. These are as follows (Alam,2006):

1. Absence of Islamic Environment in Muslim Countries:
   Islamic environment and culture are totally absent in most of the Muslim countries. Most of the political parties of these countries are based on secular philosophy and some are totally against the implementation of Islamic Management and business in our life. They take Islamic action as "Fundamentalism". These secular political parties are mostly involved in terrorism, cheating and other illegal deeds. From them corruption spread out throughout the country and thus Islamic environment cannot be set in.

2. Lack of knowledge in Islamic literature and Islamic Management:
   A Hadith said – "Acquiring knowledge is 'Fard' for every Muslim man and women(Bukhari)." But it is fact that the people of the most of Muslim countries are illiterate and few of them have knowledge on the holy Quran and Sunnah. There are a few mosque based the holy Quran teaching system. In the Madrasha, a small portion of the students are studying. Therefore students from their childhood remain unaware of Islamic Management.

3. Effects and Influences of Western Education and Culture:
   The influence of British and Western education and culture is obvious in Muslim countries. In fact these education systems and culture make people compel to remain ignored about Islam and Islamic Management from the very childhood to entire life. There is no teaching system regarding Islamic Management in the schools, colleges and universities. Due to globalization, western satellite channels are telecasted all over the Muslim world. These become vital for infecting foreign culture rather than Islamic & Muslim culture. Therefore, for this influence of foreign culture and education system, people of the Muslim countries are losing Islamic zeal.

4. Lack of Media Service for Islamic Management:
   The roles of media to circulate Islamic Management has not been properly approached. Though there are some magazines and newspapers that write on the issues of Islamic Management, most of the others only focus secular management. The satellite channels, radio and other media are captured by secular culture and do not perform any service to propagate Islamic Management.

5. Lack of Investment, Research and Studies for Islamic Management:
   To implement Islamic Management in Muslim countries, it is required to make a fair investment to develop research centers, which will do research and study on Islamic Management. But practically a few numbers of Islamic Management research centers are there in Muslim countries.

6. Lack of True Practicing Muslim:
   Many Muslims in present world do not care of following the Quran and performing ‘Sunnah’. They are not interested to follow Hazrat Muhammad (SAW) and to take lessons from the lives of Muslim Caliphs. Muslims are to live in the corrupted society and many of them are only 'Muslim by name', not by their
deeds. Thus there is a huge lack of Muttaqi and true practicing Muslim, which is a great barrier to implement Islamic Management in the Islamic organizations of Muslim countries.

7. Effects of Globalization:
Due to globalization, foreign products, education, lifestyle, culture etc. are entering into the country without any restriction. The satellite channels are telecasting the naked and inelegant programs, which are totally against Islamic norms and values. These programs capture the young generation and induce them to practice un-Islamic lifestyle. Therefore, the effect of globalization becomes a factor of not implementing Islamic Management in Islamic organizations of Muslim countries.

8. Affects of NGO’s UnIslamic Preaching:
Unfortunately most of the Muslim country is economically poor. In that respect non-Muslims are coming to extend their helping hand by different NGOs. But most of them are working at anti-Islamic motto and philosophies. They are driving our people towards western materialistic management & culture.

9. Environmental bottlenecks:
Although the environment of most of the Muslim countries are not Islamic friendly, still there are many devoted and virtuous people who wish to employ Islamic Management in these countries, though they are very few comparing to the total population. There are some environmental bottlenecks, which discourage them to implement and practice Islamic Management in Islamic organizations. There are follows:
   a) Social Bottlenecks:
   Since true Muslims are few in numbers, there is no brotherhood and fraternity in the society. People now lack in patience and are very much self-oriented. Due to un-Islamic education, culture, the entire society is now derailed from the right path of Islam. Therefore society devoid of Islamic spirit and culture, Islamic Management cannot be implemented.
   b) Political Bottlenecks:
The most of the big political parties in Muslim countries are secular, self-interested than serving public interest. They frequently adopt un-Islamic means to enrich themselves or satisfying west. Thus due to this political bottleneck, the path of implementation of Islamic Management is obstructed.
   c) Economic Bottlenecks:
At present most of the Muslim countries do not follow Islamic economy. The major bottlenecks of un-Islamic economy are:
   - Discrimination in the distribution of wealth;
   - Lack of adequate production;
   - Misuse, corruption and spreading out of black money;
   - Lack of international trading;
   - Unemployment;
   - Presence of interest;
   - Smuggling business;
   - Business of cheating.

Due to all these bottlenecks, Islamic Management is almost found to be absent in most of the Muslim countries.

Recommendations
To explore any idea, continuous research is essential. The progress of Islamic Management concept is too young to present its appeal to management experts. But in the mean time it seems as a growing concept to management scholars. The following recommendations may be considered for the successful applications of Islamic Management in Islamic organizations in most of the Muslim countries where administration system, academic curriculums and culture are not fully Islamic(Alam, 2006):

1. Islamization of Knowledge and Education:
   Since, acquiring knowledge is mandatory for every Muslims, there should be a thorough Islamization of knowledge. The knowledge on Islamic Management can be circulated by the Imams of the mosque, seminars, meetings, and discussions and also by educational institutions. So, the education ministry should take steps to Islamize education system.
2. Educating Islamic Management in Institution:
In every institution, either educations or business, Islamic Management should be included in the syllabus. They should be encouraged to accept those portions of secular management that are accepted in Islam and discouraged un-Islamic parts of dissemination of knowledge in this direction.

3. Balancing with Globalization:
Globalization is such an issue that cannot be prohibited. In that case, the Muslims should be encouraged to accept only those that are supported by Islam, so that they can be in the frontier in globalization.

4. Establishment of Islamic Management Research Center:
The govt. should invest to establish Islamic Management & business research centers. The center should do research and development of Islamic Management issues and seeks for solutions. The Islamic Management center should circulate Islamic Management by arranging seminars, training etc.

5. Reformation of the Govt.:
The govt. should follow the Islamic Management ethics to administer the country and should be free from corruption. It should establish local govt. or authority to root our corruption from each and every sector of life.

6. Creating Public Consciousness:
Public consciousness should be created by arranging seminars, meetings, and discussions and by the approach of media.

7. Communicating Islamic Management Through Media:
The media (TV, newspaper, magazine, radio etc.) can be approached to communicate the benefits of Islamic Management to the common people of Muslim countries.

8. Shariah Based Administration:
The policy makers and govt. should take steps to follow the rules and regulations of ‘Shariah’ in the administration, judgment, economy, society etc.

9. Putting Restriction on NGOs:
NGOs are the mostly responsible for creating poverty by introducing interest on micro credit, which in turn makes our economy lame. The govt. should put restrictions on the NGOs regarding their un-Islamic preaching and should take account of there each and every activities and funds.

Other Important Issues of Islamic Management
i) Leadership in Islamic Management
Leadership method in Islamic management is affected by theoretical basics specially anthropology. In this part, the most important basics are briefly studied which means anthropology in leadership and it is avoided to discuss other issues like ontology, epistemology and axiology.

ii) Islam and Human Resource Management
The application of Islamic principles to the world of work is not standard and the country of origin has a significant effect on their implementation. The cultural milieu of each country in which Islam is incorporated and interpreted makes for significant variations, so much so that, in some instances, national management practices actually conflict with the teachings of Islam. This was demonstrated earlier in the context of Bangladesh management where authoritarianism and nepotism are common features. These non-Islamic practices hark back to the ancient tribal systems of Bangladesh culture where leadership was unquestioned and family and kinship were paramount factors. In countries where Islam exists alongside other religions and philosophic systems, Islamic principles are interwoven with others, as in the case of Malaysia, where it is combined with Confucian principles, and former colonies of European powers, where Islam exists alongside other legal and cultural systems. These combinations of cultural legacies and Islamic teaching need to be understood by MNCs operating in Muslim countries and will obviously affect their HRM systems and practices.

Ali (1998:13) argued that in the Arab world multination corporations (MNCs) should identify those areas most likely to cause friction and misunderstandings (e.g. religious or political issues), a view supported by Robertson
et al (2002). It seems desirable, therefore, that MNC executives should possess the interpersonal skills necessary to modify their management style and behavior; and to appreciate differences between themselves and the locals. This is especially important in the case of Bangladesh values (e.g. centrality of religious beliefs, respect for the elderly, privacy of family affairs) and the possession of networking skills, as personal interaction plays a significant role in Bangladesh society.

The current lack of economic progress in Bangladesh countries and the difficulties that may be encountered by foreign investors in Bangladesh countries may be because of not implementing Islamic management principles and depending heavily on Western management thought, the ability to integrate this with local ways of working will be made much more difficult because the means of building integration are absent. We suggest that the development of management systems that are based on Islamic management principles would be more appropriate and that reverse diffusion of management knowledge and skills would more fully inform management practices in MNCs, as well as in local enterprises and this might lead to faster economic development in the countries concerned. It should be noted that the Japanese developed their economy by adopting Western management practices to their cultural norms and values. The same can be said about the Chinese and the South Koreans ‘why not the Bangladesh?. This paper calls upon Bangladesh managers and international investors’ managers (expatriates) to learn and implement the principles of Islamic management while learning and adopting the theories and practices of Western management. It is possible to integrate the two sets of knowledge because they are more complementary than contradictory. There are fewer differences between Western management and Islamic principles than between the latter and the current management in Bangladesh. However this statement needs to be supported by empirical research.

iii) Islamic Investment and Insurance Company in Bangladesh
In Bangladesh, a good number Islamic investment and insurance companies are operating since 1980s. They are making plans and decisions keeping in mind the objectives of the organizations, they are organizing all resources and establishing logical relationship between various aspects, they are staffing manpower from internal sources only, they are coordinating the activities of all departments successfully and they are trying to motivate and written executives and employees as much as possible. These organizations are influencing their people for the achievement of goals upto the last and these they hardly entertain trade unions in their organizations. And last of all they are controlling the executive and employee activities satisfactorily. In performing all these management functions, they are following western management principles. Even most of they do not feel the need for adopting Islamic management principles

iv) Education and Training in Islam
Islam is easily understandable by the learned and educated people. For understanding Islam better, education and training play very significant role. For educating the youths sufficient number of education, learning, training and development intuitions have been established in both private and public sectors in Bangladesh. Except a few, most of these higher educational intuitions are offering secular programs. Thus our students hardly getting any practical knowledge of Islamic management. Rather our students are getting anti Islamic ideas and orientation in these respective areas of their studies. Hopefully mosques and madrashas only are playing pivotal roles for providing Islamic knowledge among the people. But a few ideas on Islamic management are not provided on the practical sides of Islamic management.

Conclusions
In traditional (present) system of management, the activities of employees of the members of the organizations can be organized, coordinated, motivated and controlled for the benefit of the organization itself, but there is no guarantee that these people will show their same nature of attitude in the society as well as in their family life. In maximum cases it is observed that the people managed under traditional system of management show different attitudes and behavior in the society and family life. But the people who were managed under the Islamic management during the period of prophet (SAW) and Khalapha-E-Rasheda proved their worthiness by showing the same nature of attitude and behavior both for the organization, firm, society and family. Because under Islamic management thousands of instructions, directions, rules procedures and policies have been recommended by Muhammad (SAW) through the Holy Quran and Hadith for the better management of organizations, society and family life. At present Muslims do not observe the rules and regulations of Islam and

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
for this reason there is a great fall in the achievement of result in management of organizations of Muslims (even mosques) of Bangladesh as well as the Muslim Ummah in the entire world.

Allah (SWT) said in the Quran,

*The believers! Enter into Islam completely and do not follow the steps of devil, because surely he is the open enemy of you (Al Quran 2:108).*

Allah (SWT) also said,

*Allah does not change the fate of any nation until the nation does not change itself(Al Quran 13:11).*

That’s why, the Muslims today are required to achieve halal, honesty, sincerity and to avoid haram and to root out corruption. These are all possible if Islamic Management is in operation in whole over the Muslim countries .It is true that there are lots of bottlenecks to implement Islamic Management, but if the mentioned suggested solutions can be applied, the expected Islamic environment can be launched. Thus we can anticipate that one day very soon, Muslim world will be practicing Islamic Management and Islamic business Inshallah and the Muslim will tastes the utmost benefits and flavors of Islamic Management.

**References:**

Entrepreneurship: A Culture Embedded in
The Religion of Islam

Taskina Binta Mahmud (Corresponding author)
Lecturer, Accounting
Department of Business Administration
International Islamic University Chittagong, Bangladesh
Tel:01711011377, Email: taskina_muslim@yahoo.com

&
Sayema Hoque
Lecturer, Accounting
Department of Business Administration
International Islamic University Chittagong, Bangladesh
Tel:01711011377, Email: sayemaiiuc@yahoo.com

Abstract:
Islam as a complete way of life has always given emphasis on business entrepreneurship. Islam encourages earning through permissible means. The strong foundation on which Islamic way of life is built up ensures social balance in all spheres of life. Business in Islam has the highest status as a method of earning livelihood. The early Muslim generation has proved that a Muslim can be a very successful entrepreneur if he/she practices Islam in its entirety. This study analyses the importance of entrepreneurship in Islam based on Quran and sunnah and by looking back to the past practice of renowned Muslims. The research nullifies the misconception that Islam is backdated and discourages innovation.

Keywords: Entrepreneurship, Islam, Business.

1. Introduction
Nowadays, Business and innovation are among widely discussed topics. Its reason can be found in the present state of economy of various Muslim and non-Muslim countries. Every economy is striving towards reduction of poverty and ensuring full employment, the expected outcome of which will be a prosperous economy. The real picture shows that no country has been able to solve all economic problems or achieve sustainable development. If we look at the so called developed countries we see social unrest, degradation of moral values and injustice prevailing there. If we look at most of the Muslim countries we see poverty and unemployment along with other social problem. The situation seems to be getting worse with globalization.

When ALLAH (SWT) sent human beings on the earth He also sent guidance. The main purpose set for them was to act as ALLAH’s khalipha on earth, worship ALLAH and establish His law. To make life and Ibadah easy, ALLAH made everything on the earth to serve humans. The Qur’an says “It was He who created all that is on earth for you” (Al-Qur’an, 2:29). He sent clear directions through prophets and equipped us with all necessary means of livelihood. It is mentioned in the Qur’an “And certainly we have established you in the earth and appointed thereon means of livelihood for you” (Al-Qur’an,7:10). Those who obey Him are called Muslims. Every action as per ALLAH’s guidance is Ibadah.

Today there is no country which follows the laws of Allah (shariah) completely. All manmade systems are destined to fail as humans are created beings. They are short sighted and it’s not possible for them to know completely what will benefit and what will harm. Allah is the knower of all things. As the Qur’an mentions “But perhaps you hate a thing and it is good for you; and perhaps you love a thing and it is bad for you. And Allah Knows, while you know not.” (Al-Qur’an, 2: 216).

Broadly there are two categories of Muslims- in the world- one group resists innovations and changes and the other group is so much engrossed with changes that people belonging to this group forget Allah and undermine His rules. This is due to lack of proper Islamic knowledge.
Muslims are directed not to be extremist but moderate (ummatan wasatan). Allah (SWT) mentioned in the Qur'an, “Thus, have We made of you an Ummah (Community) justly balanced (wasatan), so that you might bear witnesses to the truth over all mankind, and the Messenger might bear witness over yourselves…” (Al-Qur'an, 2: 143). These ideals of total balance and equilibrium are to be promulgated and practiced at each and every tier of Muslim existence – including the environment - without compromising on honesty, integrity and truth. (Omer n.d) Allah promised victory and leadership to those who follow His path. Allah (SWT) sent the complete solution 1400 years ago for peace and harmony. The guidance through the Qur'an and Sunnah was sent to a society afflicted with all kinds of social diseases which are observed today. The result was remarkable, all their problems were solved and they became innovative and constructive leaders on the earth. It’s time for Muslims to go back to guidance sent by Allah and to acquire proper knowledge to become entrepreneurial leaders once again.

2. Literature Review
Culture may be defined as a set of shared values, beliefs and norms of a group or community. The influence of culture on entrepreneurship was first emphasized by Max Weber at the beginning of this century. As Weber famously argued, Protestantism encouraged a culture that emphasized individualism, achievement motivation, entrepreneurial vocations, rationality, asceticism, and self-reliance (Weber, 1976 cited by Basu & Eser 2002). Culture is greatly influenced by religion since religion determines a person’s basic values and beliefs (Basu & Eser 2002).

Islam is more supportive towards innovation and entrepreneurship than any other religion. In a study Muslims were found to be 7.9 percent and Christians 2.9 percent more likely to be self-employed than Hindus. (Audretsch and Nancy 2009). A good understanding and correct implementation of principles and rules of Islam offer real possibilities of enhancing various types of businesses. Moreover, that can also be possible in a well-balanced way, i.e., making business profit and at the same time targeting spiritual rewards. Specifically, this practice of doing business could help Muslim entrepreneurs avoid deviations from generally agreed business ethics and spirituality, as based on the lastly sent Holy Scriptures (Oukil 2013). While the Western system employs material incentives to motivate individuals to undertake entrepreneurial activities, Islam mainly uses moral incentives without failing to account for the material stimulus (Kayed and M. Kabir 2010).

As a matter of fact, Entrepreneurship is a social duty in Islam. Ensuring essential supplies specially food, clothing and dwelling is a collective duty of Muslims (farde kifaya) otherwise it becomes individual duty(farde Ayn) on those who are capable of performing it. (Ibn Taymiah 1985). So it is essential for some individuals to be engaged in supplying essential goods and services by recognizing needs of the people i.e. applying entrepreneurial capabilities. Islamic law scholars from the Shafi`ite school, Imam Ahmad bin Hanbal, Abu Hamid al-Ghazali and Abu al-Farj Ibn al-Jawzi in chorus stated that entrepreneurial activities is a responsibility that must be performed social - wise. This is due to the fact that life will not prosper without committing this responsibility (‘Abd al-Halim, 1992 cited by Abdul Hamid and Che 2011).

Entrepreneurship is the pulse to social system and is not only an effort to gain profit through expanding capital or means to successful exchange of necessities. It is seen a form of social service in building the civilization and future of the society (Abdul Hamid and Che 2011). According to Amjad (2012), the existence of entrepreneurial culture in the society could encourage and support entrepreneurs to be more successful. This thus implies that, the existence of entrepreneurial culture in a particular area could potentially boost the aspiration of the entrepreneurs in achieving success in their activities (cited by Oukil 2013).

3. The Methodology of the study
This study was done through an extensive desk research. The primary sources of information are the Qur'an and Sunnah. The available literature related to entrepreneurship in Islam were collected from all possible sources which are mainly books and articles available online and those published in various issues of journals in International Islamic University Chittagong- a prominent educational institution committed to providing education with morality. Some renowned Islamic personalities who have knowledge about this topic were
consulted. Then different dimensions of Islamic entrepreneurship discussed in those articles were identified and finally an analysis of those findings was made.

4. Findings

4.1. Importance of Entrepreneurship in the Quran

Entrepreneurship is a source of livelihood and also a way of Ibadah. Allah has instructed man to earn his livelihood by utilizing the resources that are provided by him on this earth subject to guidance sent by Him. This will ensure success of the individual as well as the whole society in this world and the Akhirah (hereafter). Only an innovative and conscious person can utilize resources as per Allah’s command without, corruption and transgression. In fact, business in Islam is a system of proper distribution of scarce resources. The following verses of the Qur’an are worth mentioning in this regard. “Allah has made trade lawful and prohibited interest....” (Al-Qur’an, 2:275) "But seek instead by the means of what Allah has bestowed on thee, the Home of the Hereafter, nor forget thy portion in this world: but do thou good, as Allah has been good to thee, and seek not (occasions for) corruption in the land: for Allah loves not those who do corruption.” (Al-Qur’an, 28:77)

The Qur’an contains complete guidance for entrepreneurial activity. The scope is defined clearly considering the nature of human beings. Allah says:

“O you who have attained faith! When the call to prayer is sounded on the Day of congregation, hasten to the remembrance of Allah and leave all worldly commerce. That is better for you if you only knew. Then when the prayer is finished disperse freely on earth and seek Allah’s bounty and remember Allah much so that hopefully you might attain a happy state.” (Al-Qur’an, 62: 9-10)

The instruction to “abandon trade” during call for prayer emphasizes the need for engagement in trade but after being conscious about the prayer. This helps them to be cautious and on guard by remembering that Allah knows all that they do. This is training for Muslim entrepreneurs to achieve success of both lives. As dunya (this world) is a place to test piety, there will be negative elements so that those who are careful can attain the highest status in jannah (paradise). Allah says: “O you who have attained faith, do not devour one another’s property by unlawful means, but do business with mutual consent” Al-Qur’an, (4:29).

4.2. Importance of Entrepreneurship in Sunnah

Acquiring knowledge and wealth is encouraged in islam. As narrated by Abdullah Ibn Masud, the Prophet Muhammad (p.b.u.h) said: "Only these two people should be envied: One is the person who spends all the wealth Allah gave him on the path of righteousness, and the other is the person who judges with the knowledge Allah gave him and teaches it to others.” (Bukhari, İlim 15)

There is also highest recognition by Shariah upon the sincere and honest entrepreneurs. Abu Sayeed narrated that Rasulullah (p.b.u.h) said: “An honest and sincere businessman will be placed with the prophets, siddiqin and al-syuhada”(Hadith mki Hasan,al-Tirmidhi, 1987, no. 1209, p. 515) (Cited by Abdul Hamid and Che 2011). However, to be able to reach this level (truthful and honest) proves to be difficult for businessmen because their activities are often mixed with lies, fabrications and other negative elements. Thus, if they are able to hinder the negative elements and become honest, truthful and sincere entrepreneurs, their honor will be raised to those of prophets, siddiqin, shuhada and salihin (Cited by Abdul Hamid and Che 2011).

4.3. Strong Religious Foundation

Innovation in religion is completely prohibited, Muslims have to follow shariah, which refers to sum total of Islamic laws which was revealed to prophet Muhammad (p.b.u.h). Shariah / Islamic laws are recorded in the Qur’an as well as deducible from the prophet’s divinely-guided life style (called the sunnah) (Philips 2006). Allah (SWT) says: “Then we put you on a straight path (shari’ah) in your affairs, so follow it and do not follow the desires of those who have no knowledge.” (Al-Qur’an, 45-18) (Cited by Philips 2006). Thus moral foundation of Islam always remains strong on which the whole system is built up. This ensures clarity and understanding as well as accountability.

The actions of a Muslim are governed by five ethical axioms: (a) Unity of Allah, which is related to concept of Tawhid. Tawhid indicates that the creator ALLAH (SWT) is unique and one. He is want-less, omniscient, omnipotent, almighty, all powerful, all knowing and above all creation. Nothing is above Him. The concept of
Tawhid is very significant in that it combines all aspects of Muslims’ life (economic, political, religious and social) according to the will of the creator. So there is a consistency and order which has ever lasting effects on Muslims’ life. (b) Equilibrium or ‘adl, which means Insaf or justice, balance and harmony. In Islam, justice is equal for all irrespective of races, colours and creed. It relates to embracing harmony in the whole universe. (c) Free will: It indicates human’s capacity to follow freely rules and regulations set by Allah. (d) Responsibility: it denotes that man is accountable for his each and every action. (e) Benevolence: it means ihsan that is doing good without expectation of return or benefit. Unlike other ethical systems Islam encourages mankind to attain piety through active participation in life (Ather 2007).

In Islam, the imposed limitations are wanted essentially for the benefit of the concerned people or parties. Naturally, absence of laws and boundaries could easily lead people or organizations to behave in abnormal ways, which will create excesses, abuses and conflicts (Oukil 2013).

4.4. Permission of innovation in all aspects of life (flexibility), except in religion

In the case of laws where the benefit or harm is not changed over time Allah (SWT) spelled out the details very clearly. Examples are religious rites, marriage and inheritance, laws against crimes (murder, theft, adultery, fornication, slander etc). As for matters whose harm or benefit may vary from place to place Allah (SWT) has legislated general laws of universal benefit which may be implemented by those in authority according to human need. This rules applies in case of business transactions and structuring the society. Allah says: “O you who believe, obey Allah and obey the messenger and those in authority among you...” (Al-Qur’an, 4:59)(cited by Philips 2006 page 28)

Sunnah is also limited to confirmed religious ruling and excludes personal habit or opinion of the prophet (pbuh) which he did not instruct his followers to follow. Rafi ibn Khadeej reported that Allah’s massanger (pbuh) came to Madeenah and found people grafting their palm trees. He asked them what they were doing and they informed him that they were artificially pollinating the trees. He then said “Perhaps it would be better if you did not do that.” When they abandoned the practice the yield of date-palms became less. So they informed him and he said “I am a human being. So when I tell you to do something pertaining to religion, accept it, but when I tell you something from my personal opinion, keep in mind that I am a human being.” Anas (ra) reported that he added , “You have better knowledge in (the technical skills) in the affairs of this world” (Muslim, English translation, Vol.4, Page 259, Hadith nos. 5831-5832) (Philips 2006 page 49).

4.5. Inspiration from Allah (SWT)

Allah (SWT) encourages Muslims to strive towards their own wellbeing. Allah mentions in the Qur’an: “......Allah does not change the condition of a people until they change their inner selves.” (Al-Qur’an, 13:11)

4.5.1 Freedom of enterprise: Islam gives complete freedom to economic enterprise. An individual can start, manage and organize any kind of business enterprise within the limits set by shariah and having a strong sense of responsibility. By encouraging pursuance of economic activities Islam opens up avenues for innovation and entrepreneurship. (Azmi n.d)

4.5.2 Enjoining good: Allah (SWT) encourages Muslims to do good deeds and establish justice by confirming that the pious and evil doers will not be treated same in akhirah (hereafter) . This is a warning for wrong doers and glad tidings for the believers that their good deeds will not go in vein. Qur’an asserts: “We sent Our Messengers with the Clear Signs and sent down the Book and the Balance with them so that mankind might establish justice” (Al-Qur’an, 57: 25). “Shall We treat those who believe and work deeds of righteousness, the same as those who do mischief on earth? Shall We treat those who guard against evil, the same as those who turn aside from the right?” (Al-Qur’an, 38:28)

4.5.3 Promise of paradise: There is promise of paradise for those Muslims who are conscious about Allah (SWT) and perform their activities according to boundaries set by Islam. Allah says:

“And as for him who fears to stand in the presence of his Lord and forbids his own soul from its whims and caprices then surely Paradise is the abode.” (Al-Qur’an, 79:40 & 41)

4.5.4 Tawakkul (Reliance and trust on Allah): Tawakkul has four dimensions. These are, a) knowing Allah (SWT) by His qualities and attributes such that He is all capable and sufficient to rely on. He is the
Sustainer and that He is All-Knowing and that things can only happen with His Will and Decree. b) To believe that every matter has a cause or a means. Muslims should do everything that’s available to them to reach their goals. It is mentioned in the Qur’an: “worship Him and put your trust in Him alone. And your Lord is not unaware of what you do” (Al-Qur’an, 11:123). c) To rely only on Allah (SWT). Indeed, a person’s reliance on Allah cannot be fulfilled until one relies on Him alone. Support for this level can be found in the verse, “If Allah helps you, none can ever overcome you; and if He should forsakes you, who is there after Him that can help you? And in Allah (Alone) let the believers put their trust” (3:160). d) It is important to depend on Allah wholeheartedly and feel tranquillity when doing so, to the extent that one does not feel anxious or confused about their provision. Some people do not feel secure until they utilize these means, and if Allah decrees that these means are not available they feel overwrought. Such people’s reliance on Allah is incomplete, because true reliance is when a person does not care if means are available or not, because they know that all matters are in the Hands of Allah. It is mentioned in the Qur’an “And He will provide for him in a manner beyond all expectations. And whoever puts their trust in Allah, then He (alones) will suffice him. Verily, Allah will accomplish His purpose. Indeed, Allah has set a measure for all things.” (Al-Qur’an, 65:3).

4.5.5 Promise of help from Allah: Allah encourages believers to ask for wellbeing in both dunya and akhirah. “Our Lord give us in this world [that which is] good and in the hereafter [that which is] good and protect us from punishment of fire.” (Al-Qur’an, 2:201) There is a strong promise of assistance from Allah for those who are righteous. It is mentioned in the Qur’an: “Allah is suffice as a helper.” (Al-Qur’an, 4:45) “…He grants victory to whom He wills. He is the Almighty, the Most Merciful. That is Allah’s promise. Allah does not break His promise….” (Al-Qur’an, 30:5-6)

4.5.6 Removing Difficulty: Allah doesn’t burden people more than they can bear. Allah has made our life easy by outlining a clear cut system. A Muslim entrepreneur knows from the beginning that there will be obstacles and hardship in his path which will be removed by the grace of Allah. So he has mental peace and can strive harder to achieve his goal and his chance of success will increase. Allah consoles the Muslims in the Qur’an: “…After a difficulty, Allah will soon grant relief.” [Al-Qur’an, 65:7] “Surely, with hardship (will be) ease” (Al-Qur’an, 94:6)

4.6 Purpose of entrepreneurship in Islam

Allah (SWT) created humans and Jinns only for His Ibadah that is to act as His servants. Human beings are Allah’s caliphas on the earth to establish the rules of ALLAH.

Islam endorses entrepreneurship regardless of its being opportunity or necessity driven as long as it stands on moral and ethical grounds and conforms to the Islamic code of conduct. Stimulating entrepreneurship in Western societies is mainly driven by the prospect of material rewards. Islam stimulates the muslim by making them realise that every business undertaking is a form of ibadah and intended firstly to please the Almighty Allah. Accordingly, business activities are meant to strengthen the Muslims’ faith (iman) by committing them to the remembrance of Allah and attending to His religious duties. "(There are) men whom neither traffic nor merchandise can divert from the remembrance of Allah, nor from regular prayer, nor from the practice of regular charity" (Al-Qur’an, 24:37). (Cited by Kayed and Kabir 2010).

4.7 Established set of Islamic guidelines for entrepreneurs

The Business dealings through which people are distressed or deceived are forbidden in Islam. Such dealings are of two types: one relates to people in general and the other is related with specific persons. One of the examples of the first type is hoarding. Prophet (pbuh) said: “A person who during price hikes, stocks food crops up to forty days with the intention of earning more profit, he is no pleased with Allah (SWT) and Allah is also displeased with him.” It is notable here that this principle is applicable only in case of essential goods for livelihood. Second type: involves individuals involved in doing business (Ather 2007). The general guidelines in this connection are:

- Not engaging in haram (forbidden) activity: The businesses which harm the society are completely prohibited in Islam. examples of such businesses are: sale of alcohol and intoxicants, opening casino, prostitution and night club etc. It is mentioned in the Quran: “They ask you about wine and gambling, say:
in them is great sin…” (2:219). A Muslim entrepreneur cannot engage in such activity or earn income from these. He also cannot spend his income in any haram goods or services. Surprisingly such activities are permitted in conventional business ethics, as long as the businesses are done in line with the local laws.

- Not praising too much of the product: Praising too much of the product and giving misleading information is a sign of hypocrite as Rasul (SAW) stated: “There are three signs of a hypocrite; when he speaks he lies, when he makes a promise he breaks it, and when he is entrusted he betrays his trust.” (Bukhari and Muslim cited by Ibn Abdul Wahhab, 1999)

- Not concealing any defect of the product: Allah (SWT) condemns the liars in the Qur’an: “Woe to every sinful liar!” (Al-Qur’an, 45:7)

- Weights and measures should be properly maintained: It is mentioned in the Qur’an: “Woe to those who give less [than due]. Who when take a measure from people take in full. But if they give measure or by weight to them, they cause loss.” (Al-Qur’an, 83:1-3)

- Not deceiving about the price of the product or any other kind of deception: “Both parties in a business transaction have a right to annul it so long as they have not separated, and if they tell the truth and make everything clear they will be blessed in their transactions but if they conceal anything and lie then the blessing on their transaction will be wiped away.” (Muslim) cited by Ibn Abdul Wahhab 1999

- Spending in charity: Allah (SWT) says: “And in their wealth there is a due share for the beggar and the deprived” (Al-Qur’an, 51:19)

- Seeking to please Allah (SWT): Allah says: “Only those are the believers who have believed in Allah and His Massanger, and have never since doubted…” (Al-Qur’an, 49:15)

- Not forgetting akhirah while doing business: Allah says: “[there are] men whom neither commerce, nor sale distract from the remembrance of Allah and performance of prayer and giving of zakah. They fear a day in which the hearts and eyes will [fearfully] turn about” (Al-Qur’an, 24:37)

- No deception in business: It is mentioned in the Quran: “O you who believe! Be afraid of Allâh, and be with those who are true (in words and deeds).” (Al-Qur’an, 9:119)

- Contract must be in writing: Allah says in the Qur’an: “O you who have believed, when you contract a debt for a specified time, write it down.” (Al-Qur’an, 2:282)

4.8 Islam helps in nurturing entrepreneurial characteristics

Promoting qualities of an entrepreneur: Qualities of entrepreneurs are encouraged to be a good Muslim. A study showed that the characteristics of muslim entrepreneurs have a positive influence on success. The results also showed that the interaction of characteristics of entrepreneurs with the Islamic values have positive correlation with success. (Ahmed and Suhaila 2013).

4.8.1 Self-confidence: Islam directs its followers to carry out a task with confidence, courage, and with diligence. A Muslim entrepreneur should have high courage and confidence to move forward in the business. This has been reiterated in the Qur’an: “And be not infirm, and be not grieving, and you shall have the upper hand if you are believers” (Al-Qur’an, 3:139). (cited by Ahmed and Suhaila 2013). The higher the entrepreneurs’ ability to build self-confidence, the greater their willingness to try something that is seen by others as a risk. Those who have high self-confidence have the ability to take the right decision. This can be helpful to the success of their business (Meredith in Shuhairimi & Ku Halim, 2010-cited by Ahmed and Suhaila 2013).

4.8.2 Patience and Perseverance: Allah says: “O ye who believe! Seek help with patient perseverance and prayer; for Allah is with those who patiently persevere.” (Al-Qur’an, 2:153) Allah also says: “Be sure we shall test you with something of fear and hunger, some loss in goods or lives or the fruits (of your toil), but give glad tidings to those who patiently persevere.” (Al-Qur’an, 2:155)
4.8.3 Leadership: Leadership is a promise from Allah for true believers who strive with full determination in His path. The Holy Qur’an says to those who follow the guidance sent from Allah: “I will make You an Imam (Leader) to the nations.” (Al-Qur’an, 2:124)

In another verse it says, “And We made them leaders guiding (men) by Our Command and We send them Inspiration.” (Al-Qur’an, 21:73)

4.8.4 Humility: There is a positive significant relationship between Islamic management dimension “humility” and organizational entrepreneurship. (Kazemian and Bahram 2011)

The Qur’an reminds us: "And the servants of the Merciful are those who walk on the earth in humility...." (Qur'an Al-Qur'an, 25:63)

“If the people of the society had but believed and maintained a consciousness of Allah, We should indeed have opened out to them (All kinds of) blessings from heaven and earth....” (Al-Qur’an, 7:96).

The correct path is one of cultivating and maintaining a steadfast consciousness of Allah, one which directs towards humility, and a careful guarding of that humility - a humility that manifests in outlook, attitude, philosophy, actions, and relations - one that manifests in individual behaviour and in the organs and institutions and principles which regulate and shape society. (Shomali n.d)

4.8.5 Innovative/ Creative: In fact, Allah (SWT) has awarded a variety of resources for human survival. However, on a more general scale it cannot accommodate the needs of a man perfectly if the result is not optimal manipulated. Thus, entrepreneurs need to apply the value of creativity and innovation available to them to help solve some of the requirements needed by the community. Islam even recognizes that innovative and creative act is the inherent quality of the entrepreneur. This claim can be seen from Allah says in Qur’an:

“He it is Who made the earth smooth for you, therefore go about in the spacious sides thereof, and eat of His sustenance, and to Him is the return after death” (Al-Qur’an, 67:15). Creativity and innovativeness are the important values for every entrepreneur because they are the key to success in business. This innovative nature is encouraged by Islam as Allah SWT created all things is to be used by humans. This is expressed through the verse that says: "He it is (Allah) who created for you all that is in the earth"( Al-Qur’an, 2:29) (Cited by Ahmed and Suhaila 2013)

4.8.6 Sincerity: Sincerity means honest belief in things. Sincerity is shown in the way one performs a given task to the best of one’s ability because such an attitude is the best way to show one’s loyalty and gratitude to, and love for the organization. In serving the organization well, one serves Allah (al-Quran, 39:14)( cited by kazemian and Bahram 2011)

4.8.7 Piety: Piety means consciousness about Allah (SWT). It is a tool that can be used to foster good and prevent evil in the lives of Muslims (Ali, 2011). In fact, it can be seen that Piety has become a new symbol of elitism (Hasan, 2009 cited by kazemian and Bahram 2011).

4.8.7 Honesty and and Truthfulness: Consumer goodwill building. Honesty and truthfulness are qualities which a Muslim businessman should develop and practise himself. Truth, for example, has a self-reinforcing effect. In a hadith reported in Sahih al Bukhari, The Prophet (peace be upon him) said, “Truthfulness leads to righteousness, and righteousness leads to Paradise. A man continues to tell the truth until he becomes a truthful person. Falseness leads to al fujur (i.e., wickedness, evil-doing), and al fujur (wickedness) leads to the Hell Fire, and a man may continue to tell lies till he is written before Allah, a liar.”

Honesty is especially important for Muslim business persons. The need to make a profit and the temptations to enhance the attributes of their product or service during a sales pitch may distract them to exaggerate. This is why the Prophet said: “The merchants will be raised on the Day of Resurrection as evil-doers, except those who fear Allah, are honest and speak the truth.” Truthfulness is as in demand today as it was in the 7th century. (Cited by Beekun, n.d)
4.8.8 Trustworthy: Allah commands in the Qur’an: “O you who believe, fulfil your contracts...” (Al-Qur’an, 5:1). Being trustworthy is essential for an entrepreneur for building goodwill and achieving strong customer loyalty.

“O you believers! Do not betray Allah and the Messenger, nor knowingly, betray your trusts.” (Al-Qur’an, 8:27)

4.9 Existence of perfect role models

Rasul (s) was engaged in business and he was best example of an entrepreneur. He was trustworthy, honest truthful in his dealings. He had become known for being the most honest (named Al Sidiq) and the most trustworthy (Al Amin) businessman in all of Arabia. He was a true innovative leader. In building up the economic and social system in Madinah he adopted a method which was never seen before. The strong concept of brotherhood in Islam which started from Madinah was completely a new idea and no other economic system has been able to motivate people to work together in such a harmony in building up the society. The Qur’an promotes the idea of brotherhood amongst believers as a tool to reduce the social and economic inequalities in society: “Surely all believers are brothers. So make peace between brothers and fear Allah that mercy may be shown to you.” (Al-Qur’an, 49:11)

The concept of brotherhood is further defined in the following verse:“...And help one another in righteousness and piety, but help not one another in sin and transgression...” (Al-Qur’an, 5:3)

More than 1400 years later the world still acknowledges this fact. History bears witness to Prophet’s excellent character. “The Story of Civilization” by Will Durant is one such account. (Ayad n.d).

Rasul’s (SAS) wife Khadiza (ra) was a marchant, she inherited the business of her father. She was a successful businesswoman whose vast wealth and business talents were well known by people of Makkah at that time (cited by Maruf Ullah 2013). Zynab Bint Jahsh, another wife of the prophet was also a skilled craftswoman. She used to sell her handiwork and donate the proceeds. (Qutb 2011).

Osman Ibne Affan and Abdurrahman Ibn Aowf were among the notable companions of the Prophet (Sallallahu Alaihi Wa Sallam) who were successful entrepreneurs. Abdurrahman Ibn Aowf had nothing when he made hijrah (migrated) to Madinah. But he had enourmas barakah (blessing) in his trade to the extent that arouse his amazement. He said “If I lift up a stone, I will find silver and gold under it.” He was very enthusiastic in nature and if he was not engaged in prayer in the mosque or striving in the battle, he was working in his trade. (Khaalid 2003)

Suhail Ibn Sinaan, a former slave in Makkah, was a very sincere, energetic and intelligent person such that his master freed him and made him a business partner. Suhail became a wealthy man through successful trade during the long years he lived in Makkah. However he gave up all his property to kuffar of Quraish to be able to migrate to Madinah. When prophet (PBUH) saw Suhail in Madinah cheered and said “O Abu Yahia! A profitable sale! A profitable sale!” He was a generous and pious donor helping the needy and spending his money in the way of ALLAH. (Khaalid 2003)

Another companion of the messanger was Talhah Ibn Ubaid Allah whom ALLAH blessed with great fortune through trade.He spent without measure in the path of ALLAH, so He increased for him without measure (Khaalid 2003)

The emergence and spread of Islam in the early seventh century CE, involved entrepreneurial acts of immense ingenuity. Thus Historically, and besides many irrefutable intellectual and scientific contributions, Muslims and Arabs have been also known for their largest pursued working activity in local and international commerce and trade, to the extent that these were in fact central in their thinking (Abbas, 2005 cited by Oukil 2013).

4.10 Superiority of Islamic Entrepreneurship over Conventional Entrepreneurship

A Muslim entrepreneur is accountable towards ALLAH and has responsibility towards himself, Society and environment. Islam vividly sets the parameters for maintaining equity and justice which will ensure sustainable socio-cultural and economic development.
Entrepreneurs from a modern perspective measure external success in terms of profits obtained in the world, but entrepreneurs from the Islamic perspective not only measure success in terms of profitability in the world but emphasizing the consideration obtained in the afterlife. This difference can be seen in the modern and Islamic perspective of business. (Ahmed and Suhaila 2013).

4.10.1 Based on concept of Tawheed: It means maintaining the unity of Allah in all of human action which directly or indirectly relate to Him. It is the belief that Allah is one without partner, without any similitude to His attributes and without any rival in His divinity and worship. A Muslim entrepreneur serves only Allah (SWT) and obeys His rules and depends on Him. Laws of Allah have been proved to be scientific, understandable, most beneficial and applicable to all times. There is no change in the laws of Allah. On the other hand conventional entrepreneurship is based on economic rationality which is based on human judgement and always has been proved to have some flaws and serve a specific group of people.

4.10.2 Based on Devine guideline: Islamic laws are derived from Qur’an and sunnah, Thus Muslims are divinely guided. The laws are all encompassing and have not left out any aspect of human life. These laws consider ethical aspects, human rights, social welfare, social co-operation, profit and loss sharing, and justice in doing business. The general ethical guidelines such as prohibition of haram goods and interest, rulings regarding theft, deception, robbery, oppression etc. is same for all professions. There are also specific rulings for business and trade. In conventional system however ethical aspects vary from time to time as it’s based on human judgement. So concepts of business ethics, corporate social responsibility, environment protection etc are addressed separately.

4.10.3 Clear accountability and responsibility: The laws of governance (such as Administration of Judiciary, The administration of Zakah, Grants and concession, the rulings regarding trade, Ruling regarding criminal action, public trade) are clear in Islam. The administration is well organized and encompasses every social aspect which ensures accountability performance of social responsibility (collective or individual). Social responsibility is connected with achieving pleasure of Allah and attainment of success of two worlds. It makes performance of duties easy. (Al- Mawardi 1996).

4.10.4 Final judgement in akhirah: In Islam life of dunya is considered a test and the result will be obtained in hereafter, the reward will be jannah and punishment jahannam. The success of a Muslim depends on how justly he can live his life. He believes that he cannot avoid any accountability by concealing it. This makes a great difference with conventional believe where people believe that life on this earth ends with death. So they try to maximize their benefit based on the concept of “survival of the fittest”. But a Muslim entrepreneur knows that Allah (SWT) has the knowledge of whatever he is doing and he must perform his duties properly. So perfection and responsibility are indispensable part of lives of believers.

4.11 Women Entrepreneurship

Women are part of society not a segregated segment and are honoured just like men. A women’s personality, intellect, capabilities are respected in Islam. It is mentioned in the Qur’an:

“Men shall have a benefit from what they earn, and women shall have a benefit from what they earn.” (4: 32)

It is important to note that Islam protects the woman. Islam liberated woman over 1400 years ago. Al-Sheha (1997) stated that Islamic law does not deprive a woman from the right to work within the limits that protect her honour and dignity. Islam permits the woman to personally conduct her business contracts and financial transactions. All such contracts and transactions are sound and valid in the view of Islamic jurisprudence. The work that the women engage outside the home must not conflict with responsibilities to her husband and children. Her work must be with other women and free of intermingling in a male environment. During early
Islam Some women were very skilled in the art of penmanship and calligraphy. Aunt of Prophet (Sallallahu alaihi wa sallam) Shifa Binte Abdullah was celebrated for her skill at this art (Ghadanfar, 2006 -cited by Ullah 2013).

4.12 Social entrepreneurship
Social entrepreneurs are regarded as value adding people to the society as a result of their own initiatives through which jobs are created in the society and redistribution of wealth is ensured. Social enterprises have valuable roles to play in creating and sustaining civil society, the benefits of which are consumed by the whole of society (Sarif 2013)
Thus A practicing Muslim entrepreneur is also a social entrepreneur as he or she is guided to observe social benefits while making livelihood. Pleasure of Allah (SWT) has been linked to doing good to other people and not transgressing on earth. Allah says in the Qur’an “And preserve in doing good: behold, Allah loves the doers of good” (Al Quran 2:195)

4.13 Reasons for lagging behind
4.13.1 Lack of religious knowledge: The Islamic world should lay more emphasis on the teaching of the Holy Quran; the Islamic Ummah should base its movement towards the development in the rudiments of the Holy Quran since the Holy book includes some highly-valued guidelines on job, labour and entrepreneurship. The recommendation of the divine book should be taken as benchmarks for productive employment, creativity, innovation and new way of thinking, the Islamic instructions to set values in our societies towards entrepreneurship. (Sadri 2010)

4.13.2 Lack of technical Knowledge: In Islam innovation (introducing anything new) in religion is prohibited. Some Muslims have the misconception that all kind of innovation is prohibited and this demotivate them to acquire proper technical knowledge. Another factor is that due to political unrest the governments are not so keen to properly address this aspect.

4.13.3 Inactive Media: Media is very inactive in encouraging entrepreneurial motivation, its occupied with generating secular views and ideas instead of constructive one. Media must focus on social and constructive programs to encourage entrepreneurship among Muslims.

4.13.4 Disunity among Muslims: The unity of Muslim Ummah was based on Qur’an and Sunnah. The more the Ummah drifted away from divine guidelines the more they were subject to deviation and division. Allah has commanded Muslims:“ And be not like those who have drawn apart from one another and have taken to conflicting views after all evidence of truth has come unto them: for these it for whom tremendous suffering is in store.” (Al-Qur’an, 3:105). But disunity is strong among Muslims which is a big obstacle in case of progress.

4.13.5 Not protecting intellectual property by copy rights: Muslim scientists were very generous in sharing their knowledge. Sadri (2010) viewed that all leading Muslim Scientists should have been more conscious and committed to commercializing their scientific and technological productions. This could have had two critically important results: First, they, and also world of Islam, could have a source of indisputable income; and second, maybe as a result, they would not be dependent on other great sovereignties.

4.13.6 Separating religion from other aspects of life: Secular Governments has segregated religion from other aspects of life. As a result morality and ethics which was a part of Muslim life and a guideline has now become a “subject” to be taught in institutions. Religion has been confined to performance of specific ritual obligations without having any practical implication. The separation of ideological and economic system has weakened both as most of the people perform rites without understanding and do not act
moral while engaged in worldly affairs. So dedicated Muslims do not want to engage in worldly affairs. However the truth is Islam spread to far corners of the world, through the establishment of firm religious values. And pious merchants were among the major groups who spread Islam by attracting the heart of non-Muslims through their fair dealings and just behaviour.

4.13.7 Predatory governance and colonialism: As the centuries passed, many Muslim regions fell badly behind the West, but the most immediate explanation involves not Islam but predatory governance and colonialism. More recent history provides examples of Muslim countries seeking to engage in the global economy and of some of them succeeding. The fact is evident from recent economic gains made by Indonesia, Malaysia, and Turkey. (Cassidy 2011)

4.15 International Islamic University: an example of innovative Islamic entrepreneurship
International Islamic University Chittagong (IIUC) is one of the top graded Government approved private universities in Bangladesh. It was founded under Islamic University Chittagong Trust (IUCT), a non-political and non-profit oriented voluntary organization, registered with the Government of the People’s Republic of Bangladesh under the Societies Act XXI of 1860. The aim of establishing the university was to provide higher education based on Islamic vision of life. The mission statement of the university is “to provide education with morality”. In the year 2000 Islamic University Chittagong (IUC) was upgraded into International Islamic University Chittagong (IIUC), thus it got a scope to extend its services to the Ummah at large. This university has some unique characteristics:

1. It is one of the most prestigious Islamic institution at university level in Bangladesh.
2. Campuses for male and female students are separate.
3. Both male and female students must follow Islamic dress code.
4. Code of conduct is based on Islamic moral and ethical values.
5. The residential facility is provided by the university so that the students will be subject to Islamic environment constantly which will serve as a training to be decent and moral.
6. To educate students about Islam, the university has introduced URIS (University Required Islamic courses). These courses are introduced in each semester and cover a wide range of Islamic knowledge such as the method of reading Qur’an, Bases of Islamic faith, life of the prophet, history of Islam, analysing contemporary issues etc.

In spite of operating in a country operated by secular Government, IIUC is a successful institution by the Grace of Almighty Allah. In 2004 IIUC was recognized as one of the 9 top-graded Private Universities by a Government-appointed High Powered Team led by the UGC Chairman. At present, it is the largest private university with 370 (Full time: 270 & Adjunct: 100) teachers and 14000 students from home and abroad. Besides providing higher education facility and employment opportunity this university is promoting and enhancing social welfare and peace by motivating its employees and students to practice Islam.

4.14 A Model of Islamic Entrepreneurship
This model is created by combining and modifying models proposed by (Abdul Hamid and Chy 2013, Maruf Ullah 2013). A muslim entrepreneur starts business considering it as a form of Ibadah (worship) by obtaining halal earnings through business and innovation i.e. entrepreneurial activity. The main objective is to please Allah (SWT). There are other motivational factors such as Personality Traits of the entrepreneur, Background (family, education etc.), Social norms and culture of the country. Education and training facility and Govt. and political support that also act as motivation for engaging in self-employment. In the course of business he / she always act responsibly towards Allah (SWT), other creations, himself and society.
The motivating factors prompt an entrepreneur to action. He/she starts business by obtaining support (financial and training). The process is not necessarily a consecutive one. The entrepreneur may have already some talent or financial support which is actualized by starting a business/venture. The path may not be smooth but the

Fig 1: Model of Islamic Entrepreneurship

Motivational Factors
- Personality Traits
- Background (family, education etc)
- Social norms and culture
- Religion
- Education
- Govt. and political support

Source
- Government
- Successful Entrepreneurs
- Financial Institutions

Nature of Support
- Financial
  - Loan
  - Bital Maal
  - Zakat
  - Waqf
  - Donation

Training
- Knowledge (Religion, Business)
- Technical
- Motivational

Business (through halal means)

Entrepreneurial

Societal
- Social welfare
- Employment
- Reduction of poverty
- Peace and harmony

Success

Short term goal
- Profit (In Dunya)

Long term goal
- Highest place in Jannah (in Akhirah)
entrepreneur has full trust in Allah (SWT) and strives. Thus a Muslim entrepreneur is successful by making profit in this world through halal means and contributes towards social welfare, employment creation, and reduction of poverty, peace and harmony in society. His /her long term success will be obtaining pleasure of Allah (SWT) and being able to secure a place in Jannah as promised by the creator.

5. Summary and Conclusions

Entrepreneurship culture is rooted in Islam. Islam encourages reform and progress more than any other religion. Islam did not come to abolish previous norms but to abolish harmful aspects in those norms and reform and reconstruct what was known to be good and beneficial.(Philips 2006). However the entrepreneurial nature of Islam in itself will not benefit Muslims if they don’t practice Islam in its entirety. Today Muslim youth are suffering from loss of identity being unaware of the fact that they are part of a strong civilization and modern Islamic culture. Propaganda of anti-Islamic powers and their supporting governments depicts a distorting picture of Islam where all progress is inhibited. Islam is shown as a religion which discourages women education, violates human rights, instigates terrorist activities, despises science and avoids anything innovative. Islamic countries must remodel their education system to teach correct religious knowledge and remove misconceptions about Islam. This education process must start from early childhood to provide a strong base for Muslim generation to be able to make balance in moral and ethical aspects of life. There should be more emphasis on religious (especially concept of Tawhid/unity of Allah), scientific and technological education as well as on training programs that will expose the Muslim entrepreneurs to the principles, rules and guidance of Islam. As for trade the concern of a Muslim entrepreneur will not only be the “Halalness” of the product but also helping himself and others to live a religious and peaceful life (Rice 2012). Thus a Muslim entrepreneur must exercise more innovative capabilities to perform trade by balancing among all his responsibilities. This will help the Muslims to utilize their worldly scarce recourses in most essential sectors and in most desirable way.

Much reform is needed to make people get out of mental slavery imposed by colonial powers and understand the power of Islamic values and its everlasting benefits. Muslims must utilize social Medias to spread the message of Islam and create supportive environment for exercising religious values in business and entrepreneurship. Media must concentrate on scientific, social and constructive programs. Muslims must protect their intellectual properties by copyright. This will remove their dependency on other sovereignties and also it will be a source of income for them. The most important fact is that Governments in Muslim countries should implement laws of Shariah instead of man-made laws. Manmade laws serve the interest of specified group but Islamic law ensures balance in every aspect of life. Muslim countries must unite together-especially against the obstacles set by anti-Islamic powers to share knowledge and technical and structural support. Allah commands Muslims to be united and hold fast to Al-Qur’an so that Allah will join their hearts and increase love and compassion among them and save them from disgrace in this world and Akhirah. “ ....In this way Allāh makes His Ayāt (massage, proofs, evidences, verses, lessons, signs, revelations, etc.,) clear to you, that you might find guidance.” (Al-Qur’an, 3:103).

Acknowledgements

All praises due to Allah. We are grateful to Allah (Subhanahu Wa Ta’ala ) for giving the ability to work on this article. We are also thankful to all those who helped us through their valuable guidance to make this report informative one.

References :


Ayad, Mona, Prophet Muhammad (SAW), the Truthful: Our Inspiration, Retrieved on 12.10.13 from: http://www.usislam.org/islamicyouth/Muhammad/inspiration2.htm


Ibn Taymia. (1985). *Public Duties In Islam-The Institution of Hisba*, UK : The Islamic Foundation,


Khaalid, Khaalid Muhammad and Dr. Abdul Hamid Eiwa, 2003, *Men and Women Around the Messenger*, Dar Al-Manarah: Egypt


http://www.iiuc.ac.bd/about-3/iiuc-history/
Omens and their Impacts in Bangladesh: Remedy from an Islamic Management Perspective

Md. Mokhter Ahmad
Associate Professor, IIUC-Dhaka Campus
mokhterahmad@gmail.com

&

Md. Mahabub Alom
Assistant Professor
Department of Business Administration
Manarat International University
mahabubdu213@gmail.com

Abstract:
The purpose of this paper is to formulate and develop a policy prescription for Omens in Bangladesh from Islamic management perspective. Although Omens has an overarching influence on Muslim society, but no academic work has undertaken to divulge the prevailing facts and figures of Omens in Bangladesh with validated references from the primary sources of Islam and not reinforced by well-equipped Islamic Management prescriptions which may deal with Omens’ issues effectively and efficiently. This descriptive study will attempt to provide a brief review of prevailing literature of Omens with their impacts and formulate a remedial mechanism of Omens from Islamic Management perspective based on The Holy Quran, Hadith and Islamic Literature.

Keywords: Omen, Tawhīd, Astrology, Ghaib, Superstition, Islamic Management

01. Introduction
The whole human society is sunk in many superstitious beliefs and practices. The Muslim Ummah is not any exception in this case. Though originated in the un-Islamic societies, these superstitious beliefs and practices have taken firm roots in the Muslim society and are regarded by some to be inseparably associated with Islam. Omens, bad and good, are among such superstitious beliefs which are found to be widely practiced by people of all strata. Islam is uncompromisingly against all these superstitions as these are diametrically opposed to its unadulterated and pure monotheistic idea. Superstition involves pretending to know the unseen. Nobody except Allah knows the unseen (27:65, 7:188, 34:14). Superstitious beliefs can take the following forms: astrology, tanjīm; foretelling, kahānat, and divination, tatayyur. Astrology is not an empirical science and is deception. Believing in foretellers is kufr. Divination with arrows is forbidden (5:4). Believing and acting on omens is forbidden (27:47, 7:31, 36:18, 36:19). The people of the Indian sub-continent are comparatively more susceptible to superstitious beliefs. Being a majority Muslim country comprising approximately 90% Muslim citizens, Bangladesh is heavily beset with omens, legends, and myths. This applies for the Muslims and the non-Muslims alike. Though Islam is against all unfounded, irrational and superstitious beliefs and practices, the Muslims of this country, irrespective of their educational qualification, are conspicuously indulged in superstitions because of their close habitation with the Hinduism and/or reverts from Hinduism unconsciously or sub-consciously carried many such beliefs and practices or their traces from their earlier religion/s. Despite a growing awareness among the Muslims about these superstitions, many Muslims still know not their damaging effects to Iman, and thus easily fall preys to those. In the past, many popular puritan movements were launched/organized by the religious scholars of this locality, including the movements of Hāji Sharātullah, Shahīd Titu Mir, and Syed Ahmad Shaheed, to create general social awareness among the Muslims about pure Islamic 'Aqīdah, and the aberrations penetrated in it, fundamentals of Islam and un-Islamic customs and
practices infiltrated in the Muslim society. The success of these movements was somehow limited, and could not bring about desired social overhaul due to the lack of systematic action plan based on holistic management tools and techniques. Besides, almost no academic work was undertaken to uncover the origins of the superstitions prevailing in Bangladesh and their multidirectional harmful impacts on the populace with authenticated references from the primary sources of Islam and reinforced by well-rich Islamic Management prescriptions which ultimately could deal with omens’ issues effectively, convince the mass Muslim people of their polluted origins, and oblige them to shun those quite consciously. To fill up this vacuum, this academic initiative is undertaken to unearth the origins of omens, demonstrate their clear opposition to monotheistic Islam, trace out manifold harmful impacts, and suggest an Islamic-Management-oriented policy to successfully deal with such cases of omens.

02. Objectives of the Study
The major objective of the present study is to examine some issues and factors related to Omens and their impacts in Bangladesh and formalize the remedial framework on the basis Islamic Management perspective e.g., The Holy Quran, Hadith and Islamic Literature. The more specific objectives of the present study are:

- To unearth the underlying facts of Omens and their impacts in Bangladesh,
- To formulate a remedial framework of Omens from Islamic Management perspective.

03. Methodology of the Study
The present study is not an empirical study; rather it is a theoretical one. This study has been conducted on the basis of reviewing prevailing literature, examining the primary sources of Islam to extract and formalize ideas for Omens. In addition to that, secondary information also has been collected from different textbooks, journals, newspapers and various web-sites. Data were also collected through personal observation. Neither any statistical method nor mathematical modeling is used in support of the discussion presented here.

04. Conceptual analysis about Omen from different perspective
Omen refers to a phenomenon that serves as a sign or warning of some future good or evil. A few other terms are interchangeably used, for example: augury, forerunner, foretoken, portent, prefigurement, presage, prognostic, prognostication, sign etc.

- According to Wikipedia: An omen (also called portent or presage) is a phenomenon that is believed to foretell the future, often signifying the advent of change. Columbia Encyclopedia defines it as ‘sign or augury believed to foreshadow the future’. Almost any occurrence can be interpreted as an omen. The typical omen was a natural phenomenon, such as a meteor, an eclipse, or the flight of birds. Among the Greeks and Romans the interpretation of omens was a major part of religious life and required trained priests, such as the Roman augur, to explain the meaning of the signs. English Folklore defines it, ‘Occurrences outside human control, interpreted by communal tradition as foretelling future events (e.g. seeing magpies, hearing an owl hoot)’. Some foretell something pleasant: to see a small spider on your hand means money, to find nine peas in one pod means (for a girl) a happy marriage. Others foretell misfortunes, especially death.

- The Arabic word used to represent the English word Omen is ‘tiyarah’ or ‘tatayyur’. Pre-Islamic Arabs used to consider the direction in which birds and animals moved to be a sign of impending good or bad fortune and would plan their lives around such signs. The practise of reading good and bad omens in bird and animal movements was referred to as tiyarah from the verb Taara which means "to take flight." For example, if an individual set out on a journey and a bird flew over him and turned to the left, he would see in it a sign of impending bad fortune, turn around and return home. Ibn Hajr says: ‘Sometimes some Arabs would disturb a sitting bird to know its direction and to augur bad or good. …They also used to regard the voice of a crow and the passing of gazelles as bad omens, but they called all them tatayyur because the original omen had to do with birds (Taiyr). There were also superstitions among the non-Arabs. For example: going of a child to a teacher would be regarded bad omen, and his returning from him would
be regarded good omen; carrying a heavy load by a camel is a bad omen and its carrying no load is a good omen, and so on.14 Shaykh Muhammad ibn Sālih al-‘Uthaymīn says15: 'the word tiyarah refers to superstition about something that is seen or heard; or it was said that it refers to superstition about anything, whether it is seen or heard, or a time or place.' This is more comprehensive as it includes things that are not seen or heard, such as superstition about certain times.

Though in Arabic two terms (i.e., al-tatayyur & tiyarah) to refer to omens, there are differences between these two. Al-‘Izz ibn ‘Abd al-Salām pointed out the difference saying, “tatayyur means feeling in one's heart that something bad is going to happen, while tiyarah is acting on the basis of those pessimistic feelings.” 16 Moreover, while tatayyur and tiyarah are used to refer to all sorts of omens irrespective of their conceived impending results (i.e., good omens and bad omens), Fa’l is used for different connotation. Fa’l is sometimes erroneously conceived and translated as simple and unqualified 'Good Omen', whereas there is a gulf of difference between Fa’l and tatayyur or tiyarah. Fa’l is just making any positive remark about something not necessarily based upon any sign, sound or substance while tatayyur or tiyarah is making any pessimistic remark or conceiving any negative notion based purely upon any sign, augury, sound, or objects.

Omens are of two kinds: Bad Omens and Good Omens. Bad Omens are those which supposedly augur evil and good omens are those which are considered to represent the arrival of well. To consider any omen good or bad depends primarily and largely 'on its interpretation'. The same sign may be interpreted differently by different people or different cultures. For example, 'a superstition in the United States and other countries across Europe indicates that a black cat is an omen of bad luck. Comets were considered to be both good and bad omens. The best-known example is probably Halley's Comet17, which was a "bad omen" for King Harold II of England but a "good omen" for William the Conqueror18, 19.

05. Origins and Manifestations of Omens in Bangladesh

There are many superstitious beliefs and practices in the forms of omens found in the society in general, and the Muslim society, in particular. These are of different categories and natures with different interpretations and consequences. Some of those relate to animate things while others relate to inanimate things. Some are based on visible objects, while others are on invisible objects. Some are natural, environmental, existential, and real, while others are artificial, imaginary, supernatural, and dreams-oriented. Some are based on sounds made by animals, especially, birds, while others are based on sounds from human beings. There is no limit to such myths among the people. Commenting on the issue, Sālih Al-Munajjid said, ‘Some regard seeing certain things as a bad omen – such as seeing an owl or a black cat; some regard hearing certain things as a bad omen – such as hearing the sound of an owl or a crow. They even regard verses in the Qur'an as omens, if it is seen in the Mushaf or heard from one who is reading! –such as a verse which speaks of warning or punishment. Some of them regard numbers as unlucky, such as 13; or they regard certain times as unlucky times, such as Wednesdays, or the month of Shawwal for those who want to get married. Some regard certain places as unlucky, such as a place in which a crime occurred, or they regard certain types of people as a bad omen, such as the lame or the blind, or the poor or needy.’20

In ancient times, omens were primarily and largely decided on the basis of flight of birds, their directions, screeches, colors and kinds. According to Time Magazine, the English word used for omen is Auspice is also refers to birds:

The word auspice, meaning sign or omen, is telescoped from the Latin words avis, bird, and specter, to see. In ancient Rome the appearance and behavior of birds—whether they were eagles, vultures, owls, crows, or ravens, which direction they flew, how they ate grains of corn—determined whether public assemblies should be held, whether armies should attack, whether merchants should be bullish or bearish.21

The word Shakunam, which is also a bird’s name, has been used in Veda to refer to omen. The Antique Digest ‘OldAndSold’ mentions that,
'The Sanskrit word used for an omen at the head of this chapter is shakunam, which means primarily a bird, and comes to mean an omen from the fact that in ancient days omens were largely decided by the flight of birds. The old Hindu writings contain passages referring to portents and omens, and the passage quoted from Manu at the head of this chapter does not mean that the art or science of explaining omens is a disreputable one. All that it means is that a Sanyasi, being one who is supposed to have finished with worldly affairs, must not, for the sake of acquiring gain, ever engage in what are ordinarily considered sacred employments.'

The Arabic terms tatayyur or tiyarah are also primarily concerned with the flight and movements of birds and the pre-Islamic Arabs used to consider those as indicative of any imminent good or bad.

Al-Nawawī (r) mentioned:

Tatayyur is pessimism, and is based on something disliked, be it a word or action or something seen… They used to startle gazelles and birds to make them move; if they went to the right they would regard that as a good omen and go ahead with their journeys or other plans, but if they went to the left they would cancel their journeys and plans, and regard that as a bad omen. So it would often prevent them from doing things that were in their interests. Islam cancelled out all that and forbade it, and said that it had no effect, whether good or bad. This is what is meant by the words of the Prophet (saas): “There is no tiyarah,” and in another Hadith, “Tiyarah is shirk”.

The fact remained same until today. Most of today's superstitions are somehow or other related to the flight and movements of birds. But later on, the horizon of omens was expanded incorporating under its scope and jurisdiction limitless number of items. Upon investigating the most influential culture and civilization of today's world the fact becomes obvious. Sheikh Muhammad Sālih Al-Munajjid has given a summery list of the types of superstitious belief in bad omens, ancient and modern:

Certain days or months: such as Safar and Shawwaal; certain birds: such as crows and owls; certain animals: such as snakes, black cats and monkeys, or their movements: such as the passing of gazelles; certain types of people: such as a one-eyed man or a hunchback; certain numbers, such as 13 among the Christians, 7 among the Bedouin and 10 among the Raafidis; in the latter case because they dislike the “‘asharah mubashsharah (the ten Sahaabah who were given the certain promise of Paradise) – with the exception of ‘Ali (r), hence they will say “Nine plus one” instead of “ten”; certain sounds: such as the voice of a crow or the sound of an ambulance or fire truck; frightening or disturbing dreams; colors: such as the color of blood, or yellow; when the eyelashes of the left eye tremble involuntarily, they say, “Something bad is going to happen to us”; calling a child by the name of a living person, such as the father or mother and so on; witnessing an accident or a fire in the morning; seeing one’s wife’s mother in the morning; when the right hand or right foot itches.

In Wikipedia, we get the following long list of auspicious and inauspicious omens:

Auspicious items: ‘Following fifty items are auspicious items & seeing them is auspicious at all the times. Curd, milk, rice, pot filled with water, ripe food, mustard, sandal, mirror, fresh green grass (Durva- a kind of grass), conch shell, meat, fish, soil (wet), a bright yellow pigment prepared from urine of cow (Gorochan), cow dung, cow, honey, idol of god, Veena (a musical instrument), fruit, seat of king, flower, black items used to decorate eyes (Anjan / Kajal / Surma), ornaments, hand weapon, beetle leaves, conveyance, palanquin (Palki - man carried conveyance), a covered pot or box to keep medicine or wine (Sharavsanput), flag, parasol (Chhatra), hand fan, clothes, lotus, Kakash (pot), glowing fire, elephant, goats, drums, device to control elephant (Ankush),
tail of animal used to whisk flies (*Chaamar*), gems, gold, silver, copper, herd of tied animals or an animal whose legs are tied, medicine, drink, tree with fruit, fresh vegetables. A bad omen would be to take it up the ass.'

**Inauspicious items:** ‘A sparkle without smoke, ash, fuel-wood-cow dung cake (*Upla*), rope, mud, device used to make powder by hammering action (*Tilkuta*), cotton, husk (*Tush*), bones, opened hair (untied hair), black item, iron, bark of a tree (*Valkal*), skin of a tree, black sesame (*Til*) or black pulse, stone, stool, snake, medicine, oil, raw sugar, boneless meat, empty or broken utensil, salt, dry grass, butter milk, wood, iron chain, rain & wind.’

In this Sub-Continent, hundreds of omens are found referring to many events and issues. There are omens related to journeys, snakes, lizard, crow, dog, cat, jackal, sneezing, breathing, yawning, and, most importantly, birds. According to a book in Telugu, translated from the Sanskrit, there are approximately hundred of omens with regard to any journey made by anyone:

> There are no less than forty-three different things enumerated as prognosticating good and thirty-four evil, if any of them should happen just as a person sets out on a journey. For instance, it is a good omen to overhear a pleasant conversation, to hear musical instruments; to see a good blaze of fire; to meet a company of dancing girls, or a few young women, to meet an elephant, a horse, or a bullock, or even a corpse, to meet two Brahmans, or four Komaties, or a Sudra with a stick in his hand; to see in front of one an umbrella, fans, mirrors, a harp, diamonds, gold, weapons, fruit or flowers; to bear the braying of an ass from the east, south, north or north-east. It is lucky, if a crow, a parrot, a stork, a heron, or a jackal passes from the left to the right; if a brahminy kite, a hawk, an owl, an iguana, a deer, a musk-rat, a dog, or a mongoose passes from right to left; and if a lizard's cry is heard from the right, or from overhead.

It seems strange that it should be a good omen to meet a corpse, but it is the case. To dream of a corpse, of a blaze of fire, of flowers, of fruit, of having stepped into filth, or of having any filth fall on one's body is considered to be a good omen. To dream of any thing red, such as red flowers, a red cloth or blood is bad.

It is a very anxious time when a good Hindu leaves his home to start out for a journey. He will naturally look and listen carefully for some good signs. A pundit friend tells me that there is no definite distance laid down beyond which bad omens have no effect; but perhaps twenty or twenty-five yards, or even less, may be considered enough as a test. After the traveller gets out into the main street, if the house started from is in a side street, it will not matter much if anything of the nature of a bad omen happens. The setting out, therefore, is the anxious time. It is a bad sign, if any one tries to persuade the departing traveller not to go, or says he had better take some food before starting, or offers to accompany him, or enquires as to where he is going, or pulls his garment to keep him back. It is considered a bad omen when a person sets out, to meet or to see in front of him any of the following:—a woman with plaited red hair, a widow, a new pot, a whirlwind, drops of rain, a bundle of firewood, a single Brahmin, an oil-monger, a pariah, a lame man, men quarrelling, men in suffering, men with dishevelled hair, a hunchback, a leper, invalids, buttermilk, oil, empty pots, grass, bones, a bundle of dirty clothes, smoking fire or various other things which are mentioned. It is not a good sign to see an ass either to the west, the north-west, the south-west or the south-east with its head hanging down and braying; or to see a crow, a parrot, a stork, a heron, or a jackal pass from the right to the left.

If any of these bad omens appears to a pious Hindu when he is setting out on a journey, especially if the journey is an important one, he will certainly turn back.
home again. On entering his house he will carefully wash his feet and then perform achamanam, which is sipping of water three times, repeating the following names of Vishnu, Keshava Svala! hail Krishna, Narayana Svaha, hail Narayana, Madhava Svaha! hail Madhava. After this is over, and after spending some time in quiet meditation, he will again set forth. If after a succession of attempts he still meets with bad omens the journey will be deferred entirely for the day, if not altogether given up. If the traveller is a Sudra, he will not be able to repeat the words mentioned above, when performing his achamanam, as they are taken from the Vedas, and none but a twice-born must take such holy words within his lips. The Sudra will sip the water and say Govinda! Govinda! or Siva! Siva! according as he is a Vaishnava, or a Siva, a worshipper of the god Vishnu, or of the god Siva.

In Bangladesh, many omens are very dearly and faithfully held by people of all strata. Among these, some are considered good while others are considered bad. Some typical but not-exhaustive bad omens are: ‘opening or closing scissors without any reason’ is seriously inauspicious; ‘stepping over a child’ will affect his physical growth; ‘cutting one's nails at night' is harmful; ‘sweeping the house at night, doing laundry on Mondays, starting doing anything important on Sunday or Tuesday, and keeping any sweep in front of door’ augur bad; 'itching the left hands or left eyes/eyelashes' foretells the impending danger; 'number 13' is unlucky; 'flight of a butterfly or its sitting on anyone’s body' forebodes one wedding; 'sighting any lame, impaired, poor, needy, widow, or barren woman, especially while leaving home' predicts bad luck; ‘encountering any accident or seeing bloodshed before one's eye after he starts out’ is ill-fated; 'calling someone back after his stepping outside the threshold of the house and his looking back over his shoulders to answer the call' is undesired; ‘seeing any empty pitcher, drop of comb from one's hands or head, marrying in any particular months (like Arabic Shawwāl), intimacy between the husband & wife in the wedding night, interlacing one’s fingers or cracking knuckles (which could lead to problems in the marriage), losing any marriage-gift (particularly ornaments), especially by the wives, hearing the sound of any crow or owl, losing pen, bag, umbrella, and handkerchief- all these foreshadows looming peril; 'visiting the places where any crime or accident occurred' is regarded dangerous; 'playing with water and spreading/spilling it on one another, certain positions of moon or stars' are undesirable; a black cat crossing one's path can affect his luck and the man should go back; if a lizard falls on one's head then he lives in fear of death; someone sneezing in front of someone will cause bad luck; a dog howling/whining in the middle of the night is inauspicious and tells of something terrible coming; pregnant women who travel alone at night or enter an uninhabited home may be possessed by ghosts; a new bride is judged to be fortunate or unfortunate by what occurs in her new family for a year after marriage; 'eating an egg (specially boiled) by any examinee before appearing an exam' will cause him to get a result like an egg - that is zero; it is inauspicious to travel on an amaavasyaa (New Moon) night cause it is believed that all demons walk on the earth in that night and collision with anyone of them could bring something dangerous; ‘biting one's own tongue' means someone is abusing him; 'breaking a mirror, spilling salt, or walking beneath ladder' are seriously ominous etc.

Some examples of commonly believed superstitions of good luck are: the belief that if one's palm itches he will obtain money; that if one's sole itches he may travel; that if one's right eyelash throbs he will face happiness, itching the right hands or right eyes also augur well for a person, number 7 is lucky etc. Hiccups indicate that someone is thinking of the person.

These beliefs are focused, mainly, on immortality, hostile forces, everyday activities, rituals, animals, communities, evil eyes etc. In an article titled 'A Scale to Measure Superstition', Md. Mahfuzul Huque and Ataharul Huq Chowdhury collected a total of 31 statements or items expressing superstition through reviewing relevant literature, consultation with extension experts, social scientists, progressive farmers and local leaders of Bangladesh with the objective of constructing a scale to measure superstition in a rural setting of Bangladesh. They conducted the survey on four villages of Tilli union under Saturia upazila of Manikgang. Those are the followings along with the intertwined conceived consequences;
1. Women must wear an ornament at nose and remove it after husband’s death.
2. Birth of handicapped children is the consequence of parent’s sin.
3. It is a symbol of good luck for the father, if the first issue is a daughter.
4. If anyone praises a healthy and good-looking child, he/she gets sick for having an evil eye.
5. Jaundice patients should avoid taking all kinds of protein including fish.
6. It is an ominous start if any one stumbles at the door or gets head struck with the roof while getting out of the home.
7. It is a sign of bad luck if someone takes food in a broken or fissured plate
8. It is ominous to see an empty pitcher or a black cat on way out of home
9. Devils read out a religious book when it is kept open
10. One should not open the doors at night on hearing a single call from someone outside the home
11. If a dog whines piteously at night, danger is ahead
12. One should not give or take anything from the shop on credit in early morning or at dusk
13. During the last night of the fortnight and full moon, the evil make free movements
14. Having faced sudden obstacle in the pharynx while taking food, it symbolizes that someone is remembering you
15. If a lizard makes ticking sound in the midst of a conversation, it bears truthfulness
16. In an attempt if you fail to kill a snake at daytime, it will come to bite you at night
17. Entrance of butterfly in the room is a good sign
18. Taking good food and having pastime on the first day of a new year (e.g. 1st Baishak of the Bengali Year) will make your days good throughout the year
19. If a baby continuously becomes thinner by being sick, he/she has gone under an evil eye
20. Breaking mirror bears a bad sign
21. If you want to buy lime and turmeric, you should ask for curds and hue, respectively after the dusk
22. It is an auspicious sign to see a pitcher filled with water on way out of home
23. Tamarind trees are the abodes of devils
24. Frisking of left eye is a sign of getting sick soon
25. If a pregnant women cut anything during the lunar eclipse or solar eclipse, she will deliver a deformed child
26. One’s death is inevitable if a cow sneezes while he sets out from residence
27. It is ominous to see a broom on way out of home
28. If someone takes eggs on the examination day, he will have a poor performance
29. If a women takes joint banana, she will give birth of twins
30. Presence of infertile women in the wedding ceremony is inauspicious
31. If the fetus moves in mother’s womb, it will be a boy, else it will be a girl

Sana made a survey on the shrimp farmers in a Southern Bangladesh rural community in order to ascertain superstition’s relationship with those shrimp farmers. He selected 60 superstitious statements on a broad national context in consultation with local leaders and extension personnel of the community concerned and highlighted their conceived consequences. An extensive and exhaustive list of superstitions prevailing in Bangladesh has been given in a book titled 'Bangladesh Superstitions and Folklore' where the superstitions were categorized under two categories i.e., Specific Superstitions and Other Superstitions and their associated beliefs were also discussed. This booklet is actually a short profile of the folklore, legends, proverbs, and superstitions of Bangladesh.
Upon close examination these superstitious beliefs are clearly found to be originated in the Hindu mythology of occult cultures, legends and folklores and then penetrated into the Muslims because of their close proximity and co-existence for hundreds of years. Many of these omens have taken their roots from ancient Hindu Scriptures including Veda. For example, according to Manu Sanghita:

"Neither by explaining omens and prodigies, nor by skill in astrology and palmistry, nor by casuistry and expositions of holy texts let him (a Sanyasi) at any time gain his support."

"Together with all his food let him swallow such medicinal substances as resist venom; and let him constantly wear with attention such gems as are known to repel it."

Mrs Banu studied the transformation took place within Bengal Islam and concluded that many Hindu customs, rites, ceremonies, festivities, legends, and folklores in different forms developed in the Muslim society due to their long association with them and as many converts from Hinduism carried those with them. She traced the origin of pir adherence or their dargas association to the Hindu worship of gods and their visit of their temples. These also include, according to Banu, the Rakhi system, Diwali ceremonies, Sraddha (feasts in honor of dead), Muharram festivities, and Tazia (following Ratha Jatra), Pir-Murid relationship (following Guru-Chela), the wearing of amulets, and many others.

Besides, many other of these superstitious beliefs found among the Muslims of this Sub-Continent originated in the non-Islamic Judeo-Christian settings and then penetrated into the Muslim societies. Let us look at the following omens:

- **Knock on Wood:** When someone is thankful for something and hopes that his luck will not change he says, "Knock on wood", and looks around for some wood to knock on. The origin of this belief goes back to the time when people in Europe thought that gods lived inside trees. To ask the tree-god a favor they would touch the tree. If the wish were granted they would touch the tree again to thank the god.

- **Spilling Salt:** If salt is spilled; many believe that misfortune will shortly follow, so the spilled salt is thrown over the left shoulder to counteract it. The origin of this omen lies in the ability of salt to keep things fresh. This was believed by the ancients to be due to its magical powers. Thus, spilling salt became a warning of evil. Since evil spirits were thought to live on one's left side, throwing the spilled salt over the left shoulder was supposed to satisfy the evil spirits.

- **Breaking a Mirror:** Many people believe that breaking a mirror accidentally is a sign of seven years of bad luck. Ancient people thought that their reflections in water were their souls. So if their reflections were shattered (e.g. if someone threw a pebble in the water), then their souls were also shattered. When mirrors were made this belief was transferred to them also.

- **Black cats:** The crossing of a black cat in front of one's path signals the coming of bad luck to many. This belief originated in the Middle Ages when people believed that black cats were witches pets. Witches were supposed to make magic brews by mixing the brains of black cats with parts of toads, snakes and insects. If a witch's black cat lived for seven years, without ending up in a brew, the cat was supposed to change into a witch.

- **Number 13:** In America the no. 13 is considered unlucky and thus, in many of the apartment buildings the 13th floor is called the 14th. Friday the 13th is considered particularly unlucky and many people avoid travel or special engagements on this day. And if anything bad befalls them on that day, they immediately attribute it to the day itself. This phenomena is not restricted to the common people as some might mistakenly imagine. For example, the flight commander of the Apollo moonshot of 1970, which came near to disaster, explained on his return that he should have known that something was going to happen. When asked why, he replied that the flight took place on Friday the 13th, blast off was at 1300 hours (i.e., one o'clock), and the flight number was Apollo 13. The origin of this belief goes back to the evening of Jesus' last supper as told in the Bible. At the Last Supper, there were
13 people. One of the 13 was Judas, the man who supposedly betrayed Jesus. Friday the 13th is supposed to be particularly unlucky for at least two reasons. First, Friday is the day Jesus was supposed to have been crucified. And, according to medieval belief, Friday is the day when witches held their meetings. Besides this, it is claimed that Adam and Eve were expelled from the Garden of Eden on a Friday, Noah's flood started on a Friday and Christ was crucified on a Friday so it is likely these days and numbers combined were given the signal of bad luck.

- **Walking Under a Ladder:** It is believed that walking beneath an open ladder is detrimental in the sense that 'If you walk under a ladder you supposedly break a spiritual triangle (the holy trinity) that will leave you vulnerable to the devil'. In the days before the gallows, criminals were hung from the top rung of a ladder and their spirits were believed to linger underneath. Thus, to walk beneath an open ladder, was to pass through the triangle of evil ghosts and spirits.

- **Step on a Crack:** There is a proverb in English: "Step on a Crack; Break your Mother's Back". Thus stepping over a crack is taken to be cursed. Cracks and fear of stepping on them, comes from an ancient fear of letting the soul out of the square. The four corners are symbolic of balance and perfection.

### 06. Impacts of Omens in Bangladesh and their Management from Islamic Perspective: A Policy Prescription

In the following analysis, we will see the extent of the impacts of omens on the people of Bangladesh, especially the Muslims, and how to manage and remedy those from an Islamic Management perspective.

#### A. Impacts of Omens on the people of Bangladesh:

Omens have multifarious impacts in the society which cause the people of Bangladesh, Muslims and non-Muslims to suffer from many physical, psychological, social, economic, and religious problems.

As superstition is a cultural phenomenon, it must work its way into our assumptions in order to integrate into mental maps and shape our values. It creates some fictitious religious beliefs and values among the local Muslims thus corrupting their religious minds; for the following reasons:

1. For Muslims, it corrodes the foundation of **Tawhīd** (Oneness of Allah), especially that of **Tawhīd al-Ibādah** (Oneness of Allah’s worship) and **Tawhīd al-Asmā wa As-Sifāt** (Oneness of Allah’s Names & Attributes). Thus (i) it directs the trust to someone/something other than Allah, and (ii) it attributes to man the power to predict the coming of good or evil, and the ability to avoid Allah’s destiny.

(a) In fact, superstitions, and especially, omens are purely based on the hidden claim and assumption that future may be predicted and the Unseen may be intruded, and any impending future dangers can be averted through some prescriptions and practices. It became clear in all the above-mentioned definitions of omen where the knowledge of future has been invariably associated with it. This is why the Prophet (saas) mentioned omens along with astrology and prescribed the same penalty for both.

(b) A fundamental requirement of **tawhīd** is that one should put his unwavering trust in Allah. Believing in omens is totally contradictory to this unblemished trust. This is why the Prophet (saas) prohibited **tiyarah** in a Hadīth reported by his grandson, al-Husain:

"Whoever does **tiyarah** for himself has his future prophesied or has someone bewitched, is not one of us."  

Hāfiz Ibn al-Qayyim said:  

*Tatayyur* refers to superstitions about something that is seen or heard; if a person follows it and he changes his mind about traveling or refuses to do something he had previously decided to do, then this is *shirk* and is contrary to putting one’s trust in Allah. He opens the door to fear and attachment to something other than Allah. Superstition based on something seen or heard takes one away from the status expressed in the verses “You (Alone) we worship, and You (Alone) we ask for help” (1:5), “So worship Him and put your trust in Him” (11:123) and “in Him I trust and unto Him I repent” (11:88). Thus his heart and faith will be corrupted, and he will be continually disturbed by these
superstitious notions and the shaytān will lead him to things that will damage his religious and worldly interests.

2. Belief in omens is a form of Shirk. The ruling is substantiated by the following Hadiths:

Reported on the authority of Ibn Mas'ūd (r) that the Prophet (saas) said: "At-tyarah is Shirk, at-tyarah is Shirk, at-tyarah is Shirk." According to another report he said: at-tyarah is Shirk. And there is none among us who is not afflicted by it, but Allah, by true dependence on Him, removes it from the heart." 46 Abdullah Ibn 'Amr bin al-'Ās narrated that the Prophet (saas) said: ‘Whoever is prevented from doing something by Tiyarah, has committed Shirk.’ 47

Imam Ibn al-Qayyim says: ‘Whoever is prevented by Tiyarah from what he decided firmly to do, he eventually knocked at the door of Shirk, nay, he associated himself with it, desisted from putting trust in Allah, and opened for his own a door of fear and relationship with something other than Allah.’48 Al-Manawī says: ‘The Arabs believed in the impacts of omens, and would seek to dispel their pre-destined destinies, and thus would refuge in things other than Allah for preventing them. Such was also the belief of the jāhiliyyah.’49

3. It is considered to be a branch of prohibited category of magic. Qubaysa Ibn al-Mukhāriq (r) narrated that the Prophet (saas) said:

‘Iyāfah, Tiyarah, and Tarq are forms of magic.’ 50

'Iyāfah refers to driving birds of omens away auguring prognosticating by their flights. Tiyarah is to take sign of bad or good omens from the names of birds, and their screeching, colors, and directions in the time of flight when driven away. And Tarq is to strike with pebbles and drawing in the sand.51

This is why the Prophet (saas) said, ‘Seventy thousand people of my Ummah will enter Jannah without any accountability.’ They said, ‘O Messenger of Allah! Who are they?’ He said, ‘those who do not steal, do not believe in tiyarah (omen), do not punish/kill someone/something with fire, and upon their Lord they rely.’52

Study in journal Science53 found that superstitious feelings adversely affected the investment decisions of volunteers. US researchers say mind naturally creates illusions and superstitions in the times of stress. Researchers found that volunteers whose feelings of control had been undermined formed illusory correlations and made their investment decisions on the back of it. A.N. Das and C.P. Mitchell54 showed in their study on 13 villages as how superstitions and taboos can affect bamboo planting in Nepal. According to them, the most common superstitions and taboos are women should not plant bamboo as they will be infertile; young and unmarried male adults must not plant bamboos; planting should be carried out only by the oldest household male members of the household; the bamboos shadow is bad and inauspicious so they should not be planted in front of the home; if bamboo’s shadow falls on the planter then he will die. Lauren Block & Thomas Kramer55 studied in their paper the negative effects of superstitious beliefs on product performance expectations. It affects the socio-economic development of Bangladesh in many aspects. Due to superstitions, women are not properly educated and hence they could not contribute to the socio-economic development whereas they comprise roughly half of total population. Mrs Banu gives a sociological analysis of Islamic religious beliefs and practices in contemporary Bangladesh, and more importantly, she studies the impact of the Islamic religious beliefs on the socio-economic development and political culture in present day Bangladesh.56 Sana, in his survey on the shrimp farmers in a Southern Bangladesh rural community, showed that how these farmers are affected by certain superstitions which cause sometimes substantial loss to their production.57

On the societal level, superstitious beliefs work deep down within our core assumptions and can be defined as social heuristics, thus intertwined without our knowledge structure, and therefore become a factor in the assessments, judgments and decisions we make58. They are part of the decision process. On the negative side, heuristics can become cognitive biases. Cognitive biases are errors of judgment based on misconceptions of the facts, memory errors, probability errors, motivational factors, and/or social influences. These are the basis of irrational reasoning which can lead to all sorts of mistakes in judgment59.

Superstitious beliefs are sometimes stumbling blocks to proper health treatment. In a study com-paring African Americans, Latinos and Pacific Islanders with White Americans on causal attributions of illness, the ethnic
minority groups rated supernatural beliefs as significantly more important than White Americans. It causes health hazards for the people of Bangladesh, especially the uneducated ones. According to UNICEF (UNICEF 1999) as many as 27 different types of superstitions have been identified in Bangladesh, which is harmful in achieving healthy and safe motherhood. These practices mostly involve restriction of mobility, consumption of adequate food and growth of the fetus. There are many more social practices, which take place during the actual time of child delivery. Some of these delivery-period practices are potentially harmful and are likely to contribute to post partum morbidity. In most developing countries like Pakistan, India, Bangladesh, people lose their lives because of fake treatments offered by practitioners who have no knowledge of their field and treat patients based on their superstitions.

Some omens are psychologically more damaging than others. According to the Karl Peltzer of University of North in Sovenga, superstitious beliefs can be a cause of high incidence of fatal road accidents in South Africa. South African drivers share deep-rooted beliefs in the supernatural, thinking accidents result from witchcraft, for instance, or that medicines can prevent them, says Karl Peltzer. Jenni Wallis studied the disturbing psychological impact of superstitions on children. Both in Hindu and Muslim community in Bangladesh, some folk-beliefs are relating to widowed or childless women. These women are considered inauspicious; are forbidden to attend a wedding or touch a newborn; and their presence is believed to bring bad luck for the newlywed couple as one of them might die soon or might cause them to be fruitless (Childless). Tabeej (or voodoo dolls), it is believed in Bangladesh, can be used to spark fear in others and to incite hate, and these have been known to leave deep emotional and psychological scars on those who are targeted in this manner.

B. Islamic Management of Omens: A Policy Prescription

Yoshifumi Harada and Murray Hunter, in their paper titled ‘Walking under a ladder: Superstition and ritual as a cognitive bias in management decision making’, pointed to the understudied role of superstition in management. According to them,

From the decision making aspect, superstition skews thinking into archetypal patterning that is reinforced by a generally accepted cultural beliefs. This is manifested by myths, stories, taboos, ceremonies, and rituals such as wearing "something oil, something borrowed, and something blue" at a wedding ceremony, or 'touching wood' in the hope of a particular outcome. With society following these rituals and other practices, fallacy is embedded into our cognitive processes, influencing our daily and strategic decision making.

Superstition is affecting the management universally around the world. It is evident through a sampling of examples below:

- In Japan and some parts of China the word "four" is pronounced "shi" the same as the word for death. Consequently just like number "13" in the west, the "4th", "14th", and "24th" floor, etc., are skipped in some buildings. Gifts consisting of "four" pieces are avoided probably with the fear that this could be an unlucky omen. The number "8" is considered lucky because its pronunciation is similar to the word prosperity, therefore car number plates with "8" and multiples of "8" are highly desired for good luck. Consequently, many consumers are willing to buy products at a premium because of lucky colors and 8 rather than 10 units in the packet because of superstition.

- In India and across Asia it is unlucky to get a haircut on Tuesdays. There are numerous taboos about what activities, such as moving into new premises can be done on what days.

- Throughout the Asian region fortune tellers and astrologers are commonly sort out for advice before making big decisions.

- "Fengshui", a Chinese system of heavenly geometry is commonly used in deciding building aspects and layouts where practitioners play the role of a legitimazer and comforter in strategic decision making.

- Iranian politics appears to be influenced by "divine supernatural experiences" which lead to the belief that policies and actions are "divinely sanctioned".

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
• It was reported that Pakistan’s President Asif Ali Zardari has been slaughtering a black goat every-day since becoming president in an attempt to ward off “the evil eye”.

• People don’t make decisions based upon their true experience. Many stock and mutual traders believe that particular superstitions have some influence on their trading. A special algorithmic trading system based on superstitions has been launched in the United States.

• Many Thai people believe they are protected by an amulet imprinted from a selected temple, including prime ministers, in a similar way some Christians may wear a Saint Christopher’s medal for a sense of protection from injury.

As in the past, the present Islamic scholarship should decidedly come forward with firm resolution to salvage the Muslims of Bangladesh in particular and the greater populace at large from this devastating omens and superstitious beliefs. As, unlike traditional management, Islamic Management aims at the total transformation of a given society towards propriety, positivity, practicality, prosperity, and divine pleasure on the basis of maqāsid al-Sharīah, the people working for the islamization of the society should formulate an Islamic-Management-structured policy to deal with omens and superstitions. This should be based on managerial functions proposed by Shaya'a Othman, Mohiuddin, and experts on Islamic Management i.e., Thinking, Planning, Organizing, Human Motivation, Leading and Controlling.

The diagram illustrates that there should be an all-out effort initiated by the Islamic scholars for dealing with the issues of omens and superstitions on the basis of action-plan based on this structure of the functions of Islamic Management. The scholars should scientifically and systematically think first of the harmful effects of omens, make a pragmatic comprehensive plan for dealing with superstitious issues, organize the relevant and required human and material resources for effectively dealing with these, motivate the concerned to fight and/or come out of the imaginary works of omens, lead a team dedicated for this task, and control through relentless and regular assessment of the successes of their undertakings against omens and superstitions.

In the light of the foregone, the following specific tasks should be done in this regard.

A. Muslims are to be informed of Islamic Ruling on Omen:
   The Muslim scholars and Islamic intellectuals are to undertake an initiative to inform people about the Islamic ruling on Omen. This may be done by the help of electronic and printing media through arranging TV programs (discussion sessions and talk shows) or writing newspaper columns on Islamic perspective of Omens. The Muslims are to be informed about the position of Islam on Omens through, for example, the following points:

   1. Not surprisingly, Islam invalidates all traces, practices, and manifestations without any compromising. Besides, it is based on the faulty assumption that the knowledge of the unseen may be accrued by anyone other than Allah. Sometimes, people believe though mistakenly that the Prophet Muhammad (saas) knew unseen and future, whereas Allah mentions in the Qur'an in unambiguous terms and with clear-cut wording.

38

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
that none knows the unseen save Him. Many verses of the Qur'an (6: 59, 3: 179, 7: 187, 27: 65, 31: 34, and 72: 26-27) are indicative of this fact. The central message of all these verses is that the keys of the unseen are with Him, He knows everything ranging from the tiniest to the biggest elements on earth, seas, and heavens, no leaf of any tree falls without His knowledge and permission, only He knows the exact date of the Hour, the when, how and where of death, birth and future activities of anyone are only known to Him...etc. His knowledge of unseen He shares with whom He wishes (72: 26-27). Even the Prophets of Allah, including the Prophet Muhammad (saas) could not know the Unseen and the future except the information which has been divulged to him by Allah. Allah recorded the statements of the Prophets in the Qur’an in the following verses:

The Prophet Muhammad declared that he did not possess the knowledge of Unseen.

‘Say: "I have no power over any good or harm to myself except as Allah wills. If I had knowledge of the Unseen, I should have multiplied all that is good, and no evil should have touched me: I am but a Warner, and a bringer of glad tidings to those who have faith."' (Al-Qur’an, 7: 188)

The same has been declared by Nūh (a) (Al-Qur’an, 11: 31) and acknowledged by the Jinn (Al-Qur’an, 34: 14).

Besides, had the Prophet (saas) known the future and the Unseen on his own without Allah’s permission he could have avoided the catastrophe in the battle of Uhud and Banū Thāqif, the danger and affliction in Makkah, Tāif, and Uhud. But Allah gave him and other prophets a portion of this information and knowledge as aids and authentication to their prophethood. The predictions of the Prophet (saas) about the sings of the Hour, defeat of the Persian eventually at the hands of the Romans, the Muslim victory in the battleground of Badr, the ultimate defeat and subjugation of the Romans, Persians, African and Yemenite at the Muslim hands are a few of such examples. This is further attested and substantiated by the Qur’anic declarations in 72: 26-27 and 3: 179.

2. Allah does not mention superstition in the Qur’an except with regard to the enemies of the Messengers.

The Qur’an recorded the statements and the attitudes of the enemies of the Prophets and Messengers towards them in the following verses:

"For us, we see an evil omen from you; if you cease not, we will surely stone you, and a painful torment will touch you from us.' They (Messengers) said: ‘Your evil omens be with you! (Does it seem evil to you) because you are admonished? Nay, but you are a people Musrifūn (transgressing all bounds by committing all kinds of great sins and by disobeying Allah)”

The Qur'an, then, specifically, offers the case study of people of Mūsā (a) and Allah Sālih to whom bad omens were ascribed by their enemies from among their communities. See the Qur'anic narrations in 7: 131 and 27: 47.

3. The fallacy and falsehood of omens become crystal-clear when we cast a glance at the following few facts:

Hazrat ‘Āishah (R) narrated that: ‘The Prophet (saas) married me in Shawwāl and consummated the marriage with me in Shawwāl. And who among you was more beloved to him than me?’ The reporter of the Hadīth added that ‘Āishah would arrange consummation of her women in Shawwāl.71 Ziyād Ibn Abī Maryam narrates: Sa’d Ibn Abī Waqqās was on a journey when some gazelles suddenly came near to him and went away. A man remarked out, ‘O leader! Go back.’ Sa’d said, ‘tell me of which (part) of the gazelles you augured ill, for their horns when those approached or from their tails when those retreated?’ Sa’d then said, ‘Surely tiyarah is a branch of Shirk.”' Ibn ‘Abd al-Hakam narrates from Muzāhim: ‘Once ‘Umar Ibn ‘Abd al-’Azīz set out from Madinah when the moon was in Hyades [a group of stars in Taurus]. I observed that but did not tell him. I just said, “Look, how beautiful the moon looks tonight.” ‘Umar looked and saw that the moon was in Hyades, and said, “It is as if you wanted to tell me that the moon was in Hyades. O Muzāhim, we do not go out by the help of the sun or the moon; we go out by the help of Allah, al-Wāhid, al-Qahhār.””

The Prophet (saas) himself negated the effects of tiyarah in a Hadīth reported by Mu‘āwiyyah ibn al-Hakam who asked the Prophet (saas),
There are some among us who follow bird omens.” The Prophet (saas) replied, “It is only something you made up by yourselves, so do not let it stop you.”

That is, do not let it stop you from doing what you want to do, since such omens are all fictitious concoctions of man’s imagination which have no reality. Thus, the Prophet (saas) explained clearly that the direction in which birds fly is not a sign of anything, nor success or calamity which occurs is caused by their motion of flight or may be foretold by it, even if some events happen to coincide with pre-Islamic concepts about their motion.

The Companions of the Prophet (saas) also rejected all manifestations of belief in bird omens as soon as they experienced those. ’Ikrimah said, "Once we were sitting with Ibn ’Abbās and a bird flew over us screeching, a man amidst the group exclaimed, "Good! Good!" Ibn ’Abbās reprimanded him saying, 'There is neither good nor evil in it.’” Similarly, the Successors of the Prophet’s Companions (Tablī‘un) also rejected all forms of belief in omens expressed by anyone in their front. Once a crow screeched while Tāwūs was on a journey with one of his friends and his companion said, "Good!" Tāwūs replied, "What is the good in that? Do not accompany me any further.”

Besides, none can cause any good or harm and nothing does happen without Allah’s leave. The Prophet (saas) instructed his cousin, ‘Abdullah Ibn ‘Abbās, saying: ‘And bear in mind that if the whole of mankind gathered together in order to do something to help you, they would only be able to do something for you which Allah had already written for you. Likewise if the whole of mankind gathered together to harm you, they would only be able to do something to harm you which Allah had already written to happen to you.’

B. The Imāms of the Masjids should play role:

Bangladesh is host to hundreds of thousands of masjids scattered throughout the country. Masjids are there within shouting distances. Sometimes each small locality does have more than one masjid. According to Mosque Census of 1986 conducted by Bangladesh Bureau of Statistics, the total number of mosque in Bangladesh is 131,641. The number will now well-exceed three hundred thousand. Most of these masjids do have regular and paid Khatīb, Imām, and Muazzins. As 89.58% of the total population is Muslims and most of them attend the mosques at least for performing Friday (Jum'ah) prayer, the Khatībs and Imāms can play a significant role in generating awareness about the harmful impacts of Omens on Īmān and ‘Amal and saving the general public from committing Shirk. It is so because the mass people commit this unknowingly.

C. Books, booklets, leaflets, and other written materials are to be circulated:

The publishers, social and philanthropist organizations, religious movements, and reformists should come forward to finance the publication and free-distribution of some books, booklets, leaflets, banners, festoons, and posters highlighting the anti-Islamic sides of these superstitions. This is widely practiced by the religious groups and organizations in the developed world where the related information is disseminated and general awareness is created easily in this way.

D. A strong social movement is to be launched:

A strong well-designed social reformist movement should be launched in this regard. Such a movement was initiated in the nineteenth century by a few outstanding reformists in the Indian Sub-Continent like Hajji Shariatullah, Shahid Titu Mir, and Syed Ahmad Shaheed, but that movement can not be said to have reached desired goal. Faraidi Movement was the first movement developed in Bangladesh in response to the increasing Hindu influence on Bengal Islam. Being Initiated by Haji Shariatullah and then succeeded by his son Mohammad Mohsin, more commonly known as Dudu Miyan, the movement was aimed at urging the Muslims to practice "self-correction", and to forsake forever the innovations and accretions that had trickled into Bengal Islam. The Faraidis, through many ways, denounced these superstitions, informed the Muslims of their disastrous effects, and insisted that Muslims practicing these polytheist and sinful accretions must express tawbah (penance) and make a fresh vow to lead a perfect Muslim life. Many other reform movements which were launched with this objective in mind were studied by Banu in details along with her analytical conclusions.

A new reform movement should, thus, analyze the ins and outs of the previous movement and craft its action plan as such. It may incorporate curricula in the educational institutions where the students will be taught different issues related to Omens.

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]

http://www.crimbbd.org
E. Some misconceptions are to be clarified:

A few misconceptions concerning Omens have been generated in the society. These are sometimes based on the wrong understanding of some Hadīths or wrong interpretation of a few Islamic terminologies. An attempt has been made in the following to clear a few such misconceptions and misunderstanding.

Clarification of a few Hadīths:

There are at least two categories of Hadīths which seem apparently contradictory and hence need clarification. The following one is representative of the first category where the Prophet (saas) is reported to have listed women, horses (i.e., riding animals) and houses to be of objects of bad omens.81 Abdullah Ibn 'Umar (R) says that the Prophet (saas) said, 'Bad omens are in three things: women, houses, and riding animals.' According to another narration, the Prophet (saas) specifically mentioned horses in place of general riding animals. He said, 'Bad omen is in houses, women, and horses.'82

This apparent contradiction may be reconciled in the following ways:

Firstly: 'Āishah (R) rejected this narration saying, "By the One who revealed the Furqān (Qur'an) to Abul Qāsim (Pet name of the Prophet), whoever relates it has lied. Allah's Messenger said that the people of ignorance used to say, 'Surely there are tiyarah in women, houses, and beasts of burden.' Then she recited the following verse:

'No calamity befalls on the earth or in yourselves but is inscribed in the Book of Decrees, before We bring it into existence. Verily, that is easy for Allah.' (Al-Quran, 57: 22)

This is supported by what al-Tayālisī narrated in his 'Musnad' [1537] from Muhammad Ibn Rāshid on the authority of Makhōl that 'Āishah (R) was asked: Abū Hurayrah says that the Prophet (saas) said: "Pessimism is found in three things: in a house, a woman and a horse." 'Āishah (R) said: "Abū Hurayrah did not memorize this, because when he entered, the Messenger of Allah (saas) was saying: May Allah curses the Jews; they say: 'Without doubt pessimism is in a house, a woman and a horse.' So he heard the end of the hadeeth, and he never heard the beginning of it."83

Besides, Ibn Abd al-Barr narrated from some scholars that the Hadīth of this chapter was in the initial period and it was then abrogated by the 22nd verse of Sūra al-Hadīd.84 85

Secondly: The Hadīth should be interpreted according to other narrations related to this chapter which are of more specific imports. This is substantiated by the reports of Muhammad Ibn Zaid and Hamzah Ibn 'Abdullah Ibn 'Umar from the same reporter Abdullah Ibn 'Umar:

'If there are to be anything true out of bad omens, it would have been in horses, women, and homes.'86 And: 'If there were to be bad omens, they would have been in horses, women and places of residence.'87

This is further vindicated by another Hadīth where the Prophet (saas) has reportedly listed land, servant and horse to be, if they were to be, among the objects of bad omens. This time the Hadīth is narrated by Jābir (R).88

Thus, the Prophet (saas) did not confirm the existence of bad omens. He only pointed out the areas in which it was most likely to occur, if it were to be real. These three were specified for the frequency of occurrence of misfortune associated with them. Again those were and still are the three most important things in a man's life. Consequently the Prophet (saas) prescribed certain prayers of refuge to be said when owning or entering them.89

Thirdly: Taqī Uthmānī says, "To me the preferred interpretation of this Hadīth is: the omen confirmed in this Hadīth for the three things is not real, but figuratively implies that whenever these things do not conform to the natural disposition, they cause different dangers and constant sufferings, as the perceived omens cause sufferings for the believers in them. These three things have been specifically mentioned because the sufferings caused by those are greater in quality and quantity. For each of these things accompanied for long and people need those repeated every day. So if those are opposed to the natural disposition, those cause continuous hurt and linger one's sufferings until those are parted with and substituted by something better. It is supported by what has been reported by Sa'd Ibn Abū Waqqās (R) from the Prophet (saas), 'Three things are of good fortune: righteous wife, spacious place of residence, and comfortable transport.'90 Though the chain of this report is not
strong, there is another report in Musnad Ahmad through narrators on the conditions of Sahih al-Bukhari with a more complete preceding whose wording is: 'There are three things that cause happiness and three things that create misery for the human being. A good wife, a good house, and good transport cause happiness. A bad wife, a bad house and bad transport cause his misery'.

The following Hadith is representative of the second category of Hadiths:

Anas Ibn Malik (r) narrated that a woman came to the Prophet and said: 'Oh Messenger of Allah! We were in a house where we were many and our wealth was abundant. Then we shifted to another house where our numbers dwindled and the wealth decreased. Then the Prophet (saas) said, 'Leave it for it is reprehensible/it is cursed by Allah'.

Firstly: The command of the Prophet for the family to leave the place is not any confirmation of bad omens; it is merely releasing them of their psychological burden due to the misfortune and loneliness they suffered there earlier. There is a natural inclination in every human psyche to abandon or avoid a place where he/she experienced any misfortune, though he/she knows that the thing did not cause actually the misfortune. This is vindicated by the fact that the family expressed their desire to the prophet (saas) for leaving the place.

Secondly: Besides, the request and the subsequent permission came after the affliction of sufferings upon the family, not before which is just opposite to the phenomena of bad omens. The transition takes place when an individual tries to avoid places and things in which others had misfortune or when he tries to seek out those in others had good fortune. He begins to attribute the good and the bad fortune to the places and things themselves and in time he may even perform certain acts of worship there.

Thirdly: The Prophet (saas) ordered the family to leave the place because he understood that they had already developed an impression that the misfortune was due to the inauspiciousness of the place, and if they were to remain there any longer and any calamity befalls them then their belief would become firm and confirmed about bad omens.

True Meaning of Fa’l:

An exception to this general policy/stance of Islam on Omens is Fa’l. Literally Fa’l means: good omen, favorable auspice, optimistic outlook, hope, omen, auspice, sign etc. Imam Qurtubi says: 'It refers to a statement heard or a thing felt whose implication is in the mind and then one perceives out of that implication the acquisition/realization of the intended meaning. Put simply, it is making any optimistic remark or having any positive feeling out of something seen, heard, felt or perceived. Let us consider the following Hadiths:

Anas reported from the Prophet (saas): "There is no contagion, nor tiyarah, but I like fa’l. The Companions then asked, 'What then is fa’l?' He replied, "A good word." The Prophet (saas) also said: 'There is no contagion, no omen, but I like optimism. It is good word, nice word.' Abû Hurayra reported: I heard Allah's Messenger (saas) as saying: "There is no divination but the best type is the good omen. It was said to Allah's Messenger (saas): What is good omen? Thereupon he said: A good word which one of you hears.'

The recognition of bad omens in things indicates bad thoughts about Allah and contains Shirk. Although the belief in good omens tends to be more positive in its approach to Allah, it still involves the Shirk of assigning divine powers to created things. This is why the Sahaabah were very surprised when the Prophet (saas) expressed a liking for fa’l, a good omen. The Prophet (saas), however, defined for them the limited aspect of fa’l which is Islamically acceptable. It is the use of optimistic terms. For example: nicknaming a sick person "Saalim" (well) or one who has lost something "Waaajid" (finder). The use of these and similar terms revive hope and optimism in the unfortunate and produce feelings of well being. Believers are required to maintain optimism about Allah at all times.

This was also the holy custom of the Prophet (saas). Buraydah Ibn al-Hāsib narrates: 'The Prophet (saas) did not take omens from anything, but when he sent out an agent he asked about his name. If it pleased him, he was glad about it, and his cheerfulness on that account was visible in his face. If he disliked his name, his displeasure on that account was visible in his face. When he entered a village, he asked about its name, and if it pleased him, he was glad about it, and his cheerfulness on that account was visible in his face. But if he disliked its name, his displeasure on that account was visible in his face.' On another occasion, hearing a word which
the Prophet (saas) liked, he said: 'We took your omen from your mouth'. Imam Tirmidhī narrates from Anas (r): whenever the Prophet (saas) would go out for any necessity he would feel pleased to hear: O successful! O rightly-guided! Qāsim Ibn Ashagheh mentions: when Buraidah al-Aslāmī from Banū Sahm came with seventy riders of his family to meet the Prophet (saas) in the night, the Prophet (saas) asked him about his identity. He replied, 'Buraidah'. The Prophet (saas) then looked at Abū Bakr and said, 'Our issue became cool and right' [barida amruna wa salahuna]. It is because the word Buraidah came from bard which means: to become calm and cool. Then he asked him, 'From which tribe?' He replied, 'From Aslam'. So the Prophet said to Abū Bakr, 'We became secured'. He asked him again, 'Then of which?' He replied, 'Of Banū Sahm'. The Prophet (saas) now remarked, 'Our arrow went out'. The Prophet (saas) also made similar optimistic note on the arrival of Suhayl Ibn 'Amr for negotiation during the Treaty of Hudaybiyah. Upon Suhayl's arrival, the Prophet (saas) optimistically said, "Your circumstances have become easy for you." There is a play on the words in Arabic: salah, meaning "to become easy," is derived from the same root as the name of Suhayl.

Remedy for Omen and its Expiation:

Tiyarah or tatayyr are devilish whispers which are instilled and made attractive in human minds. A few remedies and atonements for these pessimistic phenomena have been suggested in the Hadīth literature. The following are a few of those prescriptions:

- **Firstly: Putting one's trust in Allah:** The first and the foremost remedy and riddance of omens that when one encounters anything reprehensible or terrible one should put his tawakkul/trust in Allah delegating all affairs to Him and take all necessary cautions and precautions. This is supported by the Hadith narrated by Abdullah Ibn Mas'ūd (R) that the Prophet (saas) said: “Tiyarah is shirk, and any one of us may think he sees an evil omen but Allah will dispel it by means of trust in Him (tawakkul).” It will work only when one believes that nothing, calamitous or felicitous, happens in this universe without Allah's knowledge and permission and it will eventually strengthen his status of faith. Allah declared: “No calamity befalls on the earth or in yourselves but is inscribed in the Book of Decrees (al-lawh al-mahfūz), before We bring it into existence. Verily, that is easy for Allah.” [Al-Qur'an, 57:22].

- **Secondly: Persistence in making prayer to Allah:** One should persist in making prayer and supplication to Allah for getting rid of the evils and imbroglios of bad omens. If and when one falls in any such situation and he is influenced by his/her belief in this superstitious scenario, he should immediately remember Allah and make unto Him the following prayer reported in the Hadīth of 'Abdullāh Ibn 'Amr as an atone for the sins of indulgence:

'Whoever lets tiyarah stop him from doing something is guilty of shirk.” They said, “What is the kafārah (expiation) for that?” He said, “to say: Allāhumma lā khayryayllā khayryuwa lā tayra illā tayruwa wā lā ilāha ghayryuka (O Allah, there is no good except Your good, no birds except Yours, and there is no god beside You).”

Shaykh Al-'Uthaymīn said: the statement “There is no good except Your good” is true, for all good comes from Allah, whether it is due to a known reason or otherwise, and the phrase “no birds except Yours” means: all birds belong to Allah, so they do not cause anything, rather they are subjugated to Allah's will. Allah says in the Qur'an:

'Do they not see the birds held (flying) in the midst of the sky? None holds them but Allah (none gave them the ability to fly but Allah). Verily, in this are clear ayāt for people who believe.' (Al-Qur’an, 16: 69)

The same is echoed in 67: 19 of the Qur'an.
-Thirdly: Going ahead with one's plans without delay or change of mind: One should go ahead with one's plan making no delay or change of mind and not being influenced or affected by it in his behavior and attitude. This is substantiated by the following report of ‘Urwah Ibn ‘Āmr:

"When omens were mentioned to the Prophet (saas), he said: The best type is the pessimistic remark (Fa’l), and it does not turn back a Muslim. If one of you sees anything he dislikes, he should say: "O Allah, no one brings good things except Thee, and no one averts evil things except Thee and there is no might and power but in Allah"."113

-Fourthly: Not emulating the omens-believers in belief and practice: One of the imperatives upon the non-believers in omens is not to emulate the omens-believers and to behave differently. An example of this is given by the Prophet (saas) in the Hadīth narrated by Umm Kurz (R): 'I heard the Prophet (saas) say: Let the birds stay in their roosts.' Ibn Hibbān says that the 'commandment' in the Hadīth is for opposite implication: 'drive not the birds away from their places'. The purpose is to warn of a third thing which is the practice of the pre-Islamic Arabs of approaching a nest of birds and driving them away to know whether it is auspicious or inauspicious to continue the task they decided.114

07. Conclusion

Whoever is concerned with tiyarah it will come to him at a speed faster than the flood towards the fall. The doors of satanic insinuations will open for him in whatever he sees or hears. The Satan will unfurl for him all close and distant occasions as omens which will destroy his religiosity and make his life hard.115 A believer in omen is trouble-minded, hard-hearted, gloomy, ill-behaved, hallucinating in everything he sees or hears, the most fearful of men, worst of them in lifestyle, the narrowest in heart, the most sorrow-minded, excessively reserve with everything harmful or useful. How many times he deprived himself of his share, divested him from provision, and cut him off benefit.116

Therefore, Muslims are obliged to carefully avoid all feelings which stem from these beliefs. If they find themselves unconsciously acting on the basis of these beliefs, they should seek refuge in Allah and say the previously mentioned Du’ā (prayer). This area may seem quite insignificant for so much fuss to be made about it. Islam, however, puts stress on this area because it represents the seed from which Major Shirk may grow. The worship of idols, men, stars, etc, did not come about at one instant in time. Such practices of idolatry developed over long periods of time. Man's belief in Allah's unity was gradually eroded as the seed of Major Shirk took root and grew. Thus, Islam, by providing guidance in all aspects of human life, tries to root out the evil seeds before they can take root and destroy the very foundation of a Muslim's belief.117

References:

1 It means the realizing and maintaining of Allaah's unity in all of man's actions which directly or indirectly relate to Him. It is the belief that Allaah is One, without partner in His dominion and His actions (Ruboobeeyah), One without similitude in His essence and attributes (Asmaa wa Sifaat), and One without rival in His divinity and in worship (Ulooheyahl 'Ebaadah). These three aspects form the basis for the categories into which the science of Tawheed has been traditionally divided. The three overlap and are inseparable to such a degree that whoever omits any one aspect has failed to complete the requirements of Tawheed. See for details: Bilal Philips, Dr. Abu Ameenah, The Fundamentals of Tawheed, (Islamic Monotheism), Dar-Us-Salam publishers & Distributors, Brooklyn, NY 11217, 1999, p. 1-26

2 It represents the belief that earthly beings are influenced by heavenly bodies and future events may be forecasted by the observation of the movement of these bodies. See for details: Tayseer al-Azeez al-Hameed, p. 441

3 Al-ghayb (commonly, and erroneously, translated as "the Unseen") is used in the Qur'an to denote all those sectors or phases of reality which lie beyond the range of human perception and cannot, therefore, be proved or disproved by scientific observation or even adequately comprised within the accepted categories of speculative thought: as, for instance, the existence of God and of a definite purpose underlying the universe, life after death, the real nature of time, the existence of spiritual forces and their inter-action, and so forth. Only a person who is convinced that the ultimate reality comprises far more than our observable environment can attain to belief in God and, thus, to a belief
that life has meaning and purpose. By pointing out that it is “a guidance for those who believe in the existence of that which is beyond human perception”, the Qur’an says, in effect, that it will - of necessity - remain a closed book to all whose minds cannot accept this fundamental premise. See Asad, Muhammad, The Message of the Qur’an,

Oxford Dictionary defines as “the belief that particular events happen in a way that can not be explained by reason of science, the belief that particular event brings good or bad luck”. Bhusan [Bhusan, B., 1989. Dictionary of Sociology (1st Ed.) New Delhi; Anmol Publication] defined superstition as “a belief about natural phenomena that depends upon a magical or occult interpretation of events and that is widely held to be true in spite of objectively demonstrable facts to the contrary”.

Shaya’a Othman defines it as, “Integrated activities of thinking, planning, organizing, leading and controlling, interconnected with decisions, involving the use of resources - human, financial, time, information, and physical, with the objectives of attaining the goals of Maqāsid al-Sharī‘ah, by means of effective and efficient methods.” See: http://islamicstrategymanagement.blogspot.com/p/definition-of-islamic-management.html

---

4 See for details of his life and work: http://en.wikipedia.org/wiki/Haji_Shariatullah

5 Titu Mir (1782-1831): a peasant leader who resisted the oppression of the local zamindars and European indigo planters on the peasantry with ultimate object of liberating the country from British domination. He was a leader of the tariqah-i-muhammadiya in Bengal and his movement initially aimed at socio-religious reforms, elimination of the practice of shirk (pantheism) and bidat (innovation) in the Muslim society and at inspiring the Muslims to follow Islamic principles in their day to day life. See for details: http://www.banglapedia.org/httpdocs/HT/T_0183.HTM

6 Shaya’a Othman defines it as, “Integrated activities of thinking, planning, organizing, leading and controlling, interconnected with decisions, involving the use of resources - human, financial, time, information, and physical, with the objectives of attaining the goals of Maqāsid al-Sharī‘ah, by means of effective and efficient methods.” See: http://islamicstrategymanagement.blogspot.com/p/definition-of-islamic-management.html

7 See for details of his life and work: http://en.wikipedia.org/wiki/Syed_Ahmad_Shaheed

8 See for details of his life and work: http://en.wikipedia.org/wiki/Halley%27s_Comet

9 William the Conqueror (1027 – 9 September 1087) is also known as William I of England. But he is better known as William the Conqueror. He was Duke of Normandy from 1035 and King of England from 1066 to his death. William is also referred to as “William II” in relation to his position as Duke of Normandy. In particular, before his conquest of England, he was known as “William the Bastard” because of the illegitimacy of his birth. See for details: http://en.wikipedia.org/wiki/William_I_of_England


Sana, M.C., 2003. 'Farmers’ Knowledge of Shrimp Cultivation in Assasuni Upazila Under SatKhira District’ MS (Ag. Ext. Ed.) Thesis, Department of Agricultural Extension Education, Bangladesh Agricultural University, Mymensingh

Bangladesh Superstitions and Folklore, published by World Trade Press, 2007

Manu Sanghita, (Mann.) vi, 50

Manu Sanghita, (Mann.) vii, 218


Bilal Philips, Tawheed, p. 70

Ibid, p. 70

Ibid, p. 70

Ibid, pp. 70-71

Ibid, p. 71

http://www.squidoo.com/omens

http://www.squidoo.com/omens#module12997683

Ibid

Collected by Tirmidhi, no.

Collected by Imām Tabrānī in al-Kabīr, and it has been authenticated by Al-Albānī in Sahīh al-Jāmī’ as Hadith no. 5435.


The Hadīth is collected by Imām Ahmad, Hadith no. 3687, by Tirmidhī in his al-Jāme’, Imām Bukhārī in his Sahīh, Hadith no. 909, and it has been authenticated by Ibn Hibbān, Hadith no. 6122.

The Hadīth is collected by Imām Ahmad, Hadith no. 7045.

Ibn al-Quayyim, Miftaah Daar al-Sa’aadah, vol. 3, p. 311

Al-Manāwī, Fa‘īd al-Qādir, vol. 2, p. 342

The Hadīth is collected by Imām Ahmad, Hadith no. 15956, by Ibn Abī Shaybah, Hadith no. 884, Imam Abū Dāūd in his Sunan, Hadith no. 3989, and it has been authenticated by Ibn Hibbān, Hadith no. 6131.


The Hadīth is collected on the authority of ‘Imrān bin Hussain by Imām Bukhārī, Hadith no. 5378, and by Imām Muslim, Hadith no. 218. But the wording is for Al-Bukhārī.


Lauren Block & Thomas Kramer, 'The effect of superstitious beliefs on performance expectations’, Received: 7 January 2008 /Accepted: 15 August 2008 /Published online: 9 September 2008, Academy of Marketing Science 2008


Sana, M.C., 2003. 'Farmers’ Knowledge of Shrimp Cultivation, Thesis, Department of Agricultural Extension Education, Bangladesh Agricultural University, Mymensingh


http://www.thoughtnaction.co.in/the-disturbing-psychological-impact-of-superstitions-on-children/


Ibid.

Maqāsid al-Sharī‘ah or the ultimate objectives of Sharī‘ah are: (1) Protection of Human Existence (2) Protection of Religion (3) Protection of Human Generation (4) Protection of Human Intellect and (5) Protection of Wealth and Resources.


Al-Qur’an, Sūra Yāsīn, 36: 18-19

Muslim, Sahih Muslim, Hadith no. 1423

Ibn Abī Shaybah, Musnad, Hadith no. 26399, Abd al-Razzāq, Musnad, Hadith no. 19506

Tāqūm, Siddique Hasan, Abjad al-Ulūm, vol. 02, p. 368

Sahih Muslim, (English trans.), vol. 4, p. 1209, no. 5532

Bilal Philips, Tawheed, p. 64

See for details: Taysīr al-‘Azīz al-Hamīd, p. 428

See for details: Taysīr al-‘Azīz al-Hamīd, p. 428

Reported by Ibn Abbās, Collected by Tirmidhī, See al-Nawawi’s Forty Hadīth


The Hadīth is mentioned on the authority of Ibn Umar by Imām Muslim, Hadith no. 5765.

Al-Asqālānī, Ibn Hajar, Fath al-Bārī, Book: Kitāb al-Jihād wa as-Siyar, p. 71

The meaning of the verse is: 'No calamity befalls on the earth or in yourselves but is inscribed in the Book of Decrees (Al-Lauh Al-Mahfūz), before We bring it into existence. Verily, that is easy for Allah.'

Uthmānī, Tāqi, Takmilatu Fath al-Mulhim, vol. 04, p. 333

Muslim, Sahih Muslim, Book: 26, Hadith no. 5528

Ibid, Hadith no. 5529

Ibid, Hadith no. 5531

Bilal Philips, Tawheed, p. 66

Kashf al-Astār, 2/156, no. 1412


Abū Dāūd, Sunan, Hadith no. 3913

Bilal Philips, Tawheed, p. 68

Asqālānī, Ibn Hajar, Fath al-Bārī, vol. 1, Book: Kitāb al-Jihād wa as-Siyar, p. 72


Uthmānī, Tāqi, Takmilatu Fath al-Mulhim, vol. 04, p. 331

‘Adwā’ means: transmission of infectious disease. According to the belief of Islam, no disease is infectious/contagious except with Allah’s permission. This is substantiated by another Hadith of the Prophet reported by Abu Hurayrah and collected by al-Bukhārī and Muslim in which the Prophet (saas) denied the existence of contagion, a bedouin asked, "Oh Messenger of Allah what about the case of a healthy herd of camels in the desert, when a diseased camel is brought among them and they all get sick because of it?" The Prophet replied "So who infected the first one?" (Sahih Al-Bukhari (Arabic- English), vol.7 pp.411-12, no. 612) and Sahih Muslim (English Trans.), vol. 4, p. 1206. no. 5507, see also Sunan Abu Dawud (English Trans.), vol. 3, p. 1097, no. 3907). The Prophet ( 0 ) here denies contagion based on pre-Islamic beliefs in which its cause was attributed to spirits and gods besides Allah.
Bukhārī, Sahīh al-Bukhārī, Hadith no. 5440, Muslim, Sahīh Muslim, Hadith no. 2224

Muslim, Sahīh Muslim, Book: 26, Hadith no. 5519

Muslim, Sahīh Muslim, Book: 26, Hadith no. 5517

Bilal Philips, Tawheed, p. 69-69

Abū Dāūd, Sunan, Hadith no. 3910

Ibid, Hadith no. 3907

Uthmānī, Tāqī, Takmilatu Fath al-Mulhim, vol. 04, p. 331

Uthmānī, Tāqī, Takmilatu Fath al-Mulhim, vol. 04, p. 331, Uthmānī narrated the report from Qutubi.

Bukhārī, Sahīh, Hadith nos. 2731, 2732.

Al-Umarī, Akram Diyā, Madinan Society at the Time of the Prophet. International Islamic Publishing House and International Institute of Islamic Thought, 1995, vol. 02, p. 113


Al-Hakāmī, Al-Hāfiz, Ma‘ārij al-Qulūb, Al-Maktabah al-Shāmilah, vol. 03, p. 993

Source of the Hadith has been mentioned earlier, see note no. 40

Ahmad, Hadith no. 7045, classed as sahīh by al-Albānī in al-Silsilah al-Sahāhah, 3/53, Hadith no. 1056


Abū Daūd, Sunan, Hadith no. 3919

Qārī, Mullah ‘Ali, Mīrqāt al-Mafātīr, vol. 08, p. 72

Tāqūnūjī, Siddique Hasan, Abjad al-Ulūm, vol. 02, p. 368

Ibn al-Qayyim, Miftāh Daar al-Sa’aadah, vol. 3, p. 273

Bilal Philips, Tawheed, p. 73
An Islamic View of Human Development: Special Reference to Abdul Rahman Ibn Khaldun

Salah ben Tahar Machouche
Department of Fundamental knowledge and inter-disciplinary Studies, International Islamic University, P. O Box 10, 50728, Kuala Lumpur, Malaysia
Tell + 603 6196 6150, e-mail: bentahar@iium.edu.my

&

Benaouda Bensaid
College of Art and Sciences, Effat University, Jeddah Saudi Arabia

Abstract:
A perusal of theories of human development reveals attempts to build a broad platform for growth characterized by an inclusive approach to the religious, historical and cultural diversity of world communities today. A poor representation of the theological tenets and ethical values underlying the perception and undertaking of human development unfortunately persists. This research examines the religious and moral perspective of Islam on human development while exploring the concept and structure of human development and its theological and 'umranic implications in the framework of Islam. Of particular interest is the perspective of Ibn Khaldun (d. 1406), a Fourteenth-Century Muslim jurist, sociologist and economist who, in his Muqaddimah, dedicates serious discussion to a number of relevant themes including the innate nature of man, and development of human knowledge, skills and craft. His thesis highlights vision of catalyzing sustainable human development set according to fundamental Islamic themes such as stewardship, support and cooperation, defence, protective order or social organization, and the power of thinking. Ibn Khaldun’s perspective also provides some of the crucial keys necessary to understanding the value of human development according to the Islamic worldview while enriching contemporary scholarship with critical insights required for an effective approach to human development in a cross-cultural and multi-religious context. The understanding of the Islamic perspective on the issue of human development is instrumental not only to researchers in social sciences in general and Khaldunian studies in specific, but also to the ongoing discourse on human development in current times, and to topics such as economic productivity, efficiency and management of human resources.

Keywords: Ibn Khaldun. Human development. Muqaddimah.

Introduction
Understanding the human nature, purpose of life, human needs, and motivation, responsibility, and potential in the broad discourse on human development are all critical issues to effective socio-economic growth and transformation. Depending on their respective worldviews however, diverse religious, cultural and value systems perceive these themes differently, at times in spite of commonly held themes and orientations. In modern industry for instance, the position of man is described as that of a machine or unconscious tool, or as the hub of consuming machines. For Marcuse the physical power of the machine surpasses that of the individual or group, going onto postulate that the machine in all of its collective grandeur is the most effective political instrument in any society. Needless to say, the utilitarian-rational conception of the individual as yet another unit or component of a larger economic transaction, even in pursuit of development and growth, may face challenges in being reconciled with faiths, ideologies and cultures that place intrinsic socio-spiritual significance on the individual. In this regard, while the means to growth and sustainability may be unanimously agreed upon through the development of human capital, the sought-after ends may not necessarily be held to universal

yardsticks or perceived, and therefore pursued with shared unanimity. This therefore presents a challenge to the application and discourse of development, and in effect endogenous growth. The first UN Human Development Report, issued in 1990, terms human development (United Nations Development Programme, 1990) emphasizes that development is primarily a people-centric initiative, seeking to expand human choices; taking care to note that the expansion of human choice is not only measured in Gross National Product or Per Capita Income, but more significantly in the provision of human rights, and enabling of human endeavor characterized by health, safety and creativity. This measure of the ‘good life’ is ancient, and by no means novel. In his Nichomachean Ethics, Aristotle tackles eudaimonia (happiness) and asserts that capital and wealth are in effect means to an end, objects of necessity, and not the human objective in of itself. For Aristotle the merit of any socio-political configuration is in its capacity for creating the ‘flourishing life’, or self-actualization.² The concept of man as an end to development, and not a means is echoed in the words of modern political and economic thinkers such as Kant,³ and resonates across a wide spectrum of thought ranging from Karl Marx to Adam Smith.

This explains part of the ambiguity, and perhaps the complexity affecting the understanding and appreciation of human nature, original capacity and human need, as well as the relevant pertinent perspectives on human development and the building of human capital. In the present day, human capabilities and potential have been reduced and quantified to human capital that is in effect believed to encompass the intangible assets of skills, competencies, knowledge and social experience invested for optimal economic and financial profit. Human capital is general viewed in line with the development of the personal traits, intelligence, fulfilling work energy, positive attitude, reliability and commitment, ability to learn, imagination, and creativity. Social psychologists such as Sharon S. Brehm, Saul M. Kassin, and Frederick X. Gibbons, maintain that human capital is markedly broader than the economic production skills of the individual. During the 1960’s, interest in the prospects and potential of human capital began to surface. In early scholarly contributions, emphasis was placed on the contribution of human capital to a person’s standard of living (income per person), and its grander contribution to aggregate wealth; later however, emphasis shifted to human capital’s role as a contributor and catalyst of aggregate economic growth. The pioneering work of Schultz⁴ and Becker⁵ contributed greatly to the swing in emphasis leading away from physical capital accumulation, instead lighting the path to a systematic study of the role of human capital.

Schultz identified human capital narrowly with investment in education, and put forward the proposition that “important increases in national income are a consequence of additions to the stock of this form of [human] capital”. Schultz sees human capital as the sum of knowledge and skills acquired during education and training; and the result of a deliberate investment that yielded return. Education and training are therefore perceived as the medium for improving productive skills and talents throughout the workforce, leading to economic development. He goes on to argue that investment in education could account in large for the increase in per capita income in the United States. Becker on the other hand broadened the concept of human capital beyond the traditional understanding of formal schooling to include additional sources of human capital accumulation such as on-the-job training (both general and specific on-the-job training), the informal gathering of information which enhances a worker’s productivity, and other investments to improve emotional and physical health. He proceeded to analyse the amount of investment individuals would require for the purposes of training, and the rate of return to said investment.⁶

The current resurrection in interest began with the seminal paper put forward by Barro (1991) and its emphasis on the empirical determinants of long-term economic growth. While Barro’s paper did not specifically pertain to the role of human capital, it propelled human capital (identified with formal education and measured by enrolment rates) to the centre stage in the economic growth process. Shortly following the appearance of Barro’s

3 (Kant, Immanuel. Groundwork for the Metaphysics of Morals. (Yale University Press, 2002), p. 33
6 Becker, Ibid., p. 201-21
An empirical investigation of economic growth, the work conducted by Mankiw, Romer, and Weil (1992) provided a theoretical justification for the central role of human capital in the growth process. The model demonstrated that inclusion of human capital in the aggregate production function yielded income shares for factors of production that are consistent with empirical evidence.

Mankiw, Romer and Weil’s augmented Solow model places emphasis on human and physical capital accumulation and predicts that differences in cross-country per capita income may be explained by differences in saving, education, and population growth, an assertion they verified empirically. Moreover, they derived the transition to the steady state and obtained estimates of the speed of convergence to the steady state. The most frequent measure of human capital in cross-country comparisons of growth is the quantity of formal education each adult member of society possesses. The concept of human capital, however, is much broader, encompassing the quality of education, the general state of health of the working population, and various forms of training such as on-the-job training or other types of informal education.

The Mankiw–Romer–Weil model treats human capital as an input for aggregate production function that assumes decreasing returns to the reproducible factors of production; both physical and human capital. In another widely cited paper, Lucas (1988) focuses on the reproducible nature of human capital and the possibility of externalities generated by human capital. It is quite natural to speculate that knowledge accumulated by human beings (whether as a result of formal education or otherwise) would have an impact on the productivity, not only of on individuals accumulating knowledge, but also that of their co-workers, colleagues, and others. Thus, investigators began the search for human capital externalities. At the empirical level however, all the above studies identify a nation’s level of human capital with the quantity of education possessed (on average) by each adult member of the nation’s population.

On the other hand, Pigou argues that there is such a thing as investment in human capital as well as investment in material capital. For him, as soon as this is recognised, the distinction between economy in consumption and economy in investment becomes blurred. For, up to a point, consumption is investment in personal productive capacity.

The Islamic Concept Of Human Development

As the concept of human development is coined, developed, and applied within the current intellectual and economic discourse, a serious need emerges to review it in the context of Muslims beliefs and values, in such a way that the religious, spiritual and moral perspective of Muslims is reflected in the global agenda of sustainable human development. Seen through Muslims’ lenses, the views mentioned above are value-laden, and as such show inherent weakness and flaws. The principal weakness in the research on human development might be perhaps inherent in the way in which economic research is generally undertaken. Essentially an economic theory, human capital research exhibits similar characteristics, and potentially similar problems in view of the fact that the main characteristic of economic-oriented research is the maximization of profit – the optimal use of resources to yield maximum benefit. As such, people are believed to make choices based on which would yield the highest returns. Rossilah further argues that there are several reasons to dispute the notion that one’s education influences earnings, that non-educational factors influence earnings, and that furthermore there are weaknesses in the way ‘benefits’ and ‘costs’ of education in the human capital discourse are defined. The discussion of the Islamic perspective will contribute new suggested changes to the thesis of human capital and as such touch upon the concepts and definitions, process and direction of development, worldview, ethics and implications for society.

The understanding of a collective societal-individual shared value is not strange to Muslim societal consciousness. Islamic human capital may be traced back to the principle of the divine and touches on themes such as the duty of stewardship, potential and skills, social value, and accomplishments. Some define Islamic

7 Savvides & Stengos, 2009, 4.
8 Ibid., 7.
9 A. C. Pigou, 1928, 29
12 Ibid., p. 10-16.
human capital in terms of competency (ahliyah) which refers in juristic terms to the eligibility to hold duty and the validity of having legitimate rights. In Islam, human development is not simply geared to the producing of people with better technical knowledge, skills and social value but also with better souls. Islam calls for a holistic approach to human development while placing spiritual and material incentives for individuals’ growth in the areas of faith, moral discipline, education, skills, work, and health. These are explained in the qualities of intellect, knowledge, freewill and guidance, which God grants humans to order to discharge their duty of vicegerency. Human development is in turn set to produce resources with good moral value; and is characterised with dynamism, innovation and creativity, knowledge and confidence.

Human development in Islam should not be isolated from the fundamental raison d’être of human creation (Qur’an, 51: 56) which is taken as the highest index for evaluating human activities and achievements in its overall view. The Qur’an often draws on the basic meanings of life’s existence and human creation, and shows the creation of humans with honor and dignity in order that they may worship God and carry out their responsibility of stewardship, requiring that they draw on the theological and ethical meanings of existence. As such, this introduces a broader and more meaningful perspective of a purposeful creation of humanity. Specifically, the Qur’an addresses the origin of man, the innate human nature, the duties and responsibilities assigned to humans, their potentials and constraints, the spiritual and moral character of humans as well as their cognitive and religious capacity. Along a similar parallel, the Qur’an exhorts humans to embark on a process of reflection, purification and discipline of the self by means of investing in proper knowledge, wisdom and goodness. The Qur’an shows serious preoccupation with the question of human change to the degree that it made some believe that the main theme of the Qur’an revolves around humans following that of God, as may be shown in the repeated 1252 citations of humans in the Qur’an. The Qur’an is essentially about God and humans, the visible and invisible worlds. Servitude of God is intertwined through the responsibilities of reform, vicegerency, sustaining good life conditions and worship through prayers, charity, enjoining the good and forbidding the evil. Nevertheless, the Qur’anic vision of human development is set in degrees proportionate to the cultivation of a range of inner values, human capabilities and skills required for prosperous states of living both in the mundane world and in the hereafter. The Qur’an’s approach to building human capital is broad in nature and scope, consisting of cultivating knowledge, spirit, character, ability, talent and skill; all of which are found to be intermeshed with key concepts such as the meaning and purpose of human creation and trust of humanity’s potential.

The Qur’an sets the understanding of human nature as a crucial key to proper vision and implementation of human development, while revealing the attributes of human creation, whether positive as in the case of divine honorability (takrim ilahi), Perfect form of creation (ahsan taqwim), and potential of learning, and vicegerenship (khilafiah). Other significant attributes are acquired through learning and practice as found in patience, repentance, thankfulness, or are negative in essence such as zalum (transgressing), za’ifun (weak), ya’us (despairing), kafur (unthankful), khasm mubin (manifest enemy), qatur (fear of spending), akthar jadalan (arguing too much), qanut (hopeless), kafur mubin, hal‘an (impatient), ‘ajul (hasten), taghi (oppression), jahul (ignorant), and kanud (ungrateful).

The Qur’an advances a rather holistic perspective for human development, one which seeks to cultivate to the best possible level the cognitive, spiritual, behavioural, and physical capacities. The Qur’an’s interest in human development is expressed through terms such as “taghyir” (change), islah (reform), tazkiya (purification), ihsan (perfection and excellence), “ta’lim” learning. The scope of human development according to the Qur’an draws on two categories, namely the innate and the acquisitive. The first involves the types of change, people generally cannot escape, as found in the stage of intikas fi al-khalq (reverse in creation) (yasin: 68), ardhal al ‘umr (the age of senility) (nahl: 70), du’f (feebleness). The acquisitive change however, indicates one’s positive inclination towards ascendancy, described as “irtiqa” (progressive) in the case where human development is


52

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbhd.org
conducted according to the right course of change (sabil al-rashad). The second however, is negative and regressive, referred to in the Qur’an as “irtidad” when the course of change and development is set according to norms of wrongness and evil known in the Qur’an as “sabil al-ghayy” (the way of error) (A’raf: 146).

Given that human development is the result of thinking, the Qur’an provides yet another explanation about what styles of thinking are qualified to be sound or otherwise. Sound thinking is based on the power of evidence referred to as burhan and sultan, clear explanation (bayan), and well-being (salah, maslaha). The potential of thinking as described in the Qur’an reflects a rather systematic operation carried out through the entire cognitive faculties and its supporting organs. On two occasions however, the Qur’an attributes thinking (ta’aqul and tafaquf) to the organ of the heart. The spiritual, cognitive, mental and behavioural dimensions of human nature appear to be interrelated, with both affecting the other. This in turn would indicate that human development is not to be approached as a one-dimensional process of change of human personality. Rather, it describes a comprehensive state of being, and as a result is unjustifiably related to the Western dialectic meaning of the term, which was born as a challenge to the dominance of the concept “economic development” or some of its requisites.

Similarly Islam defines human capital not only in mechanistic terms and relations but rather according to multiple relations, movements, and processes resulting in an individual performance that is set in alignment with the very destiny for which God created humans; referred to in the Qur’an as ‘sa’y meaning striving, endeavour, labour, or doing good or bad. The Qur’an states: “And that human has only that for which he labours, and his labour will be brought forth to be seen (Qur’an, Najm: 39-40, Ali Unal Trans.) The Qur’an also describes work and labour as a fundamental condition for life (Qur’an, 53: 39) and uses the term kabad (hardship) to describe hardship and trial (Qur’an, 90: 4), providing key directions towards a holistic yet transcendental approach to developing human capital and fulfilling the trust of God. In line with the Qur’anic reasoning, the tradition of Prophet Muhammad provides further explanatory details on the issue, alongside the parable of what defines human capital and what parameters are to be used for its evaluation, as found in the case of Prophet Muhammad asking his companions about the definition of the bankrupt, brave, strong, or intelligent. In other reports, Prophet Muhammad compares believing persons to gold, palm tree, beneficial rain, ears of wheat and bees.

The Qur’an also supplies norms and guidelines for human development which may be applied to emotion, thought and behaviour; speaking of a state of highest performance (istiqmah, al-ilsan) and success (jalalah, fawz). Such norms are compatible with the order of the universe, and are described as “Sunnat Allah” (the order or path of Allah) and perfectly serve the welfare and well-being of humanity. According to the Qur’an, human development can be seen as the grounds for the good life “hayatan tayyibah” (good life). The Qur’an states: “Whoever does good, righteous deeds, whether male or female, and is a believer, most certainly we will make him (or her) live a good life [hayatan tayyibah], and most certainly we will pay such as these their reward in accordance with the best of what they used to do.” (Qur’an, 16: 97) Human development reflects a holistic process of the improvement of the human being and her states of being in light of the Islamic worldview which encompasses: the Creator, humanity, life, and both the seen and unseen worlds.

2. Ibn Khaldun’s Thesis Of Human Development

Muslim scholars have used the divine value, human responsibility, moral and social values, skills and potentials as foundational constructs of Islamic human development. Taking the Qur’an and tradition of the Prophet Muhammad as a frame of reference, Muslim scholars in their different fields of scholarship, and more clearly perhaps education, spirituality and mysticism, have contributed to the elaboration of themes of human development. One must acknowledge however, that the very title human capital per se is not to be found in Muslim works, but rather an overarching yet no less detailed discussion of its meaning, aspects, nature, motivations, religious and spiritual base, as well as its impediments.

The work of ‘Abd Rahman b. Muhammad Ibn Khaldun (1332-1406) is among the many notable intellectual contributions to the theme of human development. Ibn Khaldun studied Muslims society, its dynamics and development, perhaps more deeply, thoroughly, and systematically than any scholar of his time. His famous work the Prolegomena continues to be seen by many as an outstanding work of its genre in which he successfully studied and analyzed the conditions of Muslim human association, known as the ‘umran and
civilization of his time. Civilization, known as hadharah, implies the custom conditions that surpass the necessary conditions of sedentary culture ['umran] with respect to the unlimited differences in prosperity and population strength or weakness of the nations. Some of his ideas, thought, views and theories continue to be authoritative in various fields of human knowledge to the present day. Ibn Khaldun's influential position is also manifested in his style of thinking and methodology, in which he was able to integrate both the authority of scripture and the evidences of socio-cultural and psychological realities.

The central theme of his Muqaddimah is the human being, and offshoot themes related to it. Ibn Khaldun's thesis on human development appears to be set clearly according to the norms and perspective of the Islamic Revelation, particularly in regards to the essence of humans, their responsibilities and social conditions. According to Ibn Khaldun, God grants human beings abilities and potential to fulfill their needs and lead their way with success in the mundane temporal life and in the hereafter. Those abilities and potentials however, need to be nurtured and cultivated so that they will be available during times of need. They require the guidance of revelation to ensure their aptness and efficiency. His views on human development transcends the general needs and context of labour, geared often to optimizing economic and financial resources and profit while underscoring the critical role of religion and the supporting context of civilization responsible for shaping effective human development.

Ibn Khaldun did not utilize the term ‘human development’ per se; but did discuss many of its meanings and implications, nature and manifestations, motivations and hindrances, and relationship to the state and to the general context of human association, which he described in his Prolegomena as the 'umran. According to him, human development is principally concerned with the cognitive, spiritual, and behavioural qualities of individuals and communities in order that they worship God and discharge their responsibilities. As such, he positions humans at a rather ultimate end, as opposed to changing means in an ever-changing context of labour while relegating all that are related to human life to the field of human development. He for instance lays great emphasis on the concept of innate human nature, which highlights what humans can do or choose to become, and as such draws heavily on the definition and position of human predisposition, knowledge and skills.

For Ibn Khaldun the prosperity of human society depends largely on the qualitative and quantitative values of its human development. His assertion is that when labour is either completely gone or diminished in a given civilization, God would cause the abolition of profits. Cities with few inhabitants offer insignificant human labour, whereas in cities with a larger supply of labour, residents enjoy increased favourable conditions and luxuries. Ibn Khaldun identifies three distinct areas for developing human capital development, namely religion and learning, professions/labour, in addition to states/dynasties and civilization. In the initial stage, the city establishment requires the organization of a large group of people who need to be rewarded or forced to work, and need work protection. The state is the only agency with the power and finance to organize such a large collective and to lead them to work out of fear of punishment or interest in reward, while providing them protection against invaders. In his discussion on the nature and context of human development in Islam, Ibn Khaldun identifies the following critical constituents used in the evaluation of human development, both at the individual and community level.

a. The asset of innate human nature

According to Ibn Khaldun innate human nature helps identify and simultaneously explain the metaphysical origin of humanity, the genuine needs of human life, the reservoir of skill potential granted by God, and the boundaries of human potential and capacity while highlighting in general forms positive and negative human qualities and their attitudes towards ascension or decline. For Ibn Khaldun, the created essence of human nature represents a whole structure underlying human abilities set for self-development through learning,

---

adaptation, assessment, self-amendment and purification processes. This significant place given to the precept of fitrah extends its function in the way Ibn Khaldun built his thoughts and arguments that support them. The precept of fitrah represents a referential framework that helps identify both the normal and abnormal behaviour of people. Under this reference, processes of verification, demonstration, argumentation and refutation of a given statement or a claim are constructed holistically in such a manner that they embrace the spiritual, psychic, mental, cognitive, personal, collective and social components and dimensions of human existence.

The innate human nature refers to the whole innate structure underlying human abilities required for self-development by means of processes of learning, adaptation, assessment, self-amendment and purification. The Qur’an addresses the behaviour of innate human nature with respect to the environment according to the following patterns: a) association as shown in the Qur’an’s usage of terms that highlight the human ’umranic conditions whether pertaining to individuals, families, kinship, groups, or communities, b) cooperation and support of one another, and c) communication through the use of soft skills, languages, thinking styles and reasoning. The growth of knowledge occurs through two intertwined cognitive processes, namely, reception (narration) and experience, d) competition and prevention through which human nature provides a sense of competition and repelling, and e) adaptation and self-amendment describing the process of learning and accommodation of experiences whereby individuals are equipped with systems of learning, storing, transmission, retrieval of information and performance of skilful motions. Ibn Khaldun uses this picture of innate human nature to develop theories of ’umran while bearing in mind both its permanent and changing conditions on all scales.

b. The asset of skills (malakah):

Ibn Khaldun utilizes terms such as tajruba (experience) and ’adah/ta’awwud (habit) to describe specific actions developing into skills. While the acquisition of high skills are required in certain professions, crafts are also needed some other professions of a minimal level of knowledge and skill. For Ibn Khaldun, skills are better acquired through repetition and training of particular tasks. Mastery of skills however, largely depends on the learner’s cognitive capacities and practical profile. Skills do play a critical role in the determination of both the quality and duration required for the acquisition of a specific skill set. Unlike soft skills, practical ones are acquired faster.19 Crafts refer to the skills of a particular action pertaining to both thought and action, while a habit refers to a deep-seated quality acquired through repetition of certain actions up until the form of the action is fixed. Habits that are built as a result of personal observation are much more perfect and firmer than those based purely on conjecture and data.20

Depending on their nature however, skills can either be simple or complex. Simple skills are necessary for meeting the needs of society while complex ones transcend basic social necessities and are rather more concerned with conditions of luxury and entertainment. Ibn Khaldun grants simple skills priority while acknowledging that both rest on flexible ground. He finds that they are determined in effect by the level of knowledge, form and method of learning, time, social requisites, degree of civilizational development, and human potential to think without ceasing to transform all kinds of crafts, including the complex ones, from potentiality to actuality throughout to perfection.21 This level of skill development is closely related to the conditions and needs of human association. Similarly, skills and crafts may be divided into general skills necessary for life, specialized skills, low-level skills, and added-skills used for promoting sophisticated life styles and dealing more with comfort and luxury.

Ibn Khaldun further maintains that skills are developed according to specific needs. Cooperation among people and regions however, helps specialization take effect and shape.22 In a chapter entitled ‘certain cities have crafts others lack’, Ibn Khaldun explains how the human capital of a society may be developed through cooperation.

20 Ibid., vol. 2, p. 301.
and specialization. He states: “…this is because it is clear that the activities of the inhabitants of a city necessitate one another, since mutual co-operation is innate in civilization. The necessary activities are restricted to certain inhabitants of the city. They are in charge of them and become experts in the crafts belonging to them.”

Human skills enfold outwardly useful activities, states of beliefs and spirit and draw on the principle of creation according to which God declares that humans are created in the perfect form and design. This is described in the Qur’an as *ahsan taqwim* (best of mould/best stature) (Qur’an, 95:4). The inclination towards divine perfection is a living state imbued in all humans, which is essentially ready to be brought out under favourable conditions.

Ibn Khaldun uses different terms to describe the development of skills such as suitable, coherent and practical (*‘amali*) practical as is the case with terms like *qudrah* (ability), *iqtdar* (being capable), *malakah* (skill), *sina‘ah* (craft), *‘umran* (human organization and development); all of which converge with human potentials, abilities and skills. For Ibn Khaldun, skills may be classified according to their nature and outcome and as such, three distinct categories of needs are identified: necessity, concerning simple skills for simple outcomes; semi-complex skills, for complimentary needs; and highly complex skills, needed for luxuries, which are found to be abundance at the peak stage of a civilization. Desires for enjoyment and lust may cause indulgence in this last category.

Using learning as foundation, Ibn Khaldun rejects all claims of mysteries surrounding the development of skills while refuting a number of popular opinions which champion the ethnically biased roots of human creativity and skills. He for instance explains how progressing religious learning in the Muslim East (*Mashriq*) against its counterpart, the West (*Maghrib*), was made possible through the development of *‘umran* alone without assigning Muslims in the East any extraordinary racial or hereditary attributes. He clarifies his point as follows:

> “Now, the inhabitants of the East are more firmly grounded and more advanced in scientific instruction and crafts [than the Maghribis], and the Maghribis are closer to desert life, as we have stated before in the preceding section. This led superficial people to think that the residents of the East are distinguished from the Maghribis by a certain perfection (of theirs) touching the reality of humanity. That is not correct, as one should be able to understand.”

In his learning theory, Ibn Khaldun identifies a number of issues concerning learning of skills including the need for a trainer (*mu’allim*), methods (*wujuh*), specialization, learning faculties, experience (*mu’ayana*), and cooperation (*musharakah*). Learning skills do not simply occur through the allocation of a limited time for activities, but rather via a continuous process of perfection as mandated by the needs and development conditions of *‘umran*. Ibn Khaldun raises the question of demand, creativity and innovation, quality, aesthetics, perfection, growth, availability, mother skills (*ummahat al-sana‘i‘*), prestigious skills, and the licensing and accreditation (*rusukh, istihkam*) of the skills and crafts.

c. The asset of knowledge

Ibn Khaldun argues that the spirit of Islamic intellectual disciplines and sciences stands on both theory and practice and as such carries integrated dimensions, relationships and implications. He states:

> “The establishment and subsequent growth of the state and the city and the development of economic prosperity, enlarge the range of human experience. Their increasing complexity forces men to reflect upon the causal connections between the various stages through which the potential is actualized and ends are achieved in order to be able to produce the complex articles demanded in the
Ibn Khaldun shows much concern with an active yet positive human knowledge in numerous fields of human association order leading to prosperity and stability. Knowledge goes along with religion, sovereignty and state, economics, crafts, skills, community development, and communication. With this in mind, knowledge is not simply an abstract exercise of data but rather a milieu for interactive reasoning moving towards the understanding of human association and solving problems posed to individuals and communities. Such a perspective on human knowledge shapes the growth directions of human development without which knowledge would remain stagnant, having flimsy effects on the making of human association, infrastructure or building of core institutions of society.

d. Public welfare
On numerous occasions, Ibn Khaldun draws on the theory of Shari’ah objectives to support his perspective on labor in the context of ‘umran. He does so while associating the concept of public interest with ‘titibar al-maslahah (consideration of social wellbeing), mura’at al-maslahah (observing of social wellbeing), muqtada al-maslahah (social wellbeing implications), ikhtilaf al-maslahah (diversity of social wellbeing), ‘ri’yat al-maslahah (protection of social wellbeing), al-nazar fi al-maslahah (inspecting of social wellbeing), jalb al-maslahah, or haml al-nas ‘ala al-maslahah al-‘ammah (acquiring social wellbeing). These considerations are critical to endogenous human development, and most importantly to the orientation and shaping process of skills and standards of human labor in general. Public interest is viewed as a key determinant underlying the motivation leading people to acquire new skills and enhance their performance, while providing an overarching universal sense of meaning, direction and focus in the evaluation of plan or actions. Consideration of public interest however, not only reinforces the positive course of human action, but also vitalizes the very vision and course of ‘umran, and in doing so extends its span and influence significantly. Such significance is clear in view of the fact that when political and social systems fail to secure public welfare, they begin to deteriorate and eventually collapse altogether.

For Ibn Khaldun, human development is subject to change and fluctuation depending on certain internal and external dynamics. The state and its political system are referred to by Ibn Khaldun as the ‘greatest market’, and viewed as the most critical institution exerting considerable impact on human development. Interestingly, Ibn Khaldun factors the significance of institutions of learning, including the role of educational curricula, teaching methods and programs, management, as well as performance and social impact. In bringing light to bear on the efficacy of educational institutions, he sought to ensure that certain categories of learning with no positive effects on human development such as philosophy, astrology, magic, and pseudo-chemistry would be marginalized and discredited. He also draws on the social and epistemological history of some other leading sciences with high impact on Muslim life and his/her development such as tafsir, hadith, fiqh, ‘Ilm al-kalam, tasawwuf, and language in addition to natural sciences.

e. Milieu of Skills development
Ibn Khaldun posits that the community that plays a crucial role as the driving force and shaping influence of human development, as it represents the natural cradle, which promotes learning, cooperation and competition. This would imply that the process of human development is intimately associated with the roots and sources of families and tribes. Kinship, social cohesion or solidarity (‘asabiyyah) exists as the first concrete platform for human development, with the major orientation processes inherent within families and tribes. Ibn Khaldun further identifies two directions for development; the rural/bedouin and sedentary associations in which human development varies according to the principle of need. The community is inclusive of the larger market, where people customarily search for livelihood. In a chapter entitled “the various ways, means and methods of making growth directions of human development without which knowledge would remain stagnant, having flimsy effects on the making of human association, infrastructure or building of core institutions of society.

26 Cheddadi, Ibid., vol., 2, 3. (Chapter 6).
a living”, following a definition of livelihood, Ibn Khaldun discusses a number of means of living/livelihood, each of which is in need of a set of skills including impost and taxation, hunting and fishing, farming and agriculture, crafting, services and commerce. The development and growth of skill according to Ibn Khaldun, occurs primarily in the sedentary city. Sadly, he reports, cities are deserted and have turned into cemeteries. This poor fate of civilization is engendered in the deterioration of human capital, particularly when associated with widespread indulgence in prohibitions and crimes. Ibn Khaldun argues:

“Life of the city forces its inhabitants to spend all their energies on the acquisition of goods they have become accustomed to need. When it becomes impossible for them to acquire those goods through rightful means, they resort to all kinds of corrupt practices to acquire them. They strain their intelligence to invent new ways of lying, gambling, deceiving, stealing, and of avoiding punishment. They become masters in craft and treachery. Their desire for luxury starts to lead them to self-destruction. Religious commands lose their effectiveness”

f. Planning and management

The mode of planning and management are decisive factors that catalyze the growth of human capital quality and the expansion of its achievements. Ibn Khaldun paid close attention to both micro- (policies/institutions) and macro- (policies of the rulers/political authority) systems in which human capital is developed. The given form and nature of the state, dynasty, civil institutions, government policies, social elite, community, modes of commerce, trade, and lifestyle are all accounted for in the building of human capital. The term tadbir (management) appears in Ibn Khaldun’s discussion of the caliphate (khilafah) and its qualifications. For him, the condition of ability (kifayah) includes the possession of a set of skills such as fighting, interaction and dealing with people; the knowledge of communities (‘asabiyat), and the strength to bear the difficulties and challenges of politics. These examples help build the edifice of the caliphate by way of protection of religion, resistance against hostility, execution of Islamic law, administration of human affairs and managing the common interest of the public.

Accordingly, an effective management is actualized by way of identifying and forging balanced and moderate states of the human condition. This is only possible however, when proper knowledge, skills, self-experience, and good personal traits characterizes leaders in charge of public affairs. On a few occasions, Ibn Khaldun explains how mismanagement of economic capital, as in spending extravagantly beyond the capacity and budget of subjects causes the collapse of dynasties. Similarly, Ibn Khaldun explained the flagging jurist-led popular social reform towards eliminating corruption, in light of their failure to appreciate the factors of strength including the position, role and impact of ‘asabiyah (community support).

3. Human Development And Islamic Spirituality

Ibn Khaldun’s general discussion of Islamic spirituality is no different than mainstream Muslim scholarship. One distinct mark of his contribution however, is his discussion of spirituality and human capital in the context of ‘umran (human association). Although Ibn Khaldun acknowledges the impact of material factors on the shaping of human development, including their movements, habits, and so forth, he takes into consideration other factors he perceives critical such as belief, honorability of man, group cohesion, spirit of competition, familiarity, passion for leadership and social status, possessions, and governance. Some other elements include the feelings of compassion, gentleness, keenness for support, competition, imitation (taqlid), passion and desire for learning, in addition to some negative aspects such as humiliation and intimidation, contempt, and the

---

30 Ibid. vol. 2, p. 97-98.
31 Cheddadi, Muqaddimah. vol. 1, 270-272.
belittlement of others.\textsuperscript{32} Mahdi argues that there exist other elements, which play the role of a set of new relations and feelings between those who have satisfied them [desires] and those who have not\textsuperscript{33}.

To better define the spiritual dimension required in the context of human capital, Ibn Khaldun compares two modes of living that shape the human personality; the nomadic (badawi) and urban (hadhari) mode of life. Chapter titles such as “Both Bedouins and sedentary people are natural groups”, “Bedouins are prior to sedentary people”, “The desert is the basis and reservoir of civilization and cities”, “Bedouins are closer to being good than sedentary people”, “Bedouins are more disposed to courage than sedentary people” illustrate his points well. Ibn Khaldun also explores the socio-ethical character of both groups; their salient characteristics, and the needs of both environments in human development. For this purpose, he uses the three common levels of \textit{maqasid} in Islamic law and jurisprudence, namely the fundamentals, necessities and embellishments. In this context, he explains the individual traits of the Bedouin and sedentary peoples with reference to the level of needs they seek to fulfill in their life of ‘umran. Moreover, he also compares theirs activities, skills, social bonds, manners and morals; concluding that the nomads are closer to healthy human nature (mustaqim al-fitrah) than city dwellers whose life styles involve luxury and entertainment.

What is interesting in Ibn Khaldun’s thesis is the attention he grants to the impact of skills and order of ‘umran in building sustainable human capital. For him:

\begin{quote}
“Sedentary people are much concerned with all kinds of pleasures and are accustomed to luxury and success in worldly occupations and to indulgence in worldly desires. Therefore, their souls are colored with all kinds of blameworthy and evil qualities. The more of them they possess, the more remote do the ways and means of goodness become to them. Eventually they lose all sense of restraint.”
\textsuperscript{34}
\end{quote}

Sustaining the impact of human capital should not simply be measured with reference to purely materialistic or economic dimensions of societal development (hadara) because the latter represents the peak of the declining process of ‘umran. Ibn Khaldun states: “This is obvious. It will later on become clear that sedentary life constitutes the last stage of civilization and the point where it begins to decay. It also constitutes the last stage of evil and of remoteness from goodness”.\textsuperscript{35}

4. \textbf{Influence Of Environment}

Ibn Khaldun acknowledges the influence of the natural and social environment on human development in general, without perceiving it as an authoritative or deterministic model. That is perhaps because human capital essentially deals with what one can feel, rather than do; a space closely intertwined with values and morality. Ibn Khaldun however, argues that the Arabs or Bedouins find difficulty learning crafts or demonstrating the sophisticated practice of skills in life. Similarly, he argues that certain values pertinent to urban life were lost because of the detrimental influences of environment. He appreciates however, the impact of external factors on human development, and as such encourages traders and merchants to acquire skills necessary for safely overcoming the risks and challenges of market transactions. He makes the latter recommendation in light of honest traders becoming few, and the proliferation of cheating, tampering with merchandise, delaying payment, and denial of obligations.

Ibn Khaldun does not justify the attitude of abstaining from business. He is of the opinion that when individuals have the skills necessary to manage quarrels, and the knowledge needed to settle accounts, they would then be prepared to settle disputes or attend courts, and would stand an even better chance for receiving fair treatment. When those qualities and skills are lacking however, Ibn Khaldun then offers another alternative for which less effort is required but still represents a different set of high skills; namely to solicit the authorities’ protection\textsuperscript{36}.

Ibn Khaldun identifies the courses of innate human nature and work as the building blocks for sustainable human development. He makes his point that it would be insufficient to simply show an understanding of the

\begin{footnotesize}
\textsuperscript{32} Muhsin Mahdi, \textit{Ibn Khaldun’s Philosophy of History}, p.179.
\textsuperscript{33} Ibid.
\textsuperscript{34} Rosenthal, The Muqaddimah (Ed. N. J. Dawood), p. 94
\textsuperscript{35} Ibid., p. 94.
\textsuperscript{36} Rosenthal, \textit{Al-Muqaddimah}, vol. 2, p. 342
\end{footnotesize}
innate human nature, without rendering matters according to their own implications. This in turn implies that failure to properly understand the principle of innate human nature and its implications would lead to a failure of efforts of organisation, prioritisation, direction, or assistance of people with their genuine needs (Source).

Although critical, Ibn Khaldun’s observations and thought appear to be non-pessimistic, showing a keen and avid interest in politics, economics, history, knowledge and science, arts and education. Similarly, his attention to the types of needs, especially those associated with the intrinsic world, is apparent. In his discussion of labour injustices for instance, Ibn Khaldun draws on a number of inner dimensions such as hope. He asserts that fearing the risk of falling into oppressive social systems only implies the elimination of hope from people’s hearts. Ibn Khaldun sought to address some of the most critical human activities affecting the life of both the individual and community. The gravitational center of human activity for him was the making of human association and the configuration of supportive institutions necessitating use and development of specific human capacities and abilities alongside the upholding of values reflecting the genuine contribution of the individual or groups.

Ibn Khaldun argues that any decline in those values would eventually cause wane of the whole edifice of human association. For him, social strength should be measured according to the power of its cohesion (‘asabiyah) which is largely supported by way of good moral values instead of selfishness. Ibn Khaldun also believes that powerful social cohesion is built on the foundations of religious creed instead of kinship (blood relations), as religion teaches sacrifice instead of caring narrowly for personal interests. In his discussion of the influences of the environment, Ibn Khaldun highlights a number of critical elements impeding the building of sustainable human development, including injustice and oppression, which he describes as the causes of civilizational ruin. He cites some examples of injustice shown to people in regards to their work and skills (masa’i, a’mal, tamawwulat)37. He states:

“Attacks on people's property remove the incentive to acquire and gain property. People, then, become of the opinion that the purpose and ultimate destiny of (acquiring property) is to have it taken away from them. When the incentive to acquire and obtain property is gone, people no longer make efforts to acquire any. The extent and degree to which property rights are infringed upon determines the extent and degree to which the efforts of the subjects to acquire property slacken”38.

From a Khaldunian perspective, the efforts and incentive of the community should be seen as part and parcel of human capital’s psychological form. If disregarded, it manifests itself in stagnation and laziness among people once negatively affected. Ibn Khaldun’s definition of injustice is broad and comprehensive. Injustice implies not only the unjustifiable confiscation of wealth or property from its owners, without any compensation; it is more general than that. Injustice involves seizing someone’s property, employing workers in indentured or forced labor, pressing unjustifiable claims against a person, or imposing a duty beyond the jurisdiction of religious law. Injustice does not affect the individual, social and professional groupings only, but also the state and the ‘umran altogether, alongside their own beings and supportive institutions. This is understandable in light of Ibn Khaldun’s thesis, where people represent the breaks of states and dynasties, and reflections of the ‘umran leading to realization of viscegerenship on earth. Because of the devastating impact both oppression and injustice leave on the building of society, Ibn Khaldun establishes Islam’s prohibition of these acts in all of the five categories of Shari’ah fundamentals, under the critical mandates of protection of religion, intellect, self, progeny and wealth39.

Ibn Khaldun addresses yet another relevant factor pertaining to the method of delivery of knowledge, education and learning instruction. In a chapter entitled ‘Harshness does harm learners”, Ibn Khaldun draws on some psycho-cognitive and social impacts resulting from using harsh methods in learning. He states:

Students, slaves and servants who are brought through injustice and (tyrannical) force are overcome by it. It makes them feel oppressed and causes them to lose their energy. It makes them lazy and induces them to lie and be insincere. That is, their outward behavior

differs from what they are thinking, because they are afraid that they will suffer tyrannical treatment (if they tell the truth). Thus, they are taught deceit and trickery. This becomes their custom and character. They lose the quality that goes with social and political organization and makes people human, namely, (the desire to) protect and defend themselves and their homes, and they become dependent on others. Indeed, their souls become too indolent to (attempt to) acquire the virtues and good character qualities. Thus, they fall short of their potentialities and do not reach the limit of their humanity. As a result, they revert to the stage of "the lowest of the low".

5. Sustaining Islamic Human Development
In the beginning of his Prolegomena, Ibn Khaldun introduces a set of fundamental concepts such as the Islamic worldview, Islamic stewardship, cooperation, defence, protective order or social organization, and the power of thinking.

a. Supremacy of Religion
In Ibn Khaldun’s thesis of ‘umran, religion is a comprehensive divine system for life, and represents the ultimate reference used to validate all sorts of premises, perceptions, thoughts or rules concerning human life and society. This meta-epistemological principle helps Ibn Khaldun grasp the meaning of sustainable human capital which is based on some of the most viable human values transcending all material gains. Ibn Khaldun’s perspective on human capital follows the general framework of Islam, with particular interest in the conditions of ‘umran of human development and the goal of worship of God.

In the examination of Ibn Khaldun’s discipline of ‘umran however, there arises the need for human social organization to be set according to three key revelational determinants, namely, the Creation of God, the innate human nature, and the divine guidance. Ibn Khaldun explains: “The necessary character of human social organization or civilization is explained by the fact that God created and fashioned man in a form that can live and subsist only with the help of food. He guided man to a natural desire for food and instilled in him the power that enables him to obtain it". Ibn Khaldun considers the material infrastructure of ‘umran necessary by the law of God, and set to serve an ideal destiny showing the wisdom of God in the creation of humans and existence. Social organization is necessary for human species without which, human existence would be deficient. God desires to settle the world with human beings and to leave them as His representatives on earth, which otherwise would not be possible.

b. Cooperation and Defence
For Ibn Khaldun the nature of human capital is detected through observation and analysis of human association, where real forms of dynamism occur. To bring those real forms to light, Ibn Khaldun sought to answer a number of basic questions concerning the reasons that compel people to live in communities. The immediate reason he identifies is collective defence and cooperation, which represents the basic components in building of civilization. Man however, cannot do without the combined power and empowerment obtained from his fellow human beings, if he is to obtain food, whether for himself or for the rest of the community. Each individual requires the help of others for defense. Through cooperation, the needs of a number of persons, many times greater than their own (number) can be satisfied. Within this framework, Ibn Khaldun asserts that it is necessary for humans to cooperate with one another because the lack of co-operation entails a failure to obtain any food or nourishment; and consequently, life cannot materialize. Ibn Khaldun states: “When, however, mutual co-operation exists, man obtains food for his nourishment and weapons for his defense. God’s wise plan that humankind should subsist and the human species be preserved will be fulfilled. Consequently, social organization is necessary to

---

c. Order and Authority

Ibn Khaldun extensively uses the term ‘wazi’ (order) with reference to certain intrinsic constituents of human behavior. He identifies two categories of order; the first is religious and originates from within, while the second is non-religious and is a result of externalities. He also associates order with political authority (mulk/sultan), cohesion (shawkah/‘usbani), legal rulings and laws. The following statement illustrates his substantiated point:

“When mankind has achieved social organization, as we have stated, and when civilization in the world has thus become a fact, people need someone to exercise a restraining influence and keep them apart, for aggressiveness and injustice are in the animal nature of man. The weapons made for the defense of human beings against the aggressiveness of dumb animals do not suffice against the aggressiveness of man to man, because all of them possess those weapons. Thus, something else is needed for defense against the aggressiveness of human beings toward each other. It could not come from outside, because all the other animals fall short of human perceptions and inspiration. The person who exercises a restraining influence, therefore, must be one of themselves. He must dominate them and have power and authority over them, so that no one of them will be able to attack another. This is the meaning of royal authority” 43

d. Power of Natural Thinking

Ibn Khaldun argues that the ability to think and physical power are two great divine gifts God granted humans; they sustain human protection and defense against all forms of aggression, and spur its growth. Ibn Khaldun states: “Aggressiveness is natural in living beings. Therefore, God gave each of them [animals] a special limb for defense against aggression. To men, instead, He gave the ability to think, and the hand. With the help of the ability to think, the hand is able to prepare the ground for the crafts. The crafts, in turn, procure for man the instruments that serve him instead of limbs, which other animals possess for their defense” 45. This statement not only points to the meaning of thinking within the context of ‘umran but also highlights some salient features which set it apart from the human intellect, reason, or mind. The use of the hand symbolizes the practical and applied dimension of the intellect. Ibn Khaldun’s understanding of intellectual ability is perfectly aligned with the Islamic notion of human ability, which tends to undermine extreme forms of intellectual abstraction, transcendence and dependence on the ‘human intellect’. For him reasoning is a complex cognitive process involving various human abilities, the sum total of which stands at the boundaries set by God. In the field of human association, humans are in need of the higher epistemological reference of Revelation, in addition to their innate nature, acquired skills and abilities.

As such, a large section of sustainability in Muslim human development depends on the high ratio of conformity to the norms of Revelation in human life. It was with this in mind that Ibn Khaldun attempted to understand the relationship between human cognitive faculties such as reasoning, sensation and the development of skills. He then proceeded to explain the impact of skills on developing these faculties. At this point, in addition to discerning reasoning (‘aql tamyizi) and experimental reasoning (“aql tajribi”), Ibn Khaldun advances theoretical reasoning (“aql nazar) and additional intelligence (“aql mazid); both representing a synthesis of three: tamyizi, tajribi, and nazari. Ibn Khaldun states:

“It is necessary that each kind of learning [al-’ilm] and speculation [nazar] should provide (the rational soul) with additional intelligence [’aqlan mazidan]. Now, the crafts and the habit of (the crafts) always lead to the obtainment of scientific norms [qanun ’ilmi], which results from habit. Therefore, any experience provides intelligence. The

43 Rosenthal, p. 45
45 Rosenthal, the Muqaddimah, (ed. N. J. Dawood) p. 46
habits of the crafts provide intelligence. Perfect sedentary culture provides intelligence, because it is a conglomerate of crafts characterized by concern for the (domestic) economy, contact with one’s fellow men, attainment of education through mixing with (one’s fellow men), and also administration of religious matters and understanding the ways and conditions governing them. All these (factors) are norms (of how to do things) which, properly arranged, constitute scientific disciplines. Thus, an increase in intelligence results from them.”

Conclusion
Ibn Khaldun discusses the nature and constituents of sustainable Islamic human capital, placing its development in a much broader context of 'umran. His views reflect the Qur’anic worldview, which revolves around the essential precept of the human being as a cohesive and integrated unit of creation, and a socio-religious being. Ibn Khaldun’s approach to building human capital may further serve as a solid foundation for theorizing, managing and planning for human development, particularly in Muslim communities and societies. This is particularly relevant given that endogenous growth requires an internal sustainable societal drive and conviction, and cannot be effectively imposed from without. Moreover, a significant range of socio-religious instances is not effectively compatible with a materially-oriented development discourse. This presents challenges to the application of development theory, and reduced efficacy. Ibn Khaldun’s conception of human capital development and endogenous civilization growth provides a much required and equally meaningful moral and spiritual framework that may be applied across a broad cross-cultural and multi-religious spectrum.

References:

46 Rosenthal, p. 46.

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbhd.org


Human Development Report 1990, UN Development Programme (UNDP),

The Level of Consumers’ Awareness and Perceptions in Consumption of Halal Certified Products

Prof. Dr. Ekrem Erdem (Corresponding Author)
Faculty of Economics and Administrative Sciences, Erciyes University
Post code: 38039, Kayseri, Turkey
Tel: 0090 5327866133 E-mail: ekremerdem@erciyes.edu.tr

Prof. Dr. İnci Varinli
Faculty of Economics and Administrative Sciences, Erciyes University
Post code: 38039, Kayseri, Turkey
E-mail: varinli@erciyes.edu.tr

M. Emin Yıldız
PhD Student, Institute for Social Sciences, Erciyes University

Abstract:
Based on the fact that, officially, 99 percent of Turkey’s population is Muslim, the purpose of the study was to determine the consumers’ awareness about the concept of halal food and their perceptions regarding halal food certificated products. In this study it was also aimed to determine whether there is a relationship (or difference) between the awareness about halal food certificate and the religious values, and finally to put forth whether the levels of awareness differ according to demographic and socio-economic features. This study was conducted in Kayseri, located in the Middle Anatolian part of Turkey. The data were compiled from the consumers through face-to-face survey method. The sample size was comprised of 430 consumers. The data regarding halal food perceptions of the respondents were tested with factor analysis, MANOVA and t-test method, and then the findings were interpreted.

The fundamental findings of the study are as follows: (i) Most of the consumers (76 percent) stated that they heard about halal food certificate; (ii) there were differences with respect to religious values in awareness about halal food certificate; (iii) finally, demographic and socio-economic factors (education status, occupation, age, gender and marital status) were fairly effective about the consumers’ perception levels regarding halal food products.

Keywords: Islamic marketing, halal food certificate, consumer awareness and perceptions

1. Introduction
The world Muslim population is rapidly growing across the globe, approaching to 1.6 billion. According to the findings of a study in the US in 2009 (http://yenisafak.com.tr/Dunya), one fourth of the world population is Muslim and their food, clothing etc. consumption behaviors are different than others. Therefore, the Muslim consumers are more sensitive in food and clothing issues on account of their following religious rules.

Today, the halal food sector has become an important market for companies. According to Yousef (2010), the current levels of halal food consumption are worth $66.6 billion in Europe, $16.1 billion in North America, $20.8 billion in China, and $23.6 billion in India while the GCC countries alone consumed $43.8 billion worth of halal products in 2009, but Adams (2011) argues that the global halal food market is worth $632 billion (Adams, 2011). Similarly, if the global halal food industry is estimated to be around $640 billion in 2010 (according to Business Monitor International) and a growing Muslim population of 1.8 billion are taken into consideration, it is possible to say that there is immense room for expansion in the current and prospective markets (Mansoor, 2010). Furthermore, not only do the Muslim consumers prefer these products because they are healthy, safe and wholesome, but Non-Muslim consumers also favor (Hornby and Yucel, 2009- from Ireland and Rajabzadeh, 2011).
In many countries, *halal* food certificate and logo (symbol) are required in food and personal care products which are known as fast consumption goods. *Halal* food certificate is new in Turkey, and they are authorized by GİMDES (Association of Food and Necessity Materials Supervision and Certificating) and TSE (Turkish Institute for Standards). These institutions determine whether the food and non-food products are halal. A lot of trademarks and firms which want to inform that food and non-food products are approved by the religion and are reliable apply to these institutions. The percentages of firms which demand the halal food certificate of conformity from the TSE are as follows: Meat and meat products sector (31 percent), grain and grain products sector (16 percent), vegetable and animal oil sector (14 percent), sugar and sugar products sector (11 percent), fruits, vegetables and their products sector (10 percent) (http://www.dunyabulteni.net).

*Halal* in Arabic means permissible or lawful. Abdul and others (2009) define that “*halal* food may apparently be the same as other kinds of food, but its nature and processing technique involving the ingredients, handling, use of various methods from the beginning to the end, are always the one approved and recommended by Islamic law” (Abdul et. al, 2009). Nahdi and Islam define halal food as “a universal term that applies to all facets, meat product makeup, personal care products, food ingredients, and food contact material. In the Holy Qur'an, Allah commands Muslims and all mankind to eat halal things” (Al-Nahdi and Islam, 2011). In this study, *halal* food means that everything we eat must be within the rules of Islam ordered by Allah and recommended by the Prophet in all stages from production to consumption. Just as said in the Holy Qur'an:

“O ye people! Eat of what is on earth, lawful and good; and do not follow the footsteps of the Evil One, for he is to you an avowed enemy” (Al Baqarah: 168; Ali: 67).

Since there are limited empirical studies in Turkey regarding the consumers’ halal food certificate perceptions, it could be said that it is an original work on this issue. Since the beginning of 2012, advertisements of halal food certificated and symbolized products have been brandished on the media, possibly affecting consumers’ perception regarding the halal food certificate. In this study, we tried to determine the consumers’ level of perception about the halal food.

2. Literature

It is possible to say that the first studies on islamic marketing started with the analysis of consumers’ attitudes and behaviours towards interest free financial institutions. Later, subjects such as consumer behaviour towards halal food, tourism or restaurants could be seen among the studies.

The basis of Islamic Marketing is built upon the term “halal” which is an arabic word meaning “permissible” or “lawful”. The importance of halal extends to all consumables such as cosmetics, food, clothing and services including finance, restaurants and tourism. Among these consumables and services food consumption is of great importance to Muslim consumers because food is the most important need that has to be satisfied. Hence, studying halal consumption has been a necessity.

2.1. Classification of Studies on Consumption of Halal Food

Halal consumption is not limited only to the Muslim population; some other consumers are also seeking halal food due to its excellent reputation for healthy and safe food products, and the humane treatment of animals (Global Halal Food Market, 2011). For this reason, behaviors of the consumers regarding their halal food purchase are in anybody’s interest who are Muslims or not. In this context, the studies regarding the consumers’ halal food purchase behavior can be categorized as; (i) the studies intending the Muslim consumers in Muslim Countries (Salehedin and Luthfi, 2010; Ireland and Rajabzadeh 2011; Omar et. al., 2008. Dali vd.); (ii) the studies intended to the Muslim consumers in non-Muslim Countries (Bonne vd., 2007; Bonne vd., 2008; Allam Ahmed, 2008; Johan Fischer); (iii) the studies intended to the non-Muslim consumers in Muslim Countries (Golnaz vd., 2010; Abdul and Vui, 2013); and (iv) the comparative studies covers the considerations of both sides (Ladda et al., 2009).

2.2. Halal Food Consumer Behaviour Model

The theory of planned behaviour (TPB) is a frequently used model suggested by Ajzen (1991) to analyse the behaviours of consumers towards Halal food. In TPB, there are three factors affecting behaviour. These are
attitude, subjective norm and perceived behavioural control. Attitude toward the behavior is defined as the individual's positive or negative feelings about performing a behaviour. It is determined through an assessment of one's beliefs regarding the consequences arising from the behavior and evaluation of the desirability of these consequences. Attitude is a psychological tendency to evaluate whether something is liked or disliked. It is the evaluation of self-performance of a given behaviour. A subjective norm is defined as an individual's perception of whether people important to the individual think the behavior should be performed. At this level, the culture of the society people live in may control their behaviour. A perception of behavioural control is an individual perception to the extent that particular behaviour is controlled. The extent to which an individual understands and follows one’s religion is a perception that may control their behaviour (Soesilowati, 2010, p.154). In this study, consumers’ awareness, religion and perceptions will be analysed.

2.3. Halal Food Awareness and Perception of Consumers

One of the main factors affecting consumer behaviour is awareness. Here, our main focus is on halal food certificate and logo. Awareness in this context is taken as whether the consumers can detect the halal food logo or remember it later on. With different means of marketing and communication, consumers can be led to detect and remember these halal certificate logos and certified products.

Perception is the self judgement of a consumer regarding a particular product, brand or service. The perceptions of consumers are also affected by some factors. Some of these factors that shape the perceptions of consumers are the demographics, socio economic situation of the consumers and the type of their needs.

2.4. Religion and Consumption of Halal Food

Religion is one of the factors that affect the purchasing behaviours of consumers. Consumers’ devotion level may affect several areas like food, drinks, product preferences or retailers. For example, Mokhlis (2008) found out that devotion has effects on evaluating some specialities of retailers. He concluded that religious persons have value systems that differ from those of the less religious and the non-religious (Mokhlis, 2008, p.123).

2.5. Studies Related to Subject

In the light of the above remarks, the studies and papers on the subject are featured in detail. The sensitivity of Muslim consumers regarding halal food has led many researchers to investigate the issue. For instance, Ireland and Rajabzadeh (2011) have researched the UAE consumers’ concerns about halal food. In this study, 86.5 percent of respondents felt great concern that at least one category was not halal. On average, subjects felt great concern about 5.5 categories. The categories that distressed them most were processed meat products. Indeed, 44 percent of the sample felt great concern about hamburgers. On average, women felt great concern about more categories (6.4) than men (4.2), largely because they were more worried by the toiletries. Again, Salman and Siddiqui (2011) reached interesting findings about the Pakistani consumers’ awareness and perceptions regarding halal food. According to their results; “(i) religion is the omnipotent source of religious beliefs for Muslim consumers; (ii) beliefs are closely knitted with religious commitment; (iii) people who are highly religious may not necessarily have high level of awareness about halal food; (iv) attitude towards halal food is closely akin to the notion of beliefs; (v) The dogma of identity is more linked with intrinsic rather than extrinsic forces”. In the study made by Abdul and others (2009) it was found that there is a meaningful relationship between respondents’ religious beliefs and their perceptions towards halal food logo and ingredients. In the study made by Mutsikiwa and Basera (2012), effects of the socio-cultural factors like education, religion, occupation and social stratification on consumers’ perceptions have been investigated and found that these factors have little or no influence on a consumer’s perception on consumption of halal certified food products but the Muslim consumers are highly sensitive to their socio-cultural orientations compared to non-Muslim consumers. Similarly Shaharudin and others (2010) have investigated the religious factor and its impact on the customer purchase intention in Malaysia and found that religious factor has less impact on customer purchase intention of organic food.

On the other hand, Salehudin and Luthfi (2010) found that Muslim consumers in Indonesia seek information about the halal certification of a product and cancel their purchase if the product do not have halal certification. Hassan et al. (2009) investigate the use and effectiveness of consumers’ perceptions about halal certification as a
quality assurance mark for the Malaysian multicultural society and suggests that the companies differentiating halal food products from others may be able to segment and target the Muslim consumers’ market while still receiving positive reactions from others. Similarly, Shafie and Othman designed to identify the factors influencing consumers’ choice of products by a survey and reached a result that halal logo did play a role in the consumers’ buying decisions. Golnaz and others (2010) examined the Malaysian non-Muslim consumers’ awareness and attitudes against the halal food products according to different social and economic factors and found quite fruitful results. According to these results, non-Muslim consumers are aware of the existence of halal food, halal principles and the advantages of halal way in slaughtering the animals but it must be emphasized that halal is not only the way muslims slaughter their animals but also relates to environmental issues, sustainability, animal welfare and food safety. Accordingly, the religious belief, food safety, animal welfare, environmentally friendliness, age, education level and area of residence are all important determinants of the consumers’ attitude towards understanding and awareness of halal principles and halal food products (Golnaz et al., 2010: 8).

According to another empirical study by Dali and others, the factors contributing to the importance of halal certification are attractiveness and quality, halal certification, market demand, small and medium size enterprise producers, halal certification, the difference between halal certified and non-certified, and clean operations. Abdul Aziz and Chok (2013) aimed to determine the relationships between halal awareness, halal certification, marketing promotion, food quality and brand with the intention to purchase halal product among the non-Muslim community in Malaysia and found that the first three variables (halal awareness, halal certification, marketing promotion) and brand were positively related to purchasing intention, whereas the fourth variable (food quality) was negatively associated with it.

In another interesting study made by Omar et al. (2008), the attitudes of the Muslim consumers’ to halal foods were investigated and reached to the conclusion that there are five factors having significant relationship with consumers’ attitude towards halal food product in the Malaysian (Kelantan) case. These factors are listed as ingredients, ownership, marketing-related factors, and certified halal logo. Among them, do the first three positively affect halal food products whereas certified halal logo is affects negatively. According to the authors, this is due to a situation in Kelantan as the state is always considered to be the Corridor of Mecca (Serambi Mekah).

This study depicted in figure one was constructed based on the literature review. By taking the method of research into consideration, the hypothesis tested in the study are as follows:

H1: Consumers’ perceptions regarding halal food certificated products are differentiated by their education level.
H2: Consumers’ perceptions regarding halal food certificated products are differentiated by gender.
H3: Consumers’ perceptions regarding halal food certificated products are differentiated by marital status.
H4: Consumers’ perceptions regarding halal food certificated products are differentiated by age groups.
H5: Consumers’ perceptions regarding halal food certificated products are differentiated by occupation groups.

3. Purpose of the Study

In this study, firstly it was aimed to determine the consumers’ awareness of halal food and how they evaluate the halal food concept, and then to find the conscious Turkish consumers’ perceptions about halal food certificated products. Secondly, it was aimed to determine whether there is a relationship (or difference) between the awareness about halal food certificate and the religious values, and finally to put forth whether the levels of awareness differ according to demographic and socio-economic features.

4. Method of the Study

This study was conducted in Kayseri, located in the Middle Anatolian part of Turkey. The data was compiled from the consumers through face-to-face survey method. The sample size was comprised of 430 consumers. The 30 statements developed for the purpose of determining the consumers’ perceptions about halal food were asked to be answered by the respondents in accordance with the five-point Likert Scale as; 5) I strongly agree, 4) I agree, 3) Neither I agree nor I disagree, 2) I disagree, and 1) I strongly disagree. The statements developed by the researchers were the ones that were intended to determine the levels of perceptions about the marketing mix of halal food certificated products (such as products, price, promotion and delivery).
In the survey, some questions concerning religious values were asked. Also, to measure religiosity a five-point Likert type agreement scale, ranging from 5 (strongly agree) to 1 (strongly disagree) was used. These statements were adapted from Wilkes, et al. (1986) to measure the religiosity of consumers in a predominantly Muslim society rather than in Judeo-Christian societies. Religiosity scale consisted of five statements. Cronbach's alpha coefficient was calculated to measure the scale's reliability. Alpha coefficient was equal to .85, indicating an acceptable reliability for the scale. In addition, some questions regarding the consumers’ demographic and socio-economic features were also asked.

47, 38, 12 and 3 percents of the respondents were aged between 18 and 25, between 26 and 35, between 36 and 45, and over 46 respectively. Also, 18 percent of the respondents graduated from preliminary and middle school, 47 percent were from high school, 2 percent were from vocational high school, 27 percent were from university, and finally, 6 percent had masters degrees. On the other hand, 16 percent of the respondents were civil servants, 29 percent were workers, 5 percent were teachers, 40 percent were students, 5 percent had professional occupations, and finally, 5 percent were out of these groups. Finally, 52 percent of the respondents were single, and 48 percent of them were married. Also, 50 percent of the respondents did not state their income.

In order to achieve the study’s determined purposes, firstly the frequency distribution of the respondents’ understandings regarding halal food concept was covered and then the awarenesses were evaluated regarding level of religiosity (by t-test). Factor analysis was applied to the statements regarding halal food perceptions, in consequence of analysis, dimensions about halal food and perceptions were determined. Following this specification, whether difference in halal food perception due to demographic and socio-economic factors exists is presented by MANOVA.

5. Results of the Study
The respondents were asked to answer what they understood from halal food term.

From the Table 1, 20.7 percent of the respondents defined halal food as halal gain, 70.6 percent defined as Islamic food, and 7.6 percent defined as food without pork. On the other hand, according to the findings of a study done in 2010 in Turkey, the respondents defined the halal food as gained with great effort (31 percent), as favorable by the religion (27 percent), as without pork (2.8 percent), and no idea (27 percent). It is a fact that as supermarkets publicize these products on the shelves and advertise in various telecommunication means in recent years, consumers’ perceptions are rapidly changing.

Another question that we asked the respondents was whether they heard about halal food certificate. 76 percent of the respondents stated that they heard about this kind of certificate, but the rest 24 percent said otherwise. According to the empirical study of 2010 in this field, 82 percent of the consumers were unaware of halal food certificate. In addition, these two results show that some advertisements and promotions recently made by some companies and non-governmental organizations have significantly increased the awareness of the consumers on the issue.

T-test was applied to determine whether consumers heard about halal food certificate with respect to their religious values. According to results of the analysis, the level of religiosity of those consumers who said “yes I heard” were higher than those who said “no I have not heard”. In this context, it can be said that as the level of religiosity of consumers increases, their sensitivity towards halal food certificated products increases too.

In the chi-square analysis which was performed to determine the difference with respect to sexuality in hearing halal food certificate, it was concluded that there were important differences between the groups (chi-square value = 34.42 p<.01 n=456).

On the other hand, when the frequency of purchasing these products was asked the respondents they stated that they heard about halal food certificated products. 30 percent of the respondents stated that they always buy, 30 percent of them occasionally, 19 percent of them a couple of times, and 21 percent of them never buy these products. Similarly, it was asked the respondents from where they buy these products. 86 percent of them stated that they buy these products from supermarkets, and only 2 percent via internet and 7 percent in either way.
A factor analysis was made to determine whether the perceptions towards products with halal certificate have a multiple construct or not. If the perceptions have more than two dimensions it can be said that they have multiple construct.

Before conducting factor analysis, a reliability analysis was made to determine the internal reliability. The Cronbach's Alpha is 0.94. The nine statements that decrease the internal reliability were omitted and factor analysis was made for the remaining 21 items. Table 3 depicts the KMO and Barlett test values and the significance levels according to the results of the factor analysis. The results show that there is a relation between the variables in the total population. The KMO was found to be 92%, which is usually required to be over 60%. In the factor analysis, another value which is also required to be over 60% is the percentage of the variance explained. This was found to be 70%. It can be concluded that the factors having more than 1 eigenvalues explain 70% of total variance.

Table 4 depicts 5 factors which were found as the result of the factor analysis made for the 21 items. Also in the table, the list of the factors, the items in each factor, the factor loadings and the reliability coefficients can be found. The total variance explained with these factors is 70.254. These factors are namely intention to buy, preference of halal certificate, halal food products, halal food sale point and halal food advertisement. Thus, the multiple construct of the perceptions of the products with halal certificate was depicted.

It was previously mentioned that consumers perception of halal food certified products are grouped in five factors. MANOVA analysis was used to determine whether there was a difference between these factors and consumers’ demographic and socio-economic features. As a result of these analyses, it was found that the consumers’ perceptions about halal food certificated products differentiate according to their education level, marital status, gender, age, and occupation. Since an important part of the respondents did not state their level of income, analysis on this variable was not considered consistent.

After MANOVA analysis, it was seen that there were differences in the respondents’ perceptions about halal food certificated products by their education level. According to the sources of differences tested by the Scheffe test, the differences are mainly seen between primary school and university plus graduate levels (i.e., masters and doctorate levels) in terms of intentions to purchase; between primary school and high school plus graduate levels in terms of halal food certification preferences; between primary school and university plus graduate levels in terms of halal food products; between primary school and high school plus university plus graduate levels in terms of halal food sale points; and finally, between primary school and high school plus university plus graduate levels in terms of halal food advertisements.

The analysis made on the relationship between marital status and halal food perceptions is seen in Table 6. As seen in Table 6, perception levels of the respondents differed in accordance with their marital status. Perception levels of all married respondents concerning halal food products were higher than single respondents’ perception levels. This finding is probably pertains to the fact that the marriage age in the country is still around 20, so the consciousness level of the single consumers religiosity and their awareness of halal food and its labeling is much less than the marrieds. In addition to the age of marriage, the level of married people is also higher than that of many other nations.

As seen in Table 7, perception levels of the consumers in accordance with their sexuality differs.

MANOVA was applied to test whether there was a difference in perceptions in accordance with sexuality. According to the results with respect to the respondents’ perceptions based on their sexuality in Table 7, Turkish male consumers are more concerned about halal food certification compared to the females. Especially this difference stems from the respondents’ purchase intentions for halal food certificated products. Interestingly, the purchase intention of male respondents are higher compared to females. Contrary to our findings, pertaining to the respondents’ perceptions based on their sexuality, Nuradli et al. (2007) in a research conducted online concludes that female consumers are more concerned about halal verification compared to the male respondents. The main difference between Turkey and many other countries in this sense is that the levels of schooling, socialization and civilization for males are , in general, higher than for females. In addition, labor participation and employment rates in males are much higher than females, so buyers are still more connected to the market and purchasing these goods. As an outcome of all these factors, the consciousness level of the male consumers’ religiosity are still higher than the female consumers.
At the end of MANOVA analysis made for determining whether there is a difference in consumers’ perception by age groups, it has been found out differences in the consumers’ purchase intentions, halal certification preference, halal food products and halal food sale point factors. These varieties according to age groups stem from differences in conception of intention of purchase of the 18 year-olds and others. Similarly this is due to different conception of the same age group about the concepts of halal food certificated products and halal product sale points. As presented in Table 8, it is possible to deduce that as the age of consumers increase their perceptions of the halal food products also increase.

On the other hand, at the end of MANOVA analysis, it was found that there were differences in consumers’ perceptions by their occupation groups. The Scheffe test was employed to determine the source of differences. In accordance with the results of this test, in terms of sources of differences by occupation groups there were differences in perceptions of civil servants and workers as well as workers and students regarding their intentions to purchase. However, in terms of preference of halal certificate, halal food products and halal food sale point factors there were differences in perceptions of civil servants and workers as well as workers and students regarding their intentions to purchase. Finally, as seen in Table 9, the students’ perception levels were lower than other occupation groups.

6. Conclusion

It is fairly new that halal food certificated products are available on the market shelves. In this respect, it is quite important to determine the awareness and perceptions of the consumers about these products. In this study, most of the consumers (76 percent) stated that they heard about halal food certificate. As stated before, consumers were unaware of halal food certificates only a couple of years ago. It was seen that there were differences with respect to religious values in awareness about halal food certificate because the average about religious values of the ones who heard was higher than the ones who did not hear. Furthermore, the findings about the awareness of the Turkish consumers regarding halal food certificates indicate that they are now more sensible to the halal labels than ever. There might be some reasons for this result. Firstly, their understanding of halal food was mainly stemming from the earnings gained with great effort which is more traditional way of understanding halal by referring to the Qur’anic verse of “that man can have nothing but what he strives for” (Al Najm: 1383; Ali: 39) but now pertains to more professional market indicators (halal logos). Secondly, The religiosity level of the Turkish society is obviously increasing at all levels of the life, so as they become more conscious about their beliefs they need to be more careful about their daily life as well. Thirdly, as the country’s economy has rapidly grown during the last decade, the openness level of the economy to the global economy and its deepness are increasing with not only domestic producers and sellers but also with foreign partners of these goods. Since the consumers cannot expect from those foreign and domestic food suppliers to consider and guarantee their halal perceptions, they ask them to put official labels on the products for them to be sure when they purchase them. Finally, the Turkish society is traditionally very sensitive to the products made from pig. As the internalization level of the nation increases rapidly, conscious consumers need to be secure about their consumptions.

According to the results of the factor analysis, consumers’ assessments regarding halal food certificated products were grouped under five factors as "intention to purchase" "preference of halal certificate", "halal food products", "halal food sale point" and "halal food advertisement".

Consumers’ awareness about religiosity level and halal food products certificate differs. As the consumers’ level of religiosity increases, their awareness regarding halal certificated products increases, too. Similarly, consumers’ perceptions about halal food certificated products show difference according to their level of education, gender, age group, marital status and occupation groups.

On the other hand, while the consumers’ awareness about halal food certificated products differs due to their religious values, depending on various demographic factors their perception levels also differ. Based on such findings, it can easily be said that demographic factors and religious factors are fairly effective in the consumers’ perception levels regarding these products.

With all these concerns, it must be kept in mind that this study conducted on the consumers who live in Kayseri. Therefore, when the geographic scope of the study is extended towards cross-cultural dimensions, the results will be more satisfied and reliable.
Halal food industry has been growing rapidly and provides remarkable opportunities to the companies which export or intend to export to the muslim consumers in muslim or non-muslim countries. Furthermore, halal food certificates may be used as a tool of differentiation in domestic and foreign markets in order to have competitive advantage. Suppling halal food products to consumers has been a recent trend in Turkey. Thus, promotions and other various marketing tools must be sustained in order to increase the awareness of the consumers regarding the halal food products.

References:


Bizim Market Dergisi, October 2010, pp. 24-32.


Global Halal Food Market, May 2011, Canada


http://www.dunyabulteni.net.


---

Table 1. Consumers’ Assessments About Halal Food

<table>
<thead>
<tr>
<th>Type of Concern</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halal gain</td>
<td>95</td>
<td>20.7</td>
</tr>
<tr>
<td>Islamic food</td>
<td>325</td>
<td>70.6</td>
</tr>
<tr>
<td>Food without pork</td>
<td>35</td>
<td>7.6</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>1.1</td>
</tr>
<tr>
<td>Total</td>
<td>460</td>
<td>100.0</td>
</tr>
</tbody>
</table>

---

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
www.crmmbbd.org
Table 2. T-test Results Regarding the Respondents’ Level of Religiosity and Their Information About Halal Food Certificate

<table>
<thead>
<tr>
<th>Yes Mean</th>
<th>No Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2427</td>
<td>3.8569</td>
</tr>
</tbody>
</table>

$t = 5.246 \quad P = .000$

Table 3. KMO and Bartlett's Test

<table>
<thead>
<tr>
<th>Kaiser-Meyer-Olkin Measure of Sampling Adequacy.</th>
<th>Bartlett's Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. Chi-Square 3,775,626</td>
<td>Df 210 \quad Sig. .000</td>
</tr>
</tbody>
</table>

Table 4. Results of the Factor Analysis

<table>
<thead>
<tr>
<th>Factors</th>
<th>Factor Loadings</th>
<th>Variance Explained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase Cronbach's Alpha=.892</td>
<td></td>
<td>18.861</td>
</tr>
<tr>
<td>The price and quality of products with halal certificate fit together.</td>
<td>.648</td>
<td></td>
</tr>
<tr>
<td>I do not avoid to spend money to reach products with halal certificate.</td>
<td>.747</td>
<td></td>
</tr>
<tr>
<td>I prefer to buy from shops which sell products with halal certificate.</td>
<td>.590</td>
<td></td>
</tr>
<tr>
<td>I can possibly buy a product with halal certificate in the future.</td>
<td>.607</td>
<td></td>
</tr>
<tr>
<td>I can pay more for products with halal certificate than for products without halal certificate.</td>
<td>.756</td>
<td></td>
</tr>
<tr>
<td>I recommend my family and my friends to buy products with halal certificate.</td>
<td>.644</td>
<td></td>
</tr>
<tr>
<td>I try to convince my friends to buy products with halal certificate.</td>
<td>.679</td>
<td></td>
</tr>
<tr>
<td>Preference of Halal Certificate Cronbach's Alpha=.890</td>
<td></td>
<td>17.984</td>
</tr>
<tr>
<td>It is important for me to buy products with halal certificate.</td>
<td>.820</td>
<td></td>
</tr>
<tr>
<td>When buying food I prefer the products with halal certificate.</td>
<td>.834</td>
<td></td>
</tr>
<tr>
<td>I care about the halal certificate when buying a product.</td>
<td>.774</td>
<td></td>
</tr>
<tr>
<td>Before buying the product I make sure that the product has halal certificate.</td>
<td>.621</td>
<td></td>
</tr>
<tr>
<td>When buying product halal certificate is more important for me rather than brand.</td>
<td>.504</td>
<td></td>
</tr>
<tr>
<td>Halal Food Products Cronbach's Alpha=.839</td>
<td></td>
<td>13.861</td>
</tr>
<tr>
<td>I believe that the products with halal certificate are suitable for Islam.</td>
<td>.625</td>
<td></td>
</tr>
<tr>
<td>I believe that the products with halal certificate are clean.</td>
<td>.734</td>
<td></td>
</tr>
<tr>
<td>I believe that the products with halal certificate healthy.</td>
<td>.755</td>
<td></td>
</tr>
<tr>
<td>I believe that the halal certificate shows true information about the product.</td>
<td>.750</td>
<td></td>
</tr>
<tr>
<td>Halal Food Sale Point Cronbach's Alpha=.726</td>
<td></td>
<td>10.316</td>
</tr>
<tr>
<td>I believe that the products with halal certificate need to be sold in separate sale points.</td>
<td>.806</td>
<td></td>
</tr>
<tr>
<td>I think that in order to promote the products with halal certificate there has to be several promotions like special discounts, free samples etc.</td>
<td>.576</td>
<td></td>
</tr>
<tr>
<td>I believe that there has to be separate boots for the products with halal certificate.</td>
<td>.757</td>
<td></td>
</tr>
<tr>
<td>Halal Food Advertisement Cronbach’s Alpha .702</td>
<td></td>
<td>9.230</td>
</tr>
<tr>
<td>I think that halal food does not find enough attention in the media.</td>
<td>.775</td>
<td></td>
</tr>
<tr>
<td>I think that there is not enough advertisement for the products with halal certificate.</td>
<td>.837</td>
<td></td>
</tr>
</tbody>
</table>
### Table 5. MANOVA Results by the Respondents’ Level of Education

<table>
<thead>
<tr>
<th></th>
<th>1*</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase</td>
<td>4.33</td>
<td>4.13</td>
<td>3.91</td>
<td>3.79</td>
<td>3.55</td>
<td>5.33</td>
<td>.000</td>
</tr>
<tr>
<td>Preference of Halal Certificate</td>
<td>4.71</td>
<td>4.53</td>
<td>4.23</td>
<td>4.29</td>
<td>3.83</td>
<td>4.85</td>
<td>.001</td>
</tr>
<tr>
<td>Halal Food Products</td>
<td>4.33</td>
<td>4.10</td>
<td>3.97</td>
<td>3.77</td>
<td>3.66</td>
<td>4.76</td>
<td>.001</td>
</tr>
<tr>
<td>Halal Food Sale Point</td>
<td>4.48</td>
<td>4.05</td>
<td>3.78</td>
<td>3.68</td>
<td>3.53</td>
<td>7.05</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Advertisement</td>
<td>4.65</td>
<td>4.11</td>
<td>4.07</td>
<td>4.10</td>
<td>3.90</td>
<td>3.97</td>
<td>.004</td>
</tr>
</tbody>
</table>

Hotelling T = 2.504  p = 0.000

*1 = primary school, 2 = secondary school, 3 = high school, 4 = university, 5 = masters/doctorate (Ph.D.)

### Table 6. MANOVA Results with Respect to the Respondents’ Marital Status

<table>
<thead>
<tr>
<th></th>
<th>Single Mean</th>
<th>Married Mean</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase</td>
<td>3.68</td>
<td>4.10</td>
<td>25.18</td>
<td>.000</td>
</tr>
<tr>
<td>Preference of Halal Certificate</td>
<td>4.04</td>
<td>4.49</td>
<td>23.79</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Products</td>
<td>3.73</td>
<td>4.09</td>
<td>17.84</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Sale Point</td>
<td>3.61</td>
<td>4.02</td>
<td>17.41</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Advertisement</td>
<td>4.02</td>
<td>4.24</td>
<td>4.88</td>
<td>.028</td>
</tr>
</tbody>
</table>

Hotelling T = 6.839  p = .000

### Table 7. MANOVA Results with Respect to the Respondents’ Sexuality

<table>
<thead>
<tr>
<th></th>
<th>Male Mean</th>
<th>Female Mean</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase</td>
<td>3.97</td>
<td>3.76</td>
<td>4.13</td>
<td>.043</td>
</tr>
<tr>
<td>Preference of Halal Certificate</td>
<td>4.33</td>
<td>4.23</td>
<td>0.59</td>
<td>.440</td>
</tr>
<tr>
<td>Halal Food Products</td>
<td>3.97</td>
<td>3.85</td>
<td>1.525</td>
<td>.218</td>
</tr>
<tr>
<td>Halal Food Sale Point</td>
<td>3.88</td>
<td>3.74</td>
<td>1.259</td>
<td>.263</td>
</tr>
<tr>
<td>Halal Food Advertisement</td>
<td>4.12</td>
<td>4.25</td>
<td>1.112</td>
<td>.292</td>
</tr>
</tbody>
</table>

Hotelling T = 1.961  p = .084

### Table 8. MANOVA Results by Age Groups

<table>
<thead>
<tr>
<th></th>
<th>18-25</th>
<th>26-35</th>
<th>36+</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase</td>
<td>3.73</td>
<td>4.02</td>
<td>4.10</td>
<td>6.46</td>
<td>.002</td>
</tr>
<tr>
<td>Preference of Halal Certificate</td>
<td>4.09</td>
<td>4.40</td>
<td>4.46</td>
<td>5.68</td>
<td>.004</td>
</tr>
<tr>
<td>Halal Food Products</td>
<td>3.83</td>
<td>4.00</td>
<td>4.08</td>
<td>2.39</td>
<td>.093</td>
</tr>
<tr>
<td>Halal Food Sale Point</td>
<td>3.64</td>
<td>3.94</td>
<td>4.00</td>
<td>4.80</td>
<td>.009</td>
</tr>
<tr>
<td>Halal Food Advertisement</td>
<td>4.02</td>
<td>4.19</td>
<td>4.27</td>
<td>1.86</td>
<td>.157</td>
</tr>
</tbody>
</table>

Hotelling T = 1.726  p = .071

### Table 9. MANOVA Results by Occupation Groups

<table>
<thead>
<tr>
<th></th>
<th>Civil servant</th>
<th>Worker</th>
<th>Self-employed</th>
<th>Student</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention to Purchase</td>
<td>3.79</td>
<td>4.20</td>
<td>3.99</td>
<td>3.64</td>
<td>10.215</td>
<td>.000</td>
</tr>
<tr>
<td>Preference of Halal Certificate</td>
<td>4.20</td>
<td>4.19</td>
<td>4.01</td>
<td>3.73</td>
<td>7.129</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Products</td>
<td>3.78</td>
<td>4.10</td>
<td>3.97</td>
<td>3.77</td>
<td>7.354</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Sale Point</td>
<td>3.67</td>
<td>4.16</td>
<td>3.89</td>
<td>3.55</td>
<td>9.176</td>
<td>.000</td>
</tr>
<tr>
<td>Halal Food Advertisement</td>
<td>4.05</td>
<td>4.29</td>
<td>4.18</td>
<td>4.01</td>
<td>2.107</td>
<td>.099</td>
</tr>
</tbody>
</table>

Hotelling T = 2.897  p = .000
Professional Ethics Under Islamic Perspective: A Study on Islamic Banks Operating in Bangladesh

Mohammad Zahid Hossain Bhuiyan
Assistant Professor of Management, Department of Business Administration
International Islamic University Chittagong, Bangladesh
E-mail: zahidsita@gmail.com

Md. Showkat Imran
Assistant Professor of Marketing, Department of Business Administration
International Islamic University Chittagong, Bangladesh
E-mail: imraniiuc@yahoo.com

Nazneen Fatema
Assit Professor in Finance, Department of Business Administration
International Islamic University Chittagong, Bangladesh
E-mail: nazneen.fatema@yahoo.com

Abstract:
The present study is about practice of professional ethics under Islamic perspective in Islamic Banks operating in Bangladesh. It is the outcome of primary data mainly. The requisite primary data were collected from a total number of 77 respondents on the basis of a structured questionnaire by direct interview methods from 7 Islamic banks operating in Bangladesh. The respondents were selected purposively for the easy and smooth collection of data. The main theme of the study is the practices of Islamic as well as professional ethics in the selected seven Islamic banks. The study depicts that awareness and attitudes towards the principles and practices of Islamic professional ethics have been higher in case of top level management of the banks. On the other hand, in case of the branch level management, those have been either medium or low. In order to improve the existing practice, the problems as mentioned in the study must be removed by adopting the suggestions opined by the respondents.

Key words: Islamic professional ethics, Islamic management, Shariah compliance, Ethical behavior, Corporate social responsibility and Leadership.

1. Statement of the problem:
‘Ethics’ most often refers to a domain of inquiry, a discipline, in which matters of right and wrong, good and evil, virtue and vice, are systematically examined. ‘Morality’, by contrast, is most often used to refer not to a discipline but to patterns of thought and action that are actually operative in everyday life. In this sense, morality is what the discipline of ethics is about. And so business morality is what business ethics is about” (Goodpaster, 1992, p. 111).

Again, Ethics, in general, can be defined as a systematic attempt, through the use of reason, to make sense of our individual social and moral experiences, in such a way as to determine the role that ought to govern human conduct and the values worth pursuing in life (Beauchamp, Tom, Norman, Bowie; 1979). Ethics is understood as “the discipline dealing with what is good and bad and with moral duty and obligation” (Merriam-Webster, 1985). According to Beeckum (1997), ethics may also be referred to as the set of moral principles that distinguish what is right from what is wrong. It is a normative field because it prescribes what one should do or abstain from doing. Sometimes, ethics is used synonymously with morality. Moral action or behaviour is called an ethical action, and codes of morality are ethical codes (Hanafi & Sallam, 1995). Morality, on the other hand, is a normative action and a model that is to be followed in our behavior. Normative ethics attempt to supply and to justify a coherent moral system. It provides basic moral values on a moral system. Such a moral system provides rules that govern individual behavior by defining those actions as wrong or right (Hanafi & Sallam, 1995). Peter F. Drucker
confirms morality at all aspects of life and introduces it as persons’ twin (Malcolm & NellTabor, 2010).

Ethical behavior regulations constitute the most important policy of every profession and include cases such as main features of every occupation and relations of the occupation member with each other as well as with the society (Yaghinlou et al., 2003). Considering different ethical criteria of different professions due to their sensitivity and duty in serving the society, ethical criteria determine common principles of features, values, and competences (Cheraghi, 2009). Therefore, when a person enters an organization, he/she notices the special behavior of the organization observable in all personnel of that organization. Briefly, professional ethics is affected by organizational ethics (Taghizadeh, 2009). Professional ethics guarantees future market of the organization through purifying and optimizing their current performance. This is not an invalid commodity (Gharamaleki Faramarz, 2008). Professional ethics is one of the most effective internal controls or self-controls (Mirsepasi, 2005). However, identifying the involved components affecting the nature of phenomenon and their classifying in a specified and recognizable frame is the binding condition for managing of every nature or phenomenon (Khavandkar et al., 2009). Professional ethics is now regarded as a competitive advantage between organizations. F. Ar. David states that desired ethical principles are regarded as one of the prerequisites of good strategic management in the organizations. Desired ethical principles mean good organization (Beigzad et al., 2010). From organizational perspective and relying on ethical principles, managers are capable to decide on what is right and what is not (Alvani & Rahmati, 2007).

Professional ethics includes rational thought process aimed at realizing when and what values should be maintained, propagated and observed at the organizations (Sarmadi & Shalbat, 2007). Being competent to do a task is of fundamentals of professional ethics and people should not undertake to do a task that they are not competent. Essentially, professional competence is part of professional ethics (Mizgerd, 2010). A supreme professional ethics such as Islamic professional ethics provides conditions and power for all labor force in spite of great unpredictable challenge which can be found it’s beyond (Kamar & CheRose, 2010).

In Islamic perspective, professional ethics is the core of Islamic management. As a result, Islamic banks, financial institutions, insurance companies and other organizations must give due importance to Islamic professional ethics. This is because of the fact that especially in banks & financial institutions, public confidence is a must in order to successfully run the organization. The vehicle of creating public confidence is Islamic professional ethics. Therefore, in order to run the Islamic banks successfully, following Islamic professional ethics is a must. But in Bangladesh, it is alleged that the Islamic banks and insurance companies do not attach due importance to Islamic professional ethics. It is observed that only the top management of the banks is fully aware of the principles of Islamic professional ethics and their practices. But the management at the implementation level perhaps do not attach due importance to Islamic professional ethics & hence do not practice Islamic professional ethics at the desired level. Such a situation has created interest in the minds of researchers to make an in-depth study on such a vital issue namely Some Aspects of Professional Ethics in Islamic Banks Operating in Bangladesh

2. Objective of the study
The main objective of the study is to examine the major aspects of professional ethics in Islamic banks operating in Bangladesh. In order to achieve the main objective, the study covers the following specific aspects:

- To assess the awareness and attitudes of the respondents towards Principles of Islamic Professional ethics.
- To identify the factors affecting ethical behavior in the sample banks.
- To examine the extent of following the principles of Islamic professional ethics in the selected Banks.
- To examine the level of practicing Islamic professional ethics in the selected Banks.
- To identify the major problems hindering the practice of Islamic Professional ethics and also to suggest the probable measures to remove these problems.

3. Methodology of the study
The present study has covered all the 7 (seven) Islamic banks operating in Bangladesh. These are Islami Bank Bangladesh Limited (IBBL), Al-Arafah Islami Bank Limited (AIBL) Shahjalal Islamic Bank Limited, First
Security Islami Bank Limited, Social Islami Bank Limited, ICB Islami Bank Limited and Exim Bank Limited. Of the selected banks, a total numbers of 77 respondents have been selected purposively for the easy & smooth collection of data. They are Managing Director, Secretary of Shariah Council, Director General Training, Deputy Managing Director & five branch managers and two principle officers from each of the selected banks.

The study is the outcome of primary data mainly. These primary data include awareness & attitudes of the bankers towards Islamic ethics, level of the practice of the principles of Islamic ethics, factors affecting ethical behavior, awareness and attitude of Islamic professional ethics, extent of practice of Islamic professional ethics, problems faced in practicing principles of Islamic ethics & professional ethics & some suggestions for the improvement of existing practice of Islamic professional ethics. These data were collected from the respondents on the basis of a structured questionnaire by direct interview methods. Some of the data were collected by using 5 point Likert scale. The main secondary sources of data were annual reports of the selected banks, published articles, papers & text books on the related topics. The secondary data were collected by the researcher himself. The collected data were processed by using SPSS program and the report prepared and presented in the existing form.

4. Review of Literature

In recent years, there have been a number of articles published in different journals related to ethics, business ethics and professional ethics in different areas. But no research was made on practice of professional ethics in Islamic banking industries in Bangladesh. However, the existing literatures that were reviewed for this paper are as follows:

Khalifa (2001) examined that the conceptual basis of an Islamic ethical system may be of two main types namely Tawhid i.e; perfect faith and Islikamah i.e; sincerity of intention & rightness of deed. In this context, the following statements may be cited:

"Verily those who say, 'Our Lord is Allah', and remain firm on that path [steadfast], -on them shall be no fear, nor shall they grieve." [AI-Ahqaf, 46: 13]

Esgandari et al (2012) evaluated the effects of observing professional ethics on development of intellectual capital at Agriculture Bank of West Azerbaijan province (Iran). The obtained results of the study demonstrated that observing professional ethics lead to development of intellectual capital and its dimensions at Agriculture Bank.

Brinkmann (2002) indicated marketing ethics as an umbrella term for advertising, PR and sales ethics and as an example of professional ethics.

Rice (1999) focused on the ethical principles related to business and which contained in the religion of Islam. He also provided some knowledge of Islamic philosophy in order to help managers to perform the business in Muslim cultures.

Siddiqui (1997) tried to contribute to an understanding of the development of ethics in the contemporary Muslim world. The study explained briefly regarding the concept of change in new circumstances and finally the study focused on some recent attempts by Muslim scholars to address contemporary issues faced by Muslims in Europe and other parts of the world, such as medical ethics, citizenship and nationalities and copyright issues etc.

Brown (1999) pointed out the Islamic ethical discussions of abortion and war in comparative context by attempting to describe the boarder landscape of Islamic ethics. The study found out a third tendency rather than two general tendencies of human aspects which was ongoing tension over the respective importance of God's specific commend and His general will.

Carney (1983) indicated two things related to Islamic ethics. First one was related to offering a methodological proposal for the study of any religious ethic and second one was related to presenting a paradigm of mentioned methodology by focusing upon some salient features of Islamic ethics that lend themselves congenially to comparison with Western thoughts and practice.
Brien (1998) argued that the usual, direct attempts to control unethical behavior by using codes of ethics, legislation and self-regulatory regimes, would not be successful rather using an enforced self-regulation model that aims for ethics indirectly might be successful and he developed a goal-orientated professional culture of trust in this regard.

Abbott (1983) established through comparative analysis the five basic properties of professional ethics codes namely; universal distribution, correlation with intraprofessional status, enforcement dependent on visibility, individualism, and emphasis on colleague obligations.

Román (2003) analyzed the role of ethical sales behaviour, as perceived by bank customers, in developing and maintaining relationships with customers. The findings revealed that a salesperson’s ethical behaviour leads to higher customer satisfaction, trust and loyalty to the bank that the salesperson represents. Managerial and research implications were also discussed.

Harvey (1995) presented a significant current British case of the application of an ethical approach to banking practice in his study which was related to the issues of stakeholder dialogue, corporate strategy, and marketing. The study proposed an ethical banking strategy which built on the bank's differences from the others, and which benefited from an opportunity which was being ignored by them.

Green (1989) highlighted that the companies might have ethical responsibility and companies might not protected by limited liability from the consequences of their actions. A company's record and the perception of its ethics affect its reputation and ensure long term success or failure.

Reinsch et al (1992) addressed five research questions related to ethical and unethical behaviors and perceptions of the employees in banks where internal behavior with particular attention was highly emphasized. The study suggested seventeen categories of behavior relating to ethical that heavily skewed toward internal behaviors.

Hudaib and Haniffa (2007) explored whether any discrepancy exists between the communicated and ideal ethical identities and measured it by Ethical Identity Index (EI). The study indicated the overall mean EI of only one IB out of seven surveyed to be above average.

Cowton (2002) indicated that ethics played an important role both traditionally and as business and banking evolve. The author provided an overview of ethics in banking using three terms namely; integrity, responsibility and affinity.

Shaikh et al 2011 addressed the ethical issues in Private Commercial Banks in Pakistan. It was revealed in the study that private commercial banks were not caring for the customers. It was further concluded that most of the staff members who interact with the customers were non MBAs and that’s why their attitude towards the customers were not friendly.

Walsh (2007) investigated that ethical principles need to be inherent in business practices for the chasm between ethics and corporate law to be eliminated. According to the study, Sarbanes-Oxley mandated a new level of accountability for the American business environment and lays the legal groundwork for the American business system to transform and shift toward a regulatory framework based on principles, as exemplified by the Islamic system of finance.

5. Findings and Analysis

The main findings of the study have been presented below according to the objectives of the study.

5.1. Awareness and attitudes of the respondents towards Principles of Islamic Professional ethics

Hanafy and Sallam (1995) classified ethical principles of Islam into six categories: viz, truthfulness, trust, sincerity, brotherhood, science and knowledge and justice. The following paras highlight the discussion on each of the principles briefly.

Truthfulness: Truthfulness is a basic ethical value of Islam. Islam is, in a way, the other name of truth. Allah speaks the truth, He commands that all Muslims to be straight forward and truthful in their dealings and utterances (33:70). Islam strongly condemns falsehood and deceits in any form. This value has profound implications for the conduct of business. A businessman has to be honest, truthful and straightforward in all of his business dealings. Hanafy and Sallam (1995)
Trust: Trust is another fundamental ethical principle of Islam. The essence of the trust is the sense of accountability: the sense of having to appear before Allah and to account for one's action. According to Islam, human life and all its resources are a trust reposed by Allah in man. Islam directs its followers to be conscious of this trust in every aspect of life. Hanafy and Sallam (1995)

Sincerity: Islam attaches great importance to the sincerity of intentions and actions in every walk of life. The performance of duties, to perfection, requires that individuals work with sincerity and devotion. Such ethical code results in more efficiency as well as a high rate of productivity. Sincerity also discourages manipulation or exploitation of others for personal reasons. Accordingly, a sincere businessman is not expected to cheat or harm others deliberately. Hanafy and Sallam (1995)

Brotherhood: Islam declares that all human beings are brothers to each other. The distinctions of race, colour, tribe, caste and language are not valid criteria for judging the superiority of an individual or group. Everyone is entitled to an ethically right behavior irrespective of distinctions of caste, creed, race or territory. This has positive implications for shaping the business man's attitude towards his employees, customers and the general public. Hanafy and Sallam (1995)

Science and Knowledge: Islam makes it obligatory for Muslims to seek knowledge and obtain excellence in performance. Research and development is highly encouraged in Islam. Such concern about science and knowledge in the Islamic code of ethics has been highly fruitful for Islamic civilization in the past. It encourages dynamism, fosters initiative and enjoins upon the believer to make a persistent struggle for his progress, both materially and spiritually. Such impetus is equally meaningful for economic activities as well and the pursuit of the ever expanding bounties of Allah is specifically recommended in the Qur'an. Hanafy and Sallam (1995)

Justice: Justice is undoubtedly a prerequisite of business and trade as it encompasses the entire gamut of human life. The whole universe is based on the concept of justice and balance. Justice means that every one should be treated as he deserves, without any undue pressure or discrimination. It includes fair treatment, equality and a sense of proportion and balance. It is required in pricing, product quality, employee treatment, handling of environmental pollution and business decisions. Hanafy and Sallam (1995)

Besides the above mentioned principles, 66.7 percent of the respondents of this study have also identified the following four principles:

Transparency: It is one of the principles of Islamic ethics which one should follow specially, in case of performing services. Transparency refers to remaining beyond taking the shelter of any fraud or forgery of performing any services or doing any business or in any other activities. That is, one should be transparent in all the activities; there should not have any ambiguity or forgery.

Responsibility & Accountability: Responsibility and accountability should go together; one without the other is meaningless. Therefore, one should take the responsibility in the strict sense of the term in doing any activities. It is said that no responsibility, no obligation. So, responsibility means taking obligation of doing anything. Accountability means remaining fully accountable to the immediate boss in any organization. As Muslims, we are fully accountable to our Creator, the Almighty Allah. Responsibility & accountability is one of the Islamic professional ethics.

Patience: Patience means remaining ‘Sabr’ for having anything or for doing anything. Patience implies that one should not loose his willingness to have or to do anything. This is one of the principles of Islamic ethics which needs to be followed in every sphere of human life.

Afraid of Allah: As Muslims, we should always remain afraid of Allah the Creator of the Universe. While performing any job or doing any business or doing any other activities, one should be always afraid of Allah. As a result, he would not be able to commit any injustice. So, afraid of Allah is the main core of the principles of Islamic ethics.

The respondents were requested to give their opinions as to the awareness of the main principles of Islamic ethics as mentioned above. The following table 1 presents the level of awareness of the respondents:
Table 1: Level of respondents’ awareness

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Principles</th>
<th>Level of Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>i.</td>
<td>Truthfulness</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>ii.</td>
<td>Trust</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>iii.</td>
<td>Sincerity</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>iv.</td>
<td>Brotherhood</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>V.</td>
<td>Science and Knowledge</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>Vi.</td>
<td>Justice</td>
<td>42(54.5%)</td>
<td>28(36.4%)</td>
</tr>
<tr>
<td>VII.</td>
<td>Others (specific)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Commitment</td>
<td>36(46.8%)</td>
<td>36(46.8%)</td>
</tr>
<tr>
<td>b.</td>
<td>Afraid of Allah</td>
<td>36(46.8%)</td>
<td>36(46.8%)</td>
</tr>
<tr>
<td>c.</td>
<td>Transparency</td>
<td>36(46.8%)</td>
<td>36(46.8%)</td>
</tr>
</tbody>
</table>

Source: Field Survey
Note: Figures in the parenthesis show the percentage position.

Table 5.1 reveals that about 54.5% of the respondents showed high level of awareness regarding the above mentioned first six principles of Islamic ethics; about 36.4% showed medium level of awareness and the rest 9.1% showed the low level of awareness. While interviewing the respondents, some of the respondents have mentioned other specific principles namely commitment, afraid of Allah & transparency. As regards these three principles, 46.8% showed high & medium level of awareness while the rest 6.4% showed low level of awareness. It is observed at the time of taking interview that the top level management were of high level awareness while the branch level management were of either medium or low level of awareness.

Table 2: Level of respondents’ Attitudes

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Principles</th>
<th>Level of Attitudes</th>
<th>Weighted Average Score (WAS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>i.</td>
<td>Truthfulness</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii.</td>
<td>Trust</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>iii.</td>
<td>Sincerity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>iv.</td>
<td>Brotherhood</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>V.</td>
<td>Science and Knowledge</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vi.</td>
<td>Justice</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VII.</td>
<td>Others (specific)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Commitment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>b.</td>
<td>Afraid of Allah</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>c.</td>
<td>Transparency</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Again, after processing the responses, it is revealed that the attitude regarding truthfulness is in highest position followed by trust, sincerity, brotherhood, science and knowledge, commitment, afraid of Allah, transparency and justice.

that the respondents showed either very positive or only positive attitudes regarding the principles of Islamic ethics. It is noticed that 66.7% respondents showed very positive attitudes and the remaining 33.3% showed only positive attitudes.
5.1.3 Level of Practice of Principles of Islamic ethics

After knowing the level of awareness & attitudes regarding the principles of Islamic ethics, it is essential to examine the level of practice of the same. The following table 5.2 presents the level of practice.

Table 5.2: Level of Practice of principles

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Principles</th>
<th>Often practiced</th>
<th>Always practiced</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>Truthfulness</td>
<td>42 (54.55%)</td>
<td>35 (45.45%)</td>
</tr>
<tr>
<td>ii.</td>
<td>Trust</td>
<td>42 (54.55%)</td>
<td>35 (45.45%)</td>
</tr>
<tr>
<td>iii.</td>
<td>Sincerity</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>iv.</td>
<td>Brotherhood</td>
<td>42 (54.55%)</td>
<td>35 (45.45%)</td>
</tr>
<tr>
<td>V.</td>
<td>Science and Knowledge</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>Vi.</td>
<td>Justice</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>VII.</td>
<td>Others (specific)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a.</td>
<td>Commitment</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>b.</td>
<td>Afraid of Allah</td>
<td>42 (54.55%)</td>
<td>35 (45.45%)</td>
</tr>
<tr>
<td>c.</td>
<td>Transference</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>d.</td>
<td>Patience</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
</tbody>
</table>

Source: Field Survey

Note: Figures in the parenthesis show the percentage position.

Table 5.2 points out that the principles “Truthfulness”, “Trust”, “Brotherhood” and “Afraid of Allah” have been practised always by 45.45% respondents while the remaining 54.55% respondents have often practised these. Again, the principles “Sincerity”, “Science & Knowledge”, “Justice”, “Commitment”, “Transparence” & “Patience” have been always practised by 28.57% respondents. And the remaining 71.43% respondents have often practised these. At the time of interview, it is observed that the top level management has always practised the principles while the branch level management has often practised the same.

5.2. Factors affecting ethical behavior

There are many factors that affect ethical behavior. The factors include legal interpretations, organizational factors, and individual factors (personal values and personality, family influences, peer influences, life experiences and situational factors).

Legal Interpretations: In secular societies, legal interpretations are based upon contemporary and often transient values and standards; in an Islamic society, these values and standards are guided by the Shari'ah and the collection of previous fiqh judgments.

Organizational Factors: The organisation too can influence participants' behavior. One of the key sources of organisational influence is the degree of commitment of the organisation's leader to ethical conduct. This commitment can be communicated through a code of ethics, policy statements, speeches, publications, etcetera.

In general, organisations engaged in halal businesses can foster ethical behaviour through the development of an Islamic code of ethics.

Individual factor: Individuals come to work with different values. Factors affecting one's ethical behaviour include: stages of moral development, personal values & moral, family influences, peer influence, and life experience.

Stages of moral Development - The Prophet (SAW) suggested that individuals undergo two stages of moral development: the minor or pre-pubescent stage and the adulthood stage. In a hadith narrated by ‘A'ishah (rah), she narrated that:

“The Apostle of Allah (SAW) said: "There are three (persons) whose actions are not recorded: a sleeper till he awakes, an idiot till he is restored to reason, and a boy till he reaches puberty" (Abu Dawud, 4384).
Personal Values & personality
An individual's values and morals will also influence his or her ethical standards. A person who stresses on honesty will behave very differently from another who does not respect other people's property. Interestingly, in Islam, the decay and eventual disappearance of honesty is a sign of the imminence of the Day of Judgment.

Family Influence: Individuals start to form ethical standards as children. The Prophet (saw) emphasized the importance of family nurturing when he said:
‘Command your children to pray when they become seven years old, and discipline them for it (prayer) when they become ten years old; and arrange their beds (to sleep) separately’ (Abu Dawud, 0495).

Peer Influence
As children grow and are admitted to school, they are influenced by the peers with whom they interact daily. Thus, if friends engage in drawing graffiti, the child may imitate them. If the child's peers avoid such behavior, the child is likely to behave accordingly.

Life Experiences
Whether positive or negative, key events affect the lives of individuals and determine their ethical beliefs and behavior. Malcolm X's Hajj experience had a major impact on his later years as a Muslim (Haley, 1965).

Situational Factors
People may behave unethically in certain situations because they may see no way out. For example, a manager may record fictitious sales in order to cover losses within his area of responsibility. According to Islam, debt is a major reason why individuals behave unethically. Since indebtedness is likely to lead to unethical conduct, Muslim lenders are encouraged to show leniency to debtors. At the same time, debtors are urged to repay debts promptly.

5.2.1. Factors affecting ethical behavior in the selected banks
The respondents were requested to give their opinion regarding the above mentioned factors affecting ethical behavior in their organizations. Of the six mentioned factors, “organizational factors”, “personal values & personality” & “family influence” have been mentioned by all the respondents while “legal interpretation”, “individual factors” & “degree of moral development” have been mentioned by only 38.9 percent respondents. On the basis of the discussion, if we rank these factors; organizational factors ranks first followed by “personal values & personality”, “family influence”, “legal interpretation”, “individual factors” & “degree of moral development”.

5.3 Awareness of Islamic Professional ethics
The authors Garrison and Noreen (2002) mentioned some of the professional ethics which are also approved under Islamic perspective. A brief discussion of each of the professional ethics has been made as under.

Competence: The ethic “Competence” requires the fulfillment of the following:
- Perform duties in accordance with relevant technical standards.
- Prepare complete reports using reliable information.

Confidentiality: The term confidentiality refers to maintaining secrecy of the organization. The employees of the organizations must not disclose the information which is regarded as confidential by the organization. They must maintain confidentiality of that information of the organization.

Integrity: The ethic “Integrity” requires the fulfillment of the following:
- Avoid conflicts of interest.
- Refrain from activities that prejudice the ability to perform duties ethically.
- Refrain from subverting the legitimate goals of the organization.
- Refrain from discerning the profession.
Objectivity: The ethic “Objectivity” requires the fulfillment of the following:

- Communication of information fairly and objectively.
- Disclose all relevant information.

Responsibility & Accountability: Responsibility and accountability should go together; one without the other is meaningless. Therefore, one should take the responsibility in the strict sense of the term in doing any activities. It is said that no responsibility, no obligation. So, responsibility means taking obligation of doing anything. Accountability means remaining fully accountable to the immediate boss in any organization. As Muslims, we are fully accountable to our Creator, the Almighty Allah. Responsibility & accountability is one of the Islamic professional ethics.

Loyalty to the Business: This implies that all the employees of the organizations must be loyal to the business. This means that they must abide by the rules, regulations and norms of the business.

The respondents were requested to give their opinion as to the level of awareness of the Islamic professional ethics. The responses were tabulated below:

Table 5.3: Level of respondents’ awareness of Islamic professional ethics

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Islamic Professional ethics</th>
<th>Level of Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>i.</td>
<td>Competence</td>
<td>77 (100%)</td>
<td>-</td>
</tr>
<tr>
<td>ii.</td>
<td>Confidentiality</td>
<td>55 (71.43%)</td>
<td>22 (28.57%)</td>
</tr>
<tr>
<td>iii.</td>
<td>Integrity</td>
<td>45 (58.44%)</td>
<td>32 (41.56%)</td>
</tr>
<tr>
<td>iv.</td>
<td>Objectivity</td>
<td>45 (58.44%)</td>
<td>32 (41.56%)</td>
</tr>
<tr>
<td>v.</td>
<td>Responsibility &amp; Accountability</td>
<td>77 (100%)</td>
<td>-</td>
</tr>
<tr>
<td>vi.</td>
<td>Loyalty to the business</td>
<td>77 (100%)</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Field Survey

Note: Figures in the parenthesis show the percentage position.

Table 5.3 indicates that the Islamic professional ethics; “Competence”, “Responsibility & Accountability” and “Loyalty to the Business” have shown high awareness of all the respondents. But as to the ethic “Confidentiality”, about 71.43% respondents have shown high level of awareness and the remaining 28.57% have shown medium level of awareness. As to the ethic “Integrity” and “Objectivity”, about 58.44% respondents have shown high level & the remaining 41.56% have shown medium level of awareness. It is also observed at the time of interview that the top level management have shown high level of awareness while the branch level management have shown low level of awareness.

5.4 Attitudes of the respondents about Islamic professional ethics

After processing the responses, it is pointed out that the respondents showed either very positive or only positive attitudes regarding the Islamic professional ethic. It is found that 55.6% respondents have showed very positive attitude and the remaining 44.4% respondents have showed only positive attitudes.

5.5 Level of practice of Islamic professional ethics.

At this stage, it is essential to examine the level of practice of the Islamic professional ethic in the selected banks.

Table 5.4: Level of practice of Islamic professional ethics

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>Islamic Professional ethics</th>
<th>Level of Practice</th>
<th>Always practised</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Often practised</td>
<td>Very often Practised</td>
</tr>
<tr>
<td>i.</td>
<td>Competence</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ii.</td>
<td>Confidentiality</td>
<td>17 (22.08%)</td>
<td>-</td>
</tr>
<tr>
<td>iii.</td>
<td>Integrity</td>
<td>17 (22.08%)</td>
<td>-</td>
</tr>
<tr>
<td>iv.</td>
<td>Objectivity</td>
<td>17 (22.08%)</td>
<td>-</td>
</tr>
<tr>
<td>v.</td>
<td>Responsibility &amp; Accountability</td>
<td>22 (28.57%)</td>
<td>-</td>
</tr>
<tr>
<td>vi.</td>
<td>Loyalty to the business</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Field Survey

Note: Figures in the parenthesis show the percentage position.
Table 5.4 depicts that all the respondents have always practised the ethic “Competence” & “Loyalty to the business”. But the ethics “Confidentiality”, “Integrity” & “Objectivity” have been always practiced by 77.92% respondents. The remaining 22.08% respondents have often practised the same. Lastly, the ethic “Responsible & Accountability” has been always practised by 71.43% respondents & the remaining 28.57% respondents have often practised the same. It is also observed at the time of interview that the top level management have always practised but the branch level management have often practised the Islamic professional ethics.

5.6. Training program to the Bank personnel:
At this stage, the researchers are interested to examine whether training facilities are provided to the bankers especially regarding Islamic professional ethics and principles of Islamic ethics. On our quarry, it is revealed that the training programs are often provided to the bankers as regards the various aspects of Islamic ethics & Islamic professional ethics. The issues covered to the training programs are as follows, as mentioned by the respondents:

1. Morality
2. Trustworthiness
3. Responsibility of accountability
4. Behavioral aspects
5. Commitment
6. Sincerity
7. Compliance of Shariah
8. Leadership
9. Corporate Social Responsibility etc.

5.7. Problems faced while practising the principles of Islamic ethics as well as practice of Islamic professional ethics.

The respondents were requested to mention the main problems faced by them in practising the principles of Islamic ethics as well as practice of Islamic professional ethics. The respondents’ responses as to the problems faced in practising principles of Islamic ethics as well as practice of Islamic Professional ethics have been tabulated below:

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Specific Problems</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lack of customers’ &amp; clients’ awareness regarding principles of Islamic ethics and practice of professional ethics.</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>Lack of proper knowledge of both the bankers as well as customers &amp; clients</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Lack of legal framework</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Lack of personal level commitment of the bankers</td>
<td>88.9%</td>
</tr>
<tr>
<td>5</td>
<td>Lack of regular training program</td>
<td>83.3%</td>
</tr>
<tr>
<td>6</td>
<td>Lack of recruiting qualified &amp; properly educational people</td>
<td>50%</td>
</tr>
<tr>
<td>7</td>
<td>Lack of awareness of Shariah Compliance</td>
<td>100%</td>
</tr>
<tr>
<td>8</td>
<td>Lack of proper co-operation of Central Bank</td>
<td>100%</td>
</tr>
<tr>
<td>9</td>
<td>Lack of combination of theory &amp; banking laws &amp; practice among the bankers</td>
<td>44.4%</td>
</tr>
<tr>
<td>10</td>
<td>Lack of Motivation of customers &amp; Bankers</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

Source: Field Survey

5.8. Suggestions for the removal of the problems

In order to strengthen the practices of the principles of Islamic ethics & Islamic professional ethics, the removal of the problems is a must. But, it is true that 100% removal of the problems is not always possible. However, the respondents were requested to mention the major suggestions as to the removal of the problems. The responses of the respondents were tabulated bellow:
Table 5.6: Suggestions for the removal of the problems

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Specific suggestions</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Creation of awareness of customers’ &amp; clients’ regarding principles of Islamic ethics and practice of professional ethics.</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>Providing proper knowledge to both the bankers &amp; customers</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Central bank must provide legal framework for the Islamic bank</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Arrangement of regular training to the bankers as regards principles of Islamic ethics &amp; Islamic professional ethics.</td>
<td>83.3%</td>
</tr>
<tr>
<td>5</td>
<td>Arrangement of recruiting properly qualified &amp; educated people</td>
<td>66.7%</td>
</tr>
<tr>
<td>6</td>
<td>Creating awareness among the bankers regarding Shariah compliance</td>
<td>50%</td>
</tr>
<tr>
<td>7</td>
<td>Improving personal level commitments of the bankers</td>
<td>66.7%</td>
</tr>
<tr>
<td>8</td>
<td>Ensuring proper co-operation of the central bank</td>
<td>55.6%</td>
</tr>
<tr>
<td>9</td>
<td>Creating more &amp; more motivation among of the bankers</td>
<td>66.7%</td>
</tr>
<tr>
<td>10</td>
<td>A model of Islamic banking system must be developed by Central Bank in co-operative with Islamic banks.</td>
<td>55.6%</td>
</tr>
</tbody>
</table>

Source: Field Survey

6. Conclusion and policy recommendations

From the findings of the study, it may be concluded that awareness & attitudes of principles of Islamic ethics as well as practice of Islamic professional ethics are the core vehicles of creating public confidence in case of banks and other financial institutions. The study reveals that awareness & attitudes of the principles of Islamic ethics as well as Islamic professional ethics and their practices in the selected banks appear to be higher in case of the top level management, that is, decision making authority. But, in case of the implementing authority that is branch level management of the selected banks, the awareness & attitudes and practices of both the principles of Islamic ethics and professional ethics appear to be either medium or low. Therefore, the question of motivating the branch level management arises. Moreover, providing regular training as regards various principles of Islamic ethics and various aspects of Islamic professional ethics to the bankers is also a must.

Furthermore, in order to strengthen the practice of Islamic professional ethics in the selected banks, the problems as highlighted in the study need to be removed as far as practicable by following the suggestions as opined by the respondents.

Further research may be carried on in the following areas:

i. Practice of Islamic ethics exclusively in the Islamic organizations
ii. Environment and corporate culture in Islamic organizations
iii. Motivation of the employees from the Islamic perspective
iv. Islamic ethics in human resource management
v. Quality management; Islamic values and implications.

References:

Al-Quran; 46:13
Al-Quran; 33:70
Allama Sir Abdullah Al Mamun Al-Suhrawawdy(ed.), The saying of Muhammad (Sm.), P-26


Hybrid Contract in Islamic Banking and Finance: A Proposed Shariah Principles and Parameters for Product Development

Muhammad Iman Sastra Mihajat
Ph.D Researcher of IRTI Islamic Development Bank, IIUM Institute of Islamic Banking and Finance, E-mail of the corresponding author: m.iman.sastra@gmail.com, Telp: +6285366644544

Abstract:

Purpose – The main purpose of this paper is to provide proper understanding the concept and application over the prohibited hybrid contracts in Shariah and how they might be applied for the purpose of product development in Islamic banking and finance.

Design/methodology/approach – The paper presents basic principles in Islamic commercial transactions from classical fiqh point of view particularly on hybrid contracts in Islamic banking and finance from the concept and application.

Findings – This study reveals that majority of Islamic banking and finance’s contracts are combination of more than one contract in their products and services. However, this concept encounters legal issues due to the hadith of the Prophet (SAW) prohibits combining several contracts in one single transaction. The paper argues that it is lawful for Islamic banking and finance to combine more than one contract to structure the Shariah compliant product as long as they follow the Shariah guidelines and parameters on hybrid contracts.

Research limitations/implications – Islamic banking and finance may benefits from the Shariah parameters and principles that laid down in this paper prior structuring the contract on the products. So as the structured contract is not contravene with the hadith that prohibits the combination of contracts.

Originality/value – The analysis is valuable in drawing the attention of Islamic banking practitioners to the fact that majority of Islamic banking and finance’s products and services are hybrid contracts. The paper tries to lay down Shariah parameters on how to combine more than one contracts in one transaction so that the products of Islamic banking and finance are in accordance with Shariah.

Keywords: Hybrid Contract, Combination of Contract, Islamic Banking and Finance

1. Introduction

The impressive development of the Islamic banking and finance Industry from day to day has to provide the competitive products and services to meet the current needs of business and trade especially in the age of electronic transactions. That means the contract that is used in Islamic banking is more complicated than the previous one and imply that the new products and services in Islamic finance will use more than one contract in one transaction. Some researchers such as Al-Shadhily (1998); Abu Guddah (2000); Arbouna (2007); and Dusuki (2009) have been examined the concept of hybrid contract in Islamic finance and its application for the purpose of product development in Islamic banking and finance. Therefore, the need for Shariah guidelines and parameters in hybrid contract in order to ease the practitioners in Islamic banking industries in Indonesia is something urgent to begin.

That is why this study focuses on discuss the Shariah parameters in hybrid contracts that use in one transaction in Islamic commercial law (Dusuki, 2009), and understanding the prohibited caqd that violate the transactions since the basic of mu‘āmalah is permissible unless there are evidence that shows it is prohibited. Acknowledging the prohibited contract in Islamic law of transaction is obliged to Islamic banking’s stakeholders.

However, hybrid contract is a controversial issue in Islamic finance because of the hadith that prohibits “two contracts in one transaction” (Mālik, Muwatta’, Vol. 2, No. 663, ed. 2005). The wrong interpretation of the hadith may potentially defeat any attempt to allow amalgamation of contracts in Islamic finance regardless of
the nature and the feature of the contract combined and hinder the product development in Islamic banking. Nevertheless, from Shariah the transaction may comprise of more than one contract and it is lawful provided the combination has to follow the Shariah guidelines and parameters (Arbouna, 2007).

2. Historical Evolution of Contract in Islamic Commercial Law

During the era of the prophet and his companions, the contract in each transaction only uses one contract, such the contract agreement between the prophet in Siti Khadijah (RA) is mudhārabah where Muhammad (pbuh) acts as entrepreneur and Khadijah as the capital provider. This is reflected in the Qur’an, there are only over forty verses on a dozen types of commercial contract and only few verses which reveals a relatively advanced stage of commercial contracts such as sale and hire, personal guarantee as security and fiduciary contracts such as deposit and the like. Until the 19th century, Islamic commercial contract never developed, due to the majority of Muslim jurists only focusing on the contract of sale which cover all transactions. In the 19th century, the Islamic Civil Law Codification took place namely Majallah al-Ahkam al-2-Adlīyyah and Murshid al-Hayran. The whole idea of having a contract is to satisfy the consent of both parties and the need of the global market. (Bakar, n.d.). Nowadays, in the era of high technology with all the complex and modern infrastructure and variety for the needs of human beings, the contract in Muamalah also requires a combination of several contracts in one transaction to meet the market need. This combination of contracts or known as a hybrid contract has been discussed by many contemporary Muslim scholars with different term in many books of contemporary fiqh, such as al-2-Uqūd al-Murakkabah, al-2-Uqūd al-Muta‘addidah, al-2-Uqūd al-Mutasābi‘ah, al-2-Uqūd al-Mujtami‘ah, and al-2-Uqūd al-Mukhtalīlah. The most popular terms that is normally used in the contracts in Islamic banking and finance are two, namely al-2-Uqūd al-Murakkabah and al-2-Uqūd al-Mujtami‘ah (Mingka, 2011).

3. Definition and Rationale of Hybrid Contracts

There is no definition as such for the combination of contracts in Fiqh literature (Arbouna, 2007). However, the term of combination of contracts is the Arabic word al-2-Uqūd al-Murakkabah that means two or more designated contracts in one single transaction. Al-2-uqūd al-murakkabah consists of two words which are al-2-uqūd (the plural form of ‘uqūd) and al-murakkabah. While the word al-Murakkabah (Murakkah) etymologically means al-jam‘u, which means combination or compile, the word al-jam‘u shows the combination of something (Al-Tahānawi, 1998).

While the word Murakkab according to Muslim scholars such Hammad (2005) and al-2-Imrānī (2006), al-2-Uqūd al-Murakkabah is the deal between two parties to carry out a particular transaction consisting of two contracts or more. For example the combination between contract of sale with ijārah, sale and purchase agreement with hibah (grant) and so on, so that all the legal consequences from the combination of contract, with all rights and obligations inflicted, are considered as a single entity that cannot be separated, the same position with the legal consequences of the contract.

Hammad (2005: 7) defined combination of contracts as “an agreement between the two parties or more to carry out a contract that contains two or more contract (such as lease and purchase agreement, hibah and wakālah, qardh, muzāra‘ah, sharaf (currency exchange), mushārakah, mudhārabah, and so on) with different features and legal consequences to achieve a desired viable transaction. All legal effects and consequences from of the hybrid contract agreement, as well as all rights and obligations thereof is seen as an integral and undivided, as the legal effect of a contract.”

Meanwhile, according to Al-2-Imrānī (2006: 46) combination of contracts is: “The combination of several contracts in a particular transaction that is contained in two contracts or more - either combined or reciprocal - where all legal rights and obligations resulting from the contract is seen as consequences of the contract”.

AAOIFI (Shariah Standard No. 25/2008: 451) defines combination of contracts as “A proses that takes place between two parties or more, and entails the simultaneous conclusion of more than one contract. The combination of contracts may take either (i) combining more than one contract without imposing any of them as a condition in the other, and without prior agreement (muata‘ah) to do so, or (ii) combining more than one contract while imposing some of them as conditions in the other, without prior agreement to do so, or (iii)
combining more than one contract subject to prior agreement (muatāʾah), but without imposing any of them as a condition in the others, or (iv) agreement to conclude the deal through any of different contractual forms as will be finally decided in the future.”

The rationale for the need of amalgamation of contracts from the Fiqh perspective is to avoid ribā transaction. For example, combination of sale and currency exchange to avoid ribā transaction to meet the economic demands, selling currency (Indonesia Rupiah) together with a commodity in U.S. dollar on a deferred payment basis. Another example is selling two houses by the seller to the buyer with two contractual agreements, first house by a sale contract, second house by ijārah contract, which combine the sale and ijārah at the same time. The combination of contracts differs from ḥibāt qārdh fi ḥibāt (tying one contract with another contract) or known as ḥibāt atayn fl ḥibāt that prohibits by Islamic law. A typical example for this like someone says “I sell you my house at Rp100 million so that you have to buy my car at Rp80 million, or on the condition that you have to sell your car at 80 million.” (Arbouna, 2007).

4. Types of Hybrid Contract in Contemporary Islamic Banking and Finance Application

Mingka (2011) elucidated that there are many types of hybrid contract in Islamic banking and finance such as ḥibāʾ wa “[the combination of sale contract with the promise to purchase back] and the most prominent contract that are currently used in Islamic banking particularly for home financing which is muhsārakah mutanāqishah. This contract consist of several contracts in one transaction such as the contract of joint ownership (ṣyirkah al-milk), the contract of sale (ḥibāʾ), the contract of ijārah (lease), the contract of ḥibāh (grant), and so on. He further divided the types of hybrid contract into four categories;

First, the hybrid contract which comes out with a new name of ḥibāʾ, such as ḥibāʾ istīghlāl, ḥibāʾ tawarruq, muhsārakah mutanāqishah, and ḥibāʾ wa ḥibāʾ. Second, contract that combine several ḥibād in one transaction and come out with a new name of ḥibād, however the name of the old ḥibā is still mentioned, such as ḥibā at-takjīr (hire purchase or lease and purchase agreement), muhsārakah mushtarakah in life insurance (Fatwa DSN-MUI No. 51/2006) and time deposit in Islamic bank (Fatwa DSN-MUI No. 50/2006).

Third, hybrid contract in which several contracts are combined in one transaction however it does not come out with a new name of ḥibā. Yet the name in each ḥibā stated in the contract and it is practiced on that transaction. For example: (i) qārdh and muḥārakah, or qārdh and ṣyirkah al-milk, or qārdh and ijārah, or qārdh and ijārah muhsārakah bi al-amīl in taking over the financing; (ii) Ḥiṣbālāh wa al-ijārah on Islamic credit card and waʾād for waqālah wa al-muḥārakah, waqālah wa al-ijārah, waqālah wa al-muḥārakah, and so on in current account (Rekening Koran) and line or overdraft financing facility; (iii) waqālah in muḥārakah financing or called as muḥārakah bil waqālah and waqālah bil ujraḥ on L/C financing, RTGS, Factoring. In Islamic bank, even the ḥibā waqālah bil ujraḥ, which majority used in General and Life Islamic Insurance; (iv) Ḥiṣbālāh bil ujraḥ on L/C, Bank Guarantee, financing for multi services and multi-use, Islamic credit cards; (v) Ḥiṣbārakah wa al-muḥārakah, Ḥiṣbārakah wa al-ijārah, Ḥiṣbārakah wa ʾistīlah in linkage program; (vi) Ḥiṣbūlah bil ujraḥ on factoring financing and ḥibāʾ wal il-ujraḥ on REPO SBIS and Sukuk; and (vii) Ḥiṣbūlah, ṭalāḥ and ḥiṣbūlah in one transaction on the product of gold pawn in Islamic bank.

Fourth, Hybrid Contract in the form of which each contract contradict each other (muṣāqādīdāh) which is prohibited in Shariah. For example, combining sale and purchase agreement with qārdh or loan (ḥibāʾ wa salāf). Another example is combining qārdh with ḥiṣbūlah contract at the same time in one transaction or combining the qārdh contract with promise of reward. These hybrid contracts are prohibited by the hadith (the status of hadith is ḥasan saḥīḥ) narrated by al-Tirmizi that Prophet (pbuh) prohibited combining the contract of sale and loan. Imam Ibn Taymiyyah prohibits the combination between sale and loan in one transaction due to the contracting parties will benefit from sale instead from loan, unless there is return the loan at the same amount or return the goods at the same specification. (Al-Bakī, 1995; Junmā’, 2005). The prohibition of this combination of two contracts is because it opposed diametrically in the nature of contract. An example of a combination of sale and loan occurs when Ahmad says to Yaṣir, “Lend me Rp1 million and I will sell you my phone” or “I will sell you my shoes at the price of Rp100.000 with the condition you have to lend me money Rp500.000.” (Dusuki, 2009).
The methods of hybrid contract or combination of several ‘aqd in one transaction should become a special feature of Islamic banking industries all over the world including Indonesia in product development. In fact, the combination of the contract in the present system of economic is a necessity. The problem is, the literature on Islamic finance in Indonesia have developed the theory that Shariah does not allow combining two or more contracts in one transactions. This prohibition was interpreted with narrow and wrong interpretation, thus narrowing the development of Islamic banking products and services in Indonesia. Whereas there is no explicit Qur’anic provision that directly prohibits or permits the combination of contracts. Some Shariah scholars allow the combination of the contract in one transaction in a very broad scope with conditions. The provision that seem to reject the hybrid contract concept only stated in the hadith (Arbouna, 2007).

In Shariah however, the hybrid contract that has been banned limited only in two cases in accordance with the sayings of the Prophet Muhammad (pbuh). Hybrid contract should not be extended to other issues that are not relevant and does not match with the context. All Islamic banking stakeholders should study in depth on view of the scholars regarding the hybrid contract in Islamic perspective to avoid wrong interpretation. Especially understanding on how to form the contract in each particular product and services, could be more comprehensive, dynamic, and not rigid. The rigidness occurs due to the shallowness of knowledge and lack of Shariah literature that discusses the hybrid concept of ‘aqd.

Indeed, there are four ahadith of the Prophet (pbuh) in respect to the prohibition of hybrid contract in business transaction. These four ahadith contain four restrictions, the first prohibition is combination between bay’ (sale) and salaf (loan) that is reported by Mālik (Muwatta’, Vol. 2, No. 657, ed. 2005), the second is the prohibition of bay’ ataini fi bay’ah (two contracts in one transaction or two sales in one transaction) (Mālik, Muwatta’, Vol. 2, No. 663, ed. 2005), the third prohibition is of shafqataini fi shafiqah (two transactions into one transaction) (Ahmad, Musnad Imam Ahmad, Vol. 1, No. 198), and the fourth prohibition is bay’ wa shart (sale with condition). These four ahadith are always used as a wrong reference with the majority of Islamic banking stakeholders in Indonesia by prohibiting hybrid contract in general to develop the ‘aqd in each Islamic banking products and services.

Pertinent to the ahadith, Dusuki (2009) highlights some opinion of the jurists such as Imam Shāfi‘i interpreted that two sales in one contract occurs when one agreement puts a condition by influencing another agreement. For example, Ibn Taymiyyah and Ibn Qayyim interpreted the hadith as bay’ al-‘inah that prohibited in Shariah (Al-Bassam, ed. 1997). However, Imam Shāfi‘i gave two interpretations. The first one, when the seller says to the buyer: “I sell you this laptop for Rp10 million in deferred payment or Rp8 million in cash”. However the buyer does the choosing of any one of it. The contract is fāsid due to the involvement the element of uncertainty. Uncertainty in terms of the modes of payment by the buyer which is by cash or in deferred payment. Second, when the seller says to the buyer that“Sell me your house with the condition that you have to sell your car” (Al-San‘ānī, ed. 1960). Imam Mālik (ed. 2005) had a similar opinion pertinent to this wherehe explains “The meaning of two sales in one is an agreement which is binding against the purchase of one of the goods”. For example, “I will sell you my shoes for Rp1 million but you have to sell your phone at Rp1.2 million.”

5. The Views of Islamic Scholars on Hybrid Contract

Majority of Hanafi’s school of law, some of Māliki’s school of law, some of Shāfi‘i’s schools of law and Hanbali’s school of law is of the opinion that the hybrid contract is valid and permissible according to Islamic law and judged in the light of its individual components. The scholars who argue that the hybrid contract is permissible on the basis of Islamic legal maxim (Qawāid Fiqh) on Islamic business transaction (mu‘āmalah) where the origin of the contract is permissible and legitimate, not forbidden and unlawful since there is no proposition of law that shows it is prohibited and banned (Al-‘Imrānī, 2006). Therefore, it is permissible to combine the contracts if the transaction comprises a number of contracts that each of them individually satisfies permissibility requirements (Al-Buhuti, ed. 1997; Ibn Qoyyim, ed. 1999). Unless combining two contracts that resembles ribā, as a combination of qardh with another contract due to the prohibition in merging the contract of sale with qardh in the hadith. Similarly, combining installment and lump sum payment in single transaction in sale contract is prohibited because it will cause gharar (uncertainty) in the contract.
According to majority of Shariah scholars including Ibn Taymiyyah (ed. 1978), the origin of law on *muʿāmalah* transaction is allowed as far as there is no explicit prohibition source in the Qur’an and the Sunnah. The contracting parties are free to conclude whatever contracts they deem necessary to meet their expectation. Za'tary (2008) stresses out that “there is no prohibition in Shariah about merging the two contracts in one transaction, whether it is the exchange contract (*muʿāwadhūt*) or charity contract (*tabarruʿ*). This concept is based on the generality of the arguments on the validity of the ‘*aqd*’ when it meets the terms and the conditions of the ‘*aqd*’.”

Hammad (2005) argues that, “the basic principle of hybrid contract in business transactions is from Shariah perspective is permissible, as long as each contract is done separately (‘*uqūd mustaqillah*’) and there is no evidence that expressly prohibits it in the Qur’an and the Sunnah.” When there is legal basis in the hadith shows the combination of contracts is prohibited, this argument does not apply in general, but excludes the cases outside the forbidden one according to the hadith. Therefore, the case was said to be the exception to the general rule applies that the freedom to make a contract and execute the agreements that have been agreed upon.

Similarly, Ibn al-Qayyim (ed. 1999) argues that the origin of forming the contract in business transaction is permissible as long as the terms and conditions are met, unless it is revoked or prohibited by Shariah.

Al-Shâṭibi (ed. 2003) argues that in *muʿāmalah* (business transaction) the legal origin is permissible and is based on the substance and does not lie on the practice (*al itīfāt ilal maʿānī*) and widely opens the opportunity to develop a new product and changes. According to him, the combination of contract is valid if concluded separately (‘*uqūd mustaqillah*’). For example, combining *murābahah* and *wakalah* in home financing, can also be seen when combining *ijārah*, and *wakalah*, and so on. However, there are some prohibitions of combining contracts as an exceptional case, though they are individually permissible, such as combining sale and lending, marrying two sisters, and marrying a woman and her aunt. This opinion is based on the text (Qur’an) that shows the permissibility of multi-contracts and contracts in general in sūrah al- Māidah Verse 1, which means: “O ye who believe please fulfill the contract agreement.”

All above arguments supported by the act of Umar bin Al-Khattāb while dispatching Ya’la bin Munyah to Yemen and his order was generally on the distribution of land. He allowed this transaction and permitted the two contracts in one contract because the original agreement occurred between both of them without knowing either one. It can be concluded that the combination of contracts is permissible as long as the contract does not influence another contract (Al-‘Asqalānī, n.d.).

6. Parameters on Hybrids Contracts

In general, amalgamation of several contracts in one transaction is a permissible structure. This legality however, is circumscribed with certain parameters, criteria and conditions that need to be followed. The discussion on parameters, criteria, restrictions and conditions of hybrid contract in Shariah will be highlighted as follow:

6.1 Restriction Limit and Standard of Multi-Contract

In the previous discussion, it highlighted the issue of hybrid contract and how the majority of Muslim scholar allows the hybrid contract as long as there is no prohibition from the Qur’an and Hadith of the Prophet. However, Islamic scholars who allow the hybrid contract stated a number of restrictions, parameters and criteria that should be followed such as the contract from one another should stand independently and not binding or ‘*uqūd mustaqillah*’ that may assist one to determine whether it comply with Shariah requirements (al-Shādhiby, 1998; Arbouna, 2007; Dusuki, 2009). Among the Muslim scholars some agreed to this parameters and restrictions some of them disputed it. In general, the clear guideline over the combination of contract in which is expressly prohibited in the hadith is the combination between sale and loan contract in a single transaction and it is agreed upon by Muslim scholars. Other than that, such as *bayʿ*atayn fi *bayʿ*ah, *shafqatayn fi shafqah* and *bayʿ wa shart* are not included in the combination of contract if it is transacted separately and followed the Shariah parameters.

In general, the Shariah principle in respect to formation of contracts is that any form of contract structured for instrument in Islamic banking and finance is valid and acceptable in Islamic law unless explicitly prohibited and
proclaimed as forbidden (Ibn Qoyyim, ed. 1999). The Hybrid contract will be permissible if the subject matter, the price, and the time of transaction are known and clear to the contracting parties. If one these elements are not clear, the contract becomes unlawful.

Ibn Qayyim (ed. 1999) argues that the Prophet (pbuh) forbids hybrid contract between contract of sale and loan (qardh), even though each contract stands up individually or separated. The prohibition of combining the contract of salaf (loan contract) and sale in the contract is to avoid the forbidden ribā. This combination of contract is prohibited because if someone lends Rp1000 to his friend, then he sells the goods worth Rp800 in order to get paid additional two hundred from the transaction. In this transaction he receives a surplus of two hundred in the second transaction, although it looks like he is giving a loan without any additional charges in the first contract (Ibn al-Qoyyim, ed. 1999). Majority of Muslim scholars agreed to prohibit combination of sale with loan contract in a single transaction (Ibn Rushd, ed. 1981). This argument is strengthened by Hammad (2005), where he argue that any product in Islamic banking and finance structured on the basis of hybrid contract is unacceptable in Islamic law hence it contradicts with an explicit source. For example, it is unlawful in Shariah to disburse the loan facility for Islamic bank and at the same time, the customer sells a particular asset to the Islamic bank. This transaction falls under the category of combining loan contract with sale in order to accrue benefit (Arbouna, 2007).

Therefore, it can be concluded that all combined contracts that contain any sale element is prohibited to be combine with a qardh contract in a single transaction, such as ijārah contract with qardh contract, salam contract with qardh contract, sharaf contract with qardh contract, and so on.

Another issue in combining contracts that is expressly banned by the hadith is combining two sale contract in a transaction (bayʿ tayn fi bayʿ ah). Majority of Muslim scholars agreed that any product that is structured on the basis of a combination of contracts which is intended to circumvent the unlawful transaction such as ribā, gharar, and maisir is unacceptable. In other words, it implies the combination between ijārah contract with loan in raḥn product in Islamic bank in Indonesia in order to benefit from a loan contract in the name of ijārah and combination of sale and buy back agreement in bayʿ al-ʿinah financing product in order to benefit from unintended sale is impermissible. In bayʿ al-ʿinah, there is a combination of contract between deferred payments with cash payment which leads to ribā (Hammad, 2005). Normally, someone who sells something with credit, with the condition that the buyer shall sell it back in cash with a lower price. This kind of transaction somehow is hīlah or manipulation to legalize ribā, where in fact there is no real transaction done in the contract.

AAOIFI (No. 25/2008) laid down four Shariah restrictions in combining contracts, the first combining contract that has been quoted to combine sale with lending (Mālik, al-Muwatta’, Vol. 2 No. 657, ed. 2005), or combining two sales in one deal (Mālik, al-Muwatta’, Vol. 2 No. 663, ed. 2005), or two transaction in one transaction (Ahmad. Al-Musnad, Vol. 1, No. 198). The second, it is prohibited to combine the contracts as a trick for practicing ribā, based on the directive of the Prophet (pbuh) which indicates the prohibition of bayʿ al-ʿinah and ribā fadhil. The third, it is prohibition to use the combination of contracts as an excuse for dealing in ribā, based on the hadith of the Prophet which forbids combining lending with selling. The fourth, the combination of contracts should not be contradicting with each other in terms of purpose or Shariah rulings.

6.2 Hybrid Contract as Hilah Ribawi

Generally, the contemporary hybrid contracts that is commonly used in Islamic financial institution for a hilah ribawi occurs through the contract of (i) bayʿ al-ʿinah and (ii) organized tawarruq (tawarruq munazzham) as backdoor tolegalize ribā (Ayub, 2007; Rosly 2007; Rosly and Sanusi, 1999 and 2001; Bakar, 2009; Shahraruddin, 2009; Hansadudin, 2009).

First, the contract of bayʿ al-ʿinah that has been banned by Islamic law is referring to the majority opinion of jurists. Bayʿ al-ʿinah is a contract of a sale in a particular asset or commodity and repurchases it back at a different price; the deferred price would be higher than the cash price (Al-Nawawi, ed. 1996; Al-Zuhaili, 2007).

The purpose of this transaction is to trick the transactions in order to acquire benefits from the actual loan contract given (Tuasikal, 2012). According to Imam Shafi’I (ed. 1973), bayʿ al-ʿinah is “a credit purchase of an asset which is later sold to the original owner or third party, either on cash or deferred, higher or lower than the original contract, or for an exchange of goods.”
Similarly, the reverse is of *bayʿ al-ʿinah* transaction also forbidden, as someone sells something at the price of eighty in cash with the condition he buys it back for a hundred. This transaction involves the element of ribā (Ibn al-Qoyyym, ed. 1999).

The above opinion is supported by the hadith that is reported by Ibn Umar, He said that he heard the Prophet (pbuh) said “When you enter into the ‘inah transaction, hold the tails of oxen, are pleased with agriculture, and give up conducting jihad, Allah will make disgrace prevail over you, and will not withdraw it until you return to your original religion” (Dawud, *Sunan Abu Dawud*, No. 3455).

Second is the contract of *tawarruq*, it is a purchase of an asset on deferred payment to a third party (other than the original seller) in cash; the deferred price would be higher than a cash price (Al-Zuhaili, 2009; Khayat, 2006). AAOIFI (No. 30/2008) defines *tawarruq* as “The process of purchasing a commodity for a deferred price determined through *musāwamah* (bargaining) or *murābahah* (mark-up sale), and selling it to a third party for a spot price so as to obtain cash.” Majority of jurists forbid *bayʿ al-ʿinah* and allow *tawarruq* except Ibn Taymiyyah and Ibn al-Qoyyym (Al-Zuhaili, 2009).

OIC Islamic Fiqh Academy in the 15th session in September 1998 (Rajab 1419H) permitted *tawarruq* subject to the condition that the customer does not sell the commodity to its original seller, to avoid *bayʿ al-ʿinah* as a trick legalize ribā. However, in December 2003 in the 17th session, the Academy distinguishes and classifies between the permissible (*tawarruq haqīqi*) and the forbidden one (*tawarruq munazzam*, organized *tawarruq*) which is widely practiced by Islamic banks is deemed to be synthetic and fictitious as *bayʿ al-ʿinah* and trick to circumvent the prohibition of ribā. In April 2009, at its 19th session the Academy banned the application of organized *tawarruq* because the transaction between Islamic bank and customer as it is considered a deception and resembles *bayʿ al-ʿinah*. The Islamic bank acts as an agent to the customer (*mustawriq*) to sell the asset to the third party who initially owned the asset (Dusuki, 2007; Dusuki 2009; Noor & Farhah, n.d.).

Similarly, Alhadad (2003) and Khayat (2006) divided *tawarruq* into two categories to distinguish between the permissible (*tawarruq haqīqi*) and the forbidden one (*organised tawarruq*), the first is *tawarruq munazzam* (organized *tawarruq*), and the second is *tawarruq fiqhi* or *haqīqi*. The first *tawarruq* is organised *tawarruq* that is widely used by Islamic banks in Europe and the Middle East. This is due to the fact that Islamic banks take part in determining the sales line and makes all arrangements to provide cash to the customer. Islamic banks will determine who is the broker for the purposes of purchase and to whom the buyer (customer) will resells the goods (Al-Zuhayli, 2006; Al-Suwaylim, 2009; Bouheraoua, 2009). The prohibition of the organised *tawarruq* is because its mechanism resembles *bayʿ al-ʿinah* which is frowned as a form of *hilah* (legal trick).

The second concept of *tawarruq* is where Islamic bank really buys the assets or goods from the market, and sells it to customers who need something without no-frills to sell it to any party. The customer is free and has the right to decide to whom he wants to sell the asset. Since the ownership has been transferred from the Islamic bank to the customer, the customer has full of right pertinent to the asset. It has no *hilah ghairu syarʿiyyah* therein that causes the product to not be Shariah compliant. AAOIFI (No. 30/2008) laid down several parameters to approve *tawarruq* to be Shariah compliant and permissible as follows:

1. The requirements of the contract for purchasing the commodity on deferred payment should be fulfilled where the commodity is real.
2. The commodity should be well identified to distinguish it from other assets.
3. If the commodity is not available at the time of contract, the customer should be given a full description over the commodity such as the quantity and the place.
4. The commodity should actually be received by the customer.
5. The commodity must be sold to a party other than the original seller to avoid *bayʿ al-ʿinah*.
6. The contract for purchasing the commodity on deferred payment and the contract for selling it for a spot price should not be linked together in such a way that the client losses his right to receive the commodity.
7. The customer should not delegate the Islamic bank or its agent to sell the commodity on his behalf after he actually receives the commodity.
8. The Islamic bank should not arrange proxy to a third party to sell on behalf of the customer.
9. The customer should sell the commodity by himself.
10. The Islamic bank should provide the information to the customer where to sell the commodity.

6.4 Shariah Parameters of Hybrid Contract

The validity of hybrid contracts for the purpose of the development of Islamic banking and finance instruments required to structure in a way that does not conflict with an explicit source (Za’tary, 2008). In other words, a product structured on the basis of hybrid contracts does not intend to legalize the unlawful transaction such as ribā, gharar and maysir (Arboua, 2007). The Shariah parameters or Shariah restrictions have been applied also by international Shariah standard such as AAOIFI in making a limit restriction on products and services that make use of hybrid contracts.

AAOIFI in 2007 and 2008 has provided resolution No. 25 that says that the entire hybrid contract agreement is permissible provided that the contract should be separated from one another and each contract is permissible on its own, unless combination of sale and loan contract. AAOIFI then laid down the regulations and Shariah parameters on hybrid contract with the following rules:

1. The combination of contract agreements may not incorporate with the contract that has been clearly prohibited in Shariah such as combination between of sale and loan in one transaction.
2. The combination of contract agreement may not be used as a trick (hīlah) to justify ribā. Like sale contracts and buy back agreement between two parties (bay’ al-‘īnah) or ribā fadl.
3. The combination of contract agreement may not be used as a tool for ribā such as creditor lends money in order to obtain a gift from a debitor or provides other benefits such as providing a ride or offering accommodation in his house.
4. The combination of contract agreement must not contradict to the essence of the contract. For example, like in mudhārabah contract, there should be no profit guarantee using hibah agreement in the first place or a combination between currency exchange with ju’ālah contract, or bay’ al-salam with ju’ālah (AAOIFI No. 25, 2007; 2008).

In the meeting of Shariah Advisory Council Kuwait Finance House No. 23/2006 on September 19, 2006 in Kuwait, where at the time of evaluation ijārah Rental Swap Product combined with the contract of wa’ad mulzim min tharaf wāhid (unilateral binding promise contract) on transaction of musāwamah and tawarruq, where they gave four requirements needed in order to comply with Shariah conditions (Yahya, 2008; Dusuki, 2009);

1. The contract agreement in the transaction must be real, not a fictitious contract. These mean that where one transaction happens theremust be a real transaction, where the desire of the seller to sell and the desire of the buyer want to buy the real subject matter. Otherwise it is the same concept with fictitious tawarruq (tawarruq mashrofi) that has been applied with many Islamic banks in the world. In fact from the data collected, only 2.7% of commodity murābahah transaction and tawarruq that really takes delivery by end user, and 97.3% used for derivative transaction for speculators.
2. Any contract that is being transacted as it has its own consequences such as once a sale contract has been transacted it has to transfer ownership of the asset from the seller to the buyer.
3. One contract to another has to be separated (‘uqūd mustaqillah)
4. This contract does not put any conditions in the transaction between the buyer and the seller.

Pertaining to the Shariah parameters, Mihajat (2012) augments several parameters to make the transaction comply with Shariah rules and principles which are;

1. The subject matter that is going to be transacted has to be real, not a fictitious asset which will lead into dispute in the future.
2. The subject matter that is being transacted can be delivered to the buyer if the buyer wishes. This condition is to ensure the availability of the transacted subject matter.
3. The price of the subject matter has to be based on the market price, no manipulation in term of the price.
4. The place of the subject matter should be known among the parties.
5. The subject matter that is being transacted is halal according to Shariah as stated in fatwa DSN-MUI No. 82 2011 in endorsing the product of Komoditi Syariah for Islamic Money Market of Bursa Berjangka in Indonesian Islamic Banking Industry.
6. The objective of the transaction is for real sale and not for short-selling purposes.
7. The last one is the subject matter has to be ready to use not the subject matter that is still undergoing process to used.

7. Conclusion
In Islam, the transaction in trade and commerce must conform to the requirement of Shariah which means the abstinence from prohibitions (prohibited matters) and observing that every contract possesses all its essential elements and every essential element meets its necessary conditions (Abdullah and Ramli, 2011). This paper highlights general understanding on combination of contracts (ijtimā’ al-'uqūd) for the purpose of product development in Islamic banking which is very important following the fact that majority of products in Islamic banks are combination of more than one contracts. The paper also laid down Shariah parameters on hybrid contract in order to comply with Shariah. In spite of the Shariah compliance standard in Islamic banking products and services in every jurisdictions is deffer one another, yet they must conform to the requirement of the agreeable fatwas and regulations. The understanding of Fiqh in commercial transaction to meet the callenges of growth that may further strengthen Islamic banks is a must toward exploring various effective banking products. Although some argue that the need to obtain Shariah requirements is a hurdle in the path of Islamic banking product innovations (Benaissa, Parekh, and Wiegand, 2005).

References:


Al-Quran, Surah Al-Maidah 5:1.


An Insightful Assessment on Customer Satisfaction from Contemporary and Islamic Perspective

Khatijah Othman
Centre for Islamic Development Management Studies (ISDEV)
Universiti Sains Malaysia, 11800 Pulau Pinang, Malaysia.
Faculty of Leadership and Management
Universiti Sains Islam Malaysia, Bandar Baru Nilai, 71800, Nilai, Negeri Sembilan, Malaysia
Tel: 016 6071258  E-mail: khatijah@usim.edu.my

Abstract:
All organizations emphasized on the assurance of ‘customer satisfaction’. It is not just socially provocative concept but it has become the gold standard by which every organization is measured and judged. In contemporary business dealing customer satisfaction should always come first in whatever situation and a business can achieve success only by understanding and fulfilling the needs of customers. Whilst in Islamic business transaction, customer satisfaction is considered as an attitude of appreciation and gratifying towards the sustenance that has been bestowed by Allah SWT. Islam views that customer satisfaction underscores due to the welfare of the consumers and the community at large. This conceptual paper intends to do an in-depth study on the differences of assessments and perspectives of customer satisfaction between the contemporary and Islamic business values. Secondary data collection was gained from the library research and web based materials and readings. The comparative opinion was assessed based on the scholars’ opinion from the contemporary and Islamic thoughts. The findings revealed that the contemporary scholars hold on the understanding that customer satisfaction is crucial and prior in order to sustain the business and the customer loyalty in the competitive market. On the other hand, Islam opined that customer satisfaction does not count on the physical attributes and material aspects only but it goes beyond that, to the totality of the subservient of man as a servant of Allah SWT, the Creator.

Keywords: Customer satisfaction, Islamic perspectives, Contemporary perspectives

1. Introduction
Total Quality Management (TQM) is a culture aimed at continually improving performance in meeting the requirements in all functions of a company. It is characterized by management enabling the company to please the customer by the provision of adequate resources and by making quality the primary goal, teamwork enabling everyone to participate in improvement, adherence to a good formal quality system and the use of established techniques to control and improve performance (Holmes, 1992). In this implication quality is always become number one goal to be achieved and from the customer’s perspective, the perception of quality varies from one person to another. No doubt in the contemporary business practice, customer satisfaction is the essence of total quality management. This issue has been well discussed by the contemporary management scholars in various management books. But, how does organization assess whether their organization has achieved the best standard of highest quality that the customer is expecting?

Articulately, customers define quality from their own different perspectives. It might come from their understanding of the concept of quality, or from their demand and taste of certain qualities, or through their own perspectives on certain products or services that they are using. And the critical point here is that quality is in the eye of the beholder, and the beholder is the customer (Goetsch & Davis, 1995). Logically every customer have their own perception towards a certain product or/and service as what they prefer and experienced from their past consumption. Dahlgaard, et al. (1998) further added that it should be noticed however that what is proportional quality to one customer may be regarded as expected or value-added quality by another customer. And for certain, day by day customer grows more sophisticated, complicated and demanding. In a competitive business markets this is why customer-defined quality is essential to competitiveness.
In this consequence, Goetsch and Davis (1995) summarized the definition of quality from various definitions to the following common elements: - i) quality involves meeting or exceeding customer expectations; ii) quality applies to products, services, people, processes, and environments; iii) quality is an ever changing state, that is, what is considered quality today may not be good enough to be considered quality tomorrow. Literally, from Merriam Webster dictionary (2013), customer means ‘one that purchases a commodity or service’ and ‘an individual usually having some specified distinctive trait’. And customer satisfaction literally means ‘the act of providing what is needed or desired and the act of satisfying a need or desire’ (Merriam Webster dictionary, 2013). Therefore ‘customer satisfaction’ generally is understood as ‘the need of satisfying a need or desire to the one that purchase the commodity of service’.

Hence, Hayes (1998) encapsulates that the terms ‘customer satisfaction’ and ‘perception of quality’ are tags used to summarize a set of observable actions related to the product and/or service. And those scenarios can be assessed through (Goetsch & Davis, 1995) several indicators of the organization’s performance as such profit trends, repeat customers, and new customers’ trends. Muffatto and Panizzolo (1995) highlighted some consequences of customer satisfaction are such as; improvement of the firm's reputation and image; reduction of customer turnover; increased attention to customer needs in TQM planning; reduction of marketing costs and, vice versa, lower transaction costs; reduction of costs related to product/service failures; and, lastly, increased satisfaction among personnel and greater stability of the workforce. Briefly, the importance of ‘customer’ within the definition of the quality concept has always been recognized in the literature on consumer behavior. In short, from the introduction of quality production of product or/and service, all organizations emphasized on the assurance of ‘customer satisfaction’. ‘Meeting the customer’s requirement and standard’, ‘delighting the customer’, ‘satisfy the customer’s want and need’, are all phrases used to picture the step taken to assure that organization meet customer satisfaction. All these actions are manifestations or indicators of underlying connotation that is call ‘customer satisfaction’.

2. The Nature of Consumptions from Contemporary Thoughts and Practices

In normal circumstances, Horovitz and Panak (1992) proposed that a customer normally does not enter into contact with a company in a completely open mind. He supposed to have certain expectations or pre-established ideas about what he will receive. A customer is satisfied if his expectation is met. Therefore to create a complete ‘package’ of product or/and service is extremely important to all companies. Accordingly, Goetsch and Davis (1995) listed a few critical points on the reason why customer satisfaction is crucial to all organizations. Among those are:-

(i) Customers are necessary for all enterprises, public or private. If there are no customers, there is no need for the enterprise.
(ii) Satisfied customers not only bring return business, they represent a powerful positive advertising force.
(iii) Dissatisfied customers not only become customers for the competition, they represent a powerful negative advertising force.
(iv) The customers, and only customers, can pass final judgment on the quality and value of products or services.

In this essence Hayes (1998) noted that customer may smile when they talk about the product they bought. Or they may say good things about the product they already used. In purchasing a washing machine for example, customer satisfaction included the after sales service whether the sales including fixing the machine at home and (Horovitz & Panak, 1992) whether the repair man can come to the house with all spare parts handy and able to fix the machine right at the first time. And for the services, customer satisfaction exists whenever for example; (Hayes, 1998) the service started promptly when the customer arrived; time to complete transaction is very fast; availability to the scheduled appointment; and others. Whilst in a service company such as in hotel industry for example, all hotels are assumed to be able to deliver a basic service to its customer like the inclusion of breakfast to the customer, the availability of laundry service, restaurant, the wifi, the spa and gymnasium, other benefits to club card members and etc’s. And for the department store for example (Horovitz & Panak, 1992) it is about the range of products available, the availability of many check-out counters, the access to lavatories, the
ability to use credit cards, the possibility to return unsuitable merchandise, or having ample space for car park. In short, it includes the ‘whole package’ presented to customer to realize customer satisfaction is met.

However to make things tricky, Dahlgaard, et al. (1998) opined that customers do not react so much if those expectations are fulfilled. It is no more than what they expected. But on the other hand if the expectations are not fulfilled, it will disappoint customers. Therefore, in order to survive, companies have to live up with both customer’s satisfaction and customer’s expectation. And this assertive behavior is summarized by Holmes (1992) that better quality leads to happier customers. Happier customers place more orders. These orders cost less to produce, so that profits are higher and management is happier. In this occasion, Horovitz and Panak (1992) reminded that a returning customer has further expectations colored by his previous experiences with that company. Therefore the company has to at least maintain it quality standard of the product or/and service. On the other hand from the employees side, Holmes (1992) emphasized that a constant flow of orders and a feeling of success gives everyone a greater sense of security and encourages the flow of ideas for further improvement so the cycle continuous.

Whilst Goetsch and Davis (1995), in views that once customer satisfactions are clearly satisfied, the organization can take the next step: achieving customer delight. Though, what is the difference between satisfied customers and delighted customers? Nonetheless, both seems having similar positive indication towards what consumer gain even it is not on monetary terms but it contribute towards psychologically and emotional feeling. In this condition, Goetsch and Davis (1995) elaborated that satisfied customers are reasonably happy with their purchase, but will still consider the product or service of competitors when making their next purchase. On the other hand, delighted customers are so happy with their relationship with certain organization that they will not even considering purchasing from other competitors. However a contrastive opinion viewed by Hill et al. (1999) that customer delight is merely an extension of satisfaction. He views that it is quite dangerous for the organizations to continuously delighted their customers since it will be a very difficult process and expensive. Since in a normal circumstance, majority of organizations providing everyday products and services stand absolutely no chance to delighting customers even once, let alone on a continuous basis.

2.1 A Linkage on Satisfaction and Loyalty

In the satisfaction and loyalty link, Hill et al. (1999) further expounded in figure 1 that it must be noted however, that there is no satisfaction-loyalty ratio which applies as a norm across all markets. In some markets (typically very competitive ones with high levels of supplier switching), loyalty will rise steeply only at the highest level of satisfaction, as shown in curve A. In other markets, with higher levels of customer inertia or stronger barriers to supplier switching, customer satisfaction may fall much lower before loyalty is significantly eroded, as shown by curve B. Hill et al. (1999) again stressed that this concept is become dangerous since management time and effort are desperately spent in trying to come up with yet another gimmick to win customer where the organization may taking its eye off on much more fundamental issue rather than customer satisfaction alone.

In parallel to what has been discussed by Hill and others, Dahlgaard et al. (1998) intercept based on the Kano Model initiated by Professor Noriaki Kano of Tokyo Science University in 1984 whereas the satisfaction and expectation of customers will move beyond what they expect and the normal features would become a ‘must be’ features, the expression of satisfied is less. Hence the value added quality is to be created all the time to satisfy customer. In most cases, ‘value added quality’ has an enormous effect on customer satisfaction, while costs are often minimal. It is therefore imprudent not to consider giving the customer more than what they expect. At the same time Dahlgaard et al. (1998) reminded that ‘value added quality’ is not a static concept because after a while, ‘value added quality’ could change to becomes ‘expected qualities’. Customers will expect more and only those firms which understand and able to keep up with this dynamism will survive in longer term. Generally, in producing and delivering a total quality product or/and service and at the same time achieving customer satisfaction, customer delight, customer loyalty; all are not easy to achieve. May be it is easy said rather than doing it. It is rather difficult to achieve all those mentioned simultaneously since to producing quality product
or and service is (Horovitz & Panak, 1992) complex and multidimensional. It’s not only about selling a commitment to fulfill customer satisfaction, but it’s a quality battle on three fronts of design, delivery, and after sales service. Yet it has to be reminded that everything can be changed since (Bennett & Rundle-Tiele, 2004) satisfaction itself is an emotional construct, its antecedents or drivers can be either emotional or cognitive, depending on the situation. Therefore this situational state might always differ from time to time.

This supposition is supported by the research done by Bennett and Rundle-Tiele (2004). Where they discussed on the issue that satisfaction is not a proxy for loyalty and indeed there is a very little empirical evidence to support this assumption thus far. In reality, however, both attitudinal loyalty and satisfaction are both pre-consumption and post-consumption in a repeat-purchase context. In this association, Oliver (1999) proposes that the relationship between satisfaction and loyalty is that satisfaction is transformed into loyalty with the assistance of a myriad of other factors, while in a repeat-purchase setting; attitudinal loyalty and satisfaction may be formed simultaneously as both are latent internal constructs. Oliver (1999) dismisses the proposition that satisfaction and loyalty are the same construct. However, there is a lack of empirical evidence to suggest that they are in fact distinct and discriminant concepts and very few researchers proofed those facts. In this occasion, Bennett and Rundle-Tiele (2004) findings on the research conducted towards business-to-business services context provided empirical evidences that satisfaction and loyalty are distinct constructs. It shows that even though satisfaction and attitudinal loyalty are highly associated with a positive relationship, still satisfaction and loyalty are not the same, and in some cases satisfaction does not predict loyalty (consider banks where customers are highly dissatisfied yet they still remain loyal) (Bennett & Rundle-Tiele (2004). This suggests that marketing managers need to test both customer satisfaction and loyalty levels because high levels of satisfaction do not always translate into high levels of attitudinal loyalty. Hence, these examples suggest the nature of the relationship between satisfaction and loyalty is complex. Yet marketing literature suggests as such that it is as simple matter that forms naturally.

2.2 Customer Satisfaction Index in Practice

From the above discussion, it clearly shown that there are opinions that are in agreement and in contradict to the overall perceptions on customer satisfaction from conventional views. However, United States of America already established their measurement since 1994 in reading the weightage of customer satisfaction through its America customer satisfaction Index (ACSI).

ACSI gained access to the individual customer data which provide insights across the entire customer experience. The aggregated data produced customer satisfaction benchmarks from 43 industries in 10 economic sectors that represent 230 major companies that provide goods and services to Americans consumers (ACSI, 2014a). In ACSI model, customer expectation, perception of quality, perceived value were introduced as the antecedents of customer satisfaction and customer loyalty and customer complaint as consequences (Yang & Tian, 2004). This can be referred through figure 2, on the relationship of customer satisfaction and other factors that has been established and used as ACSI model and framework in measuring customer satisfaction.

In this connection, the national customer satisfaction index is updated quarterly, and serves as a macroeconomic indicator of the health of American economy as shown in table 1 and figure 3. This indicates that with the increasing trend of customer satisfaction in America, it fuelled-up the market demand and helped to drive up the customer’s spending habit. In this regard, the chairman of ACSI, Prof. Claes Fornell credited the increase number in satisfied customers since they create more demand to embolden the economic recovery. However, he conclude that strong increasing trend of ACSI suggest that consumer demand need to triggered by improvement in household discretionary income and consumer confidence in order for the spending to fully materialize (Fornell, 2013). Other than America, a few other countries worldwide adopted ACSI to measure the customer satisfaction index in their own market situation as such United Kingdom, Portugal, Brazil, Colombia, Republic of Dominican, South Korea, Turkey, Singapore, South Africa, Kuwait and the latest are Indonesia, Malaysia, and Mexico (ACSI, 2014c).
3. Customer Satisfaction from Islamic Consumption Behavior Perspective

Generally, economists assumed that an individual consumer is strongly and primarily motivated by the desire for personal consumption and leisure. It is also assumed that this desire is insatiable and that the consumer tries to satisfy it in a rational manner to the maximum possible extent (Zarqa, 2005). In contemporary economy, the ultimate aim of all economic activity is thought to be maximum satisfaction of human wants, and the criterion of economic achievement is judged by the living standard obtained in a society at a particular period of time. Those aim in the societies adhering to the materialistic values, has generally led each individual in an unbridled race to grab more and more economic resources and attain a higher and higher standard of living. This has placed man in vicious circle which is not easy to break (Hasanuz Zaman, 1991) and continue without ending.

Contrariwise the Quran and Sunnah took altogether a different approach particularly in the issue of customer satisfaction and similarly to the subject of standard of living. They provides due cognizance to natural urges in man which stimulate work, earning, and spending. On the other hand, they use the force of man’s eschatological beliefs and moral discipline to suppress the tendencies which expose man to decadence from within himself and from outside. To achieve this purpose they do not shrink from authorizing the state to resort to legislative measures, government initiative and control. Eschatological beliefs and moral teaching are copiously intertwined throughout the Quran and the Sunnah and are closely linked with their social and economic teachings (Hasanuz Zaman, 1991). Along with the incentives to earn, it repeatedly asks man to satisfy his wants and declare his prosperity, without going to the extent of ostentatious extravagance. The standard of the satisfaction of wants is the yardstick for setting a standard of living. In this relation, the Quran has not drawn any line beyond which man must refrain from consuming lawful things. This spirit can be understood from surah Al-A’raf, verse 32 as the following;

“Say: Who hath forbidden the beautiful (gifts) of Allah, which He hath produced for his servants, and the things, clean and pure, (which He hath provided) for sustenance? Say: they are, in the life of this world, for those who believe, (and) purely for them on the Day of Judgment. Thus do We explain the signs in detail for those who understand”. (7:32)

Beside the verses like above, the way in which Quran has reiterated spending on one self and on others raises a problem which has been faced the Muslim society till this day and poses a challenge as to how capital market formation can be affected with this frame of mind (Hasanuz Zaman, 1991). And concerning with the customer satisfaction and the ever increasing of wants in the individual consumption pattern, Islam sees that (Ariff, 2005) the acts of satisfying wants as pointed out earlier, only lead to the emergence of more wants. By this implication, man in attempting to maximize his satisfaction, succeeds only in maximizing his wants. The endless cycle in maximizing satisfaction of wants, creating more wants in the process, and attempting to satisfy those wants represents a futile exercise.

3.1 Encouragement of Moderation in Consumption and Spending in Islam

Islam indeed encourages a reasonable consumption pattern, not too wasteful, not too extravagant but on moderate manner and habit. Similarly the moderation in expenditure should not be extravagant and not niggardly and this has been highlighted by Zarqa (2005) based on the Quranic verse in surah Al-Furqan, verse 67;

“They who, when they spend, are not extravagant and not niggardly, but hold a just (balance) between those (extremes)”. (25:67)

In which the verse mentioned indirectly on the amount what people ought to spend. Meaning that, the amount should accommodate for the reasonable consumption pattern. Not spending freely without limitation and without purpose but it supposed to benefit individual self and also other people. All the non-economic factors which affect consumer behavior are named in one label that is ‘taste’. It enters the utility function as exogenous variables, and thus can affect the consumer behavior and spending habit. Zarqa (2005) accentuated that tastes include not only demographic and other personal characteristics of the consumers, but also his beliefs and moral values. It is bound to differ from man to man. It covers necessities and comforts. The only line drawn beyond
this limit is overspending (israf) which is not desirable even in spending on others, because this may leave the person concerned denuded, rebuked (Hasanuz Zaman, 1991).

Such a situation has been mentioned in surah Al-Isra‘a’, verse 29; Allah stated;

“Make not thy hand tied (like a niggard’s) to thy neck, nor stretch it forth to its utmost reach, so that thou become blameworthy and destitute”. (17:29)

In short, the spending and consumption behavior for Muslim had been chartered in the Quran whenever Allah SWT warned for all Muslims to be reasonably moderate in all affairs. This moderation brings the meaning to spend and consume in such a way a Muslim is considered as not to become too stingy and not too generous since on both extreme extent comprise its negative consequences and effects towards individual Muslim.

3.2 Islamic Doctrines in Consumption Behavior

Alserhan (2011) prompted that the Quran provides a balanced view of human motivation; desire for wealth and propensity for greed and selfishness in humans are recognized. However, since business has to be conducted within a social context, Islam introduces rules to control these desires, as well as guide the behavior of all parties involved. Accordingly, business success is judged not in material terms, but rather by the degree to which a Muslim is able to comply with God’s rules. In this relation, for all Muslim, there are two important beliefs propelled and should be regard as Islamic doctrines in consumption behavior:-

(i) God is the Creator and the Owner of Everything

An understanding of the concept of ownership and property in Islam is one of the foundations of behavior in Islam for both the consumer and the firm (Zarqa, 2005). In this accord, all the property is owned by the Creator, Allah SWT, not as absolute ownership of human being. The verses 5 and 6 of surah Ta Ha, justify that fact by which Allah stated;

“(Allah) Most Gracious is firmly established on the throne (of authority). To Him belongs all that is in the heavens and the earth, and all that is between them, and all that is underneath the soil”. (20:6)

The consumer supposed to feel the gratefulness of Allah SWT in giving the chances and opportunity for him to possess and relish the goods and services available. This has been stressed by Zarqa (2005:34) in an elaborative manner about the concept that ‘God is the Owner’ of everything, the cosmos, and all the creatures and creations in this world and everything within it solidly imbedded in man’s heart, be he a producer or a consumer, are supposed to feel honored and grateful that some of God’s wealth has been put in his trust. In which human being is able to consume and appreciate the creation and benefit it to himself only with God willing. Whereas the consumption should be defined with the proper limits of enjoyment and usage (Zarqa, 2005). At the same time it is appropriate to designate other individuals or the community as the rightful claimants to a share of that wealth (Zarqa, 2005). This has been stated in surah Al-Hadid, verse 7, for the Muslim to expend the wealth to other Muslim brothers since Muslim should not regard wealth and property as an absolute ownership but to regard it as the trustees from Allah SWT. And for those who always undertaking good deeds, the reward from Allah in the hereafter has been promised.

“Believe in Allah and His Messenger, and spend (in charity) out of the (substance) whereof He has made you heirs. For, those of you who believe and spend (in charity) -- for them is a great Reward”. (57:7)

(ii) Life, Wealth and Pleasure: A Test to Man

To those that having more, earning more and consume more in a stylish or an expensive manner, they are answerable to Allah SWT in the hereafter. Each individual is accountable to God for all the ways in which he has been preferred over others (Zarqa, 2005). This has been reminded in surah Al-An’am, verse 165;

“It is He who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks, some above others: that he may try you in the gifts He hath given you; for thy Lord is quick in punishment: yet He is indeed Oft-Forgiving, Most Merciful”. (6:165)

Islam stresses that the product which the buyer is purchasing must have been produced in a wholesome manner (Beekun & Badawi, 2005). Buyers should expect to receive lawful goods that are in working condition and
priced fairly. They should also be notified of any deficiencies if there is any. The Prophet Muhammad SAW is reported to have said, “A Muslim is the brother of a Muslim. It is not permissible for a Muslim to sell a commodity that contains some defect in it except that he describes that (defect) to him (the buyer)”.

4. Findings

Many studies in the literature of contemporary perspective suggest that firms which consistently collect and analyze information about customer’s need, operational problems, and the success of their attempts for improvement will enhance organizational effectiveness. For example product/service performance is measured by the level of attributes and by their improvements, whereas operating process parameters may include accuracy, reliability, timeliness, delivery and after-sales services (Muffatto & Panizzolo, 1995). In this relation, Dahlgaard, et al. (1998) added that knowledge of customers’ experiences of products and services are essential before the necessary process is taken for creating and improving customer satisfaction.

In this occasion, Johnson and Gustafsson (2000) anticipated that customer satisfaction is modelled as having direct effect on both loyalty and reputation. It reflected both the degree to which customer’s more recent purchase and consumption experiences enhance a product’s or service provider’s reputation and the consistency of customer’s experiences over time. Reputation may have a direct effect on loyalty by the brands the customer look and trust in making their choices. However, Hill et al. (1999) in disapproval of these by stated that there are no organizations capable of completely satisfying their customers, let alone consistently delighting them. Even the best organizations usually failings in a few areas and most organizations are falling significantly short of satisfying customers in a number of a basic thing. This become difficult since selling a service or product of the best quality means (Horovitz & Panak, 1992) not only selling a commitment to do something but it also means selling the way in which it is done. It encompasses everything including the management, the communication flow, the process, delivery, after sales service and many others. Therefore, delighting customers is considered irrelevant for certain organizations. But maybe it is relevant for certain others. It depends to the level of success of that organization, kinds of product or services produces and type of consumer consumed the products. (For example: Do customer feel satisfied and delighted over a new upgrade and change in the bank’s IT system whenever they paying electrical bills or withdrawing money from savings account?). In short, it includes the ‘whole package’ presented to customer to realized customer satisfaction. It is not only about the price tag but (Horovitz & Panak, 1992) it should be ‘hassle free’ to the consumer. In fact, it is about ‘non-billable’ aspect of the ‘whole package’.

We can say that from the contemporary perspective, customer satisfaction indicates that the existence of customer is considered vital to all services/business enterprise. In this connection, satisfied customer is believed to be able to bring repeated business for the enterprise. This has been buttressed by Fornell (2013) that a satisfied customer is often a loyal customer and a loyal customer is often a profitable customer. He further argued that ACSI scores are indicative to stock market performance. This is evidence of how customer has a very influential purchasing power based on the demand and supply economy thus, become a powerful determination factors to the production and profitability of the product and services. These consequences lead the business organization to run after competitive advantage. So that the company has an extra advantage in winning over the consumer in comparison to other company that producing similar product or services. Therefore, in fulfilling customer expectation, satisfaction and delight, companies are competing with each other in all means for them to sustain in the market.

This will also steered to ruthless and wicked competition and sometimes preceding to the unhealthy manipulative market. This indirectly will impact a harmful situation to the overall customer and the community. From Islamic perspective, this kind of condition is supposed to be avoided. Market competitiveness should be based on healthy transaction and beneficial to the customer and the community. It provides security to the consumers without the existence of market manipulation. On the other hand, in conventional economy, there still lacking an empirical evidence that proofed there is an occurrences of a direct linkage in relation to the customer expectation, customer satisfaction, customer delight and customer loyalty. Hence from the work of
Hill et al. (1999); Dahlgaard et al. (1998); Horovitz and Panak (1992); Oliver (1999); Bennett and Rundle-Tiele (2004); we can conclude that in fact there is not only single factor contributed towards customer repeated buying a certain product, but there are many other factors involved. In this regard, there are also no certain direct relationship between customer expectation, satisfaction, delight and loyalty. The situation varied depends on many conditions.

In oppose to the contemporary economy, and in relation to the above discussion then the question arise; whether in Islamic economy, the producer obliged to fulfil customer expectation, customer satisfaction and customer delight? And whether there supposed to be in existence of customer loyalty? In Islamic teaching particularly Islamic business transaction, customer satisfaction is considered as an attitude of appreciation and gratifying towards the sustenance that has been bestowed by Allah SWT. As what has been stressed by Zaman (2008) that the understanding of conventional economy from the neo-classical economic theory is based on the assumption of competition between self-interested individuals, while Islamic economics is based on advocacy of cooperation within a community with shared goals. Hence Islam views that customer satisfaction underscores due to the welfare of the consumers and the community at large. From the earlier discussions on part one and two of this paper, we can draw that there are two circumstances outlined by the Islamic philosophical understanding:-

(i) The Quran assures all Muslims of a generous creation of resources provided by Allah SWT (Hasanuz Zaman, 1991). This is stated in surah Hud, verse 6;

“There is no moving creature on earth but its sustenance dependeth on Allah: He knoweth the time and place of its temporary deposit: all is in a clear Record”.

And that it will not only stop in this world but the continuity to the hereafter world is certain. For this is stressed in surah Az-Zariyat, verse 22;

“And in heaven is your Sustenance, as (also) that which ye are promised”.

(ii) Islam discards the contemporary outlook of an ever-increasing higher standard of living as the object of economic pursuits. While officially it seeks to increase production and distribute income and wealth on a broader level, it certainly does not encourage its followers to make it as an ultimate objective of their life.

In this certainty, (Alserhan, 2011; Zarqa, 2005) concluded that Islam is an entire way of life, and its guidance extends into all areas of life. It has given detailed principles to guide and control the various economic aspects in the society. In which Muslim has to comply that business success is not measured by material terms but by the degree of obedience and comply towards Allah’s SWT rules. Muslims are to recognize that wealth, earnings and material goods are the property of God, and humans are merely His trustees. Hence, the doctrine that Allah SWT is the Creator and Owner of everything must be well understood and practiced by all Muslims. Life, wealth and pleasure certainly are just a test to man (Zarqa, 2005). Everything on this earth own by Allah SWT therefore there is no absolute ownership of any wealth and property to man, for man is just a trustee for everything will go back to its owner, Allah SWT.

In this solidarity, Beekun and Badawi (2005) underscored that many of the guidelines that applied to the producers/suppliers should have also applied to buyers. They should not practice bribe, should not purchase stolen goods or ‘unlawful’ items, should not engage in riba transactions, should commit all agreements to writing and should respect all contractual obligations. This means that the responsibility on the purchasing and having goods/services fell not only to the producers/suppliers but also to the buyers/consumers. This is how Islamic society taking care of the quality of goods, the producers, the consumers and in fact the welfare of the whole community. On the issue of unlimited consumption pattern, Islam clearly stand on the consumption based on moderation, not too wasteful neither too extravagant. Surah Al-Furqan, verse 67 is a proofed that the consumption should be based on ‘reasonable consumption pattern’ not only in accordance to what individual wants. Even though Islam allows for individuals to design and choose their consumption but still they have to observe the limit. The line drawn in Islamic economy for the moderation in consumption and spending is overspending. Henceforth, it is clear for the Muslim to observe their spending habit not to become overspending and not merely just to satisfy their taste buds. This is depicted in figure 4.
In relation to the Islamic doctrines of consumption behavior, indeed customer satisfaction has to abide the rules underlined in Islam that Muslim should aware that none of their possessions are theirs, indeed all things are belongs to Allah SWT, the Creator and the Owner of the world. Man is the temporary trustee to the property, in fact the satisfaction on consumption, the capacity in buying, are the entire test to man from Allah SWT. Each individual are accountable and answerable in front of Allah SWT on the Day of Judgment. Thus the existence of customer expectation, customer satisfaction, customer delight, and customer loyalty from Islamic consumption behavior perspective should not be on the basis of individual’s needs and wants but must be for the interest of the society since man is only the trustee of Allah SWT absolute ownership. In Islam, the expectation, satisfaction, delight and loyalty; are all the feelings granted towards Allah SWT, the Creator, for His generous creation of resources to all human beings in this world not to the property, goods or services. All material property and pleasure is only a test from Allah SWT. Satisfaction in consumption if any should be based on balance and moderation. Thus future study and development in the area of Islamic customer satisfaction and consumer behavior should take into consideration of a comprehensive customer satisfaction index for Muslim consumer which should integrate the fundamental part of Allah SWT ownership and Creator and man as trustee and vicegerent in this worldly life.

5. Conclusion

The finding shows that in conventional economy, customer satisfaction is opined by individually justification pattern of spending and gaining the maximum utilization. Whilst Islamic economy based the customer satisfaction on moderation and reasonable consumption without following individual interest and wants as a main preference. The contemporary scholars hold on to the understanding that customer satisfaction is crucial and prior in order to sustain the business and the customer loyalty in the competitive market. Most of the time companies strive to satisfy its customer in whatever way and strategy. Many contemporary scholars in consumer behavior believe that satisfied customer lead to delighted customer which then will create a loyal customer. However this opinion is challenged by others since they opined that it is quite dangerous for organization to put full effort in continuously delight its customer since the process is difficult and expensive. Furthermore, management time and effort is afraid gone just focusing on strategy to win customer but overlook on other important matters that are crucial for the growth and sustenance of the organization. In addition, satisfaction and loyalty might not form a causality relationship since some says they are of a distinct construct. This has been proved by the research finding that demonstrates high level of satisfaction does not necessarily contribute to a high level of attitudinal loyalty.

On the other hand, Muslim scholars opined that customer satisfaction does not count on the physical attributes and material aspects only but it goes beyond that, to the totality of the subservient of man as a servant of Allah SWT, the Creator. The parameter of Islamic consumption is not dignified upon satisfaction, delight or loyalty but it measured based on the doctrine that all wealth and property absolutely belongs to Allah SWT, the Creator of all beings. In Islam, absolute ownership belongs to Allah SWT alone. Human being has been entrusted with the opportunity in using it wisely, in moderation, not wastage nor miserliness. For the consumption supposed to have its limit with a proper designation of share to the individual and the community members. Human being only act as a trustee to all the wealth and property, therefore consumption should be conduct with a proper usage of moderation and proper limits of enjoyment. In Islamic economy, the existence of the limitation due to the Quranic order for human being not to be so extravagant and not too niggard. With this limitation, the endless cycle of maximizing satisfaction should be curbed to create a responsible and accountable consumption behavior towards Allah SWT and other human beings. Indeed life, wealth and pleasure are only a test to mankind. To sum up, firm belief in divine attributes not only has a far-reaching influence on the general attitude of the individual, it also touches economic enterprises of consumption, policy making and planning. Without such firm belief, practicing the Islamic injunctions poses formidable difficulties, and leads one to impracticable compromises which result in dualism and hypocrisy.
References:


Table 1: ACSI National Scores from year 1994 to first quarter 2014 (ACSI, 2014b)

<table>
<thead>
<tr>
<th>Year</th>
<th>1st qtr</th>
<th>2nd qtr</th>
<th>3rd qtr</th>
<th>4th qtr</th>
<th>1st qtr</th>
<th>2nd qtr</th>
<th>3rd qtr</th>
<th>4th qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>74.8*</td>
<td>74.2</td>
<td>73.7</td>
<td>73.7</td>
<td>2005</td>
<td>73.0</td>
<td>73.1</td>
<td>73.2</td>
</tr>
<tr>
<td>1995</td>
<td>73.0</td>
<td>72.4</td>
<td>72.2</td>
<td>72.0</td>
<td>2006</td>
<td>74.1</td>
<td>74.4</td>
<td>74.4</td>
</tr>
<tr>
<td>1996</td>
<td>70.7</td>
<td>71.7</td>
<td>71.7</td>
<td>70.8</td>
<td>2007</td>
<td>75.2</td>
<td>75.3</td>
<td>75.2</td>
</tr>
<tr>
<td>1997</td>
<td>71.9</td>
<td>72.2</td>
<td>72.3</td>
<td>72.6</td>
<td>2008</td>
<td>75.2</td>
<td>75.1</td>
<td>75.0</td>
</tr>
<tr>
<td>1998</td>
<td>72.1</td>
<td>72.0</td>
<td>72.1</td>
<td>72.8</td>
<td>2009</td>
<td>76.0</td>
<td>76.1</td>
<td>76.0</td>
</tr>
<tr>
<td>1999</td>
<td>72.5</td>
<td>72.8</td>
<td>72.9</td>
<td>72.6</td>
<td>2010</td>
<td>75.9</td>
<td>75.9</td>
<td>75.7</td>
</tr>
<tr>
<td>2000</td>
<td>72.2</td>
<td>72.1</td>
<td>72.0</td>
<td>72.6</td>
<td>2011</td>
<td>75.6</td>
<td>75.7</td>
<td>75.7</td>
</tr>
<tr>
<td>2001</td>
<td>73.0</td>
<td>73.0</td>
<td>73.1</td>
<td>72.9</td>
<td>2012</td>
<td>75.9</td>
<td>75.9</td>
<td>75.9</td>
</tr>
<tr>
<td>2002</td>
<td>73.8</td>
<td>73.8</td>
<td>73.8</td>
<td>74.0</td>
<td>2013</td>
<td>76.6</td>
<td>76.5</td>
<td>76.7</td>
</tr>
<tr>
<td>2003</td>
<td>74.4</td>
<td>74.4</td>
<td>74.3</td>
<td>73.6</td>
<td>2014</td>
<td>76.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Baseline taken in summer 1994

Table 1 represents the exact level of national customer satisfaction index on quarterly basis from year 1994 to the first quarter of 2014 from the ACSI data gathered. Figure 4 shows the graph of increasing index of customer satisfaction over 20 years of measurement in America. It appeared that with the increasing trend of customer satisfaction in America, it fuelled-up the market demand and helping to drive up the customer’s spending habit.

Figure 1 exemplifies that there is no satisfaction-loyalty ratio applies as a norm across all markets. As shown in curve A, in a high levels of supplier switching, loyalty will rise steeply only at the highest level of customer satisfaction. In other markets, with a stronger barrier to supplier switching, customer satisfaction may fall much lower before loyalty is significantly eroded, as shown by curve B.
Figure 2. The Model of American Customer Satisfaction Index (American Customer Satisfaction Index, 2014).

Figure 2. The ACSI model is a cause-and-effect model with indices for drivers of satisfaction on the left side (customer expectations, perceived quality, and perceived value), satisfaction (ACSI) in the centre, and outcomes of satisfaction on the right side (customer complaints and customer loyalty, including customer retention and price tolerance) (American Customer Satisfaction Index, 2014).

Figure 3: National Customer Satisfaction Index Baseline 1994 to Q1 2014 (ACSI, 2014b)
Figure 4 clarifies that in Islamic economy, Muslim should spend based on moderation and balanced of wants. Satisfaction in consumption should be achieved with guided limitation since life, wealth and pleasure is only a test to human being. Muslim should be aware that all property is owned by Allah SWT therefore all economic activities should be aimed in achieving the objective of economic pursuit of *MardhatilLah*.

**Author** Khatijah Othman currently is completing her Ph.D studies with the Centre for Islamic Development Management Studies (ISDEV), Universiti Sains Malaysia, Pulau Pinang, Malaysia. She is a lecturer in a Faculty of Leadership and Management, Universiti Sains Islam Malaysia, Bandar Baru Nilai, Negeri Sembilan. She holds her Bachelor of Economics from International Islamic University, Malaysia (IIUM) and her Masters of Business of Administration from Leeds Metropolitan University (LMU), United Kingdom.
Micro Financing Products and Business Model of Islamic Micro Finance Institution (Imfis) In Indonesia: Lessons from Baitul Maal Muamalat (BMM)

Euis Amalia
National Islamic University of Syarif Hidayatullah Jakarta Indonesia
E-mail of the corresponding author: m.iman.sastra@gmail.com

Muhammad Iman Sastra Mihajat
Ph.D Researcher of IRTI-Islamic Development Bank, IIUM
Institute of Islamic Banking and Finance

Abstract:
This paper attempts to elucidate the micro financing products and business models of micro finance in Baitul Maal Muamalat (subsidiary of Bank Muamalat Indonesia). During 2010 Bank Muamalat has been distributed the social fund through BMM as much as Rp 22.8 billion. The funds are distributed in the form of the micro financing program for economic empowerment through LKMS and KUM3 program. LKMS program is channeling fund to Islamic Micro Finance Institutions (IMFIs) through linkage program. While KUM3 program is channeling micro financing to 24 cities that are consist of 183 mosques and 4647 Mustahik (poor recipients). This program encourages Mustahik to increase their business line with modern business management. The program mission are to facilitate the micro business community through the utilization of ZIS (Zakat, Infaq and Sadaqah) funding, to build organization quality of the mosque as a basis of development and strengthening the quality of brotherhood as the basis for the establishment of micro enterprises, encourage the habit of giving, and create awareness of modern business management and ensure the business activity free from Maysir, Gharar, and Ribā. There are three kinds of financing program of KUM3 which are Aqh Model, second, Qard model and the third is Musharakah model. The KUM3 financing model is Sharīah based model that use a variety of Islamic contract such as profit and loss sharing system between participants. In addition, BMM arranged the curriculum model of financing through the KUM3 program.

Keywords: Baitul Maal Muamalat, Micro financing, Business Model.

1. Introduction
Bank BRI (Bank Rakyat Indonesia) is the most successful commercial bank in the world. Bank BRI was established in 1970s and has demonstrated the potential growth of microenterprise in the country through the BRI Unit Desa (UD) concept started in 1984 (Bramono et al., n.d.). The BRI Unit Desa (UD) concept was channeling and mobilizing the fund to microfinance clients and Cooperatives in many villages, and in district and sub-district areas. BRI is the first commercial bank in the world to provide commercial financial services such as savings, loans, as well as other products to millions of economically active poor and lower-middle income households, and do so profitably (Robinson, 2005). Moreover, Indonesia is the largest Muslim majority market in the world, has a highly complex micro finance and rural finance sector which has evolved over more than a century (Seibel, 2004).

In Indonesia, IMFIs has been developed a number of successful business model since the last two decades. This shown from the development of quantity of BMT and Islamic cooperative from time to time in all over provinces in Indonesia and development of asset increase significantly. One of IMFIs in Indonesia is Baitul Maal Muamalat (BMM), the subsidiary of Bank Muamalat Indonesia who has been served the micro customer through their unique program by augment the Islamic values such as the applicant for micro financing has to conduct the Subuh and Isya’ prayer in the Masjid, the applicant must be active member of Masjid management and soon.
In addition, in Islamic micro financing, the products has to be in line with \textit{Shar\text{"{i}ah} or any activities of Islamic micro finance institution consonance with \textit{Shar\text{"{i}ah} as what is stated by valid agreeable \textit{Fatwas} (Qattan, 2004) which is Fatwa DSN-MUI. Since the fact shows that IMFIs in Indonesia having best experience in serving the micro and small enterprises. It is valuable to elucidate and to highlight the micro financing product and business model of IMFIs in Indonesia, in particular Baitul Maal Muamalat.

2. Definition of Micro Financing in Islamic Financial Institution (IFIs)

Micro finance refers to the small financing provided for the poor and involves financial services such as savings, insurance, pensions, and payment services (Wrenn, 2005). Micro finance is commonly associated with small and micro working capital financing that are channeled to microenterprises or income generating activities (Guntz, 2011).

Microcredit Summit in 1997 defines micro finance as “program that extend small loans to very poor people for self employment projects that generate income in allowing them to take care of themselves and their families” (Rahman, 2007). Antonio (n.d.), and Ascarya and Sanrego (n.d.), define micro finance based on classification over the credit limit given to micro, small, and medium enterprises by Islamic financial institutions. By defining the classification of micro finance the financing might reach the poor and low income society to aid and guide them in the business and make them self reliant as can be seen in see table 2.1 below:

<table>
<thead>
<tr>
<th>Class</th>
<th>Credit Limit</th>
<th>Asset</th>
<th>Labor</th>
<th>Business License</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super Micro</td>
<td>&lt; 5 million</td>
<td>&lt; 10 million</td>
<td>1</td>
<td>Not Required</td>
</tr>
<tr>
<td>Micro</td>
<td>5-50 million</td>
<td>10-100 million</td>
<td>1-4</td>
<td>Optional</td>
</tr>
<tr>
<td>Small</td>
<td>50-500 million</td>
<td>100-1.000 million</td>
<td>5-19</td>
<td>Required</td>
</tr>
<tr>
<td>Medium</td>
<td>500-5.000 million</td>
<td>1000-5000 million</td>
<td>20-99</td>
<td>Required</td>
</tr>
</tbody>
</table>

Source: Ascarya and Sanrego (2007)

Micro finance refers to the small financing provided for the poor and involves financial services such as savings, insurance, pensions, and payment services (Wrenn, 2005). Micro finance is commonly associated with small and micro working capital financing that are channeled to microenterprises or income generating activities (Guntz, 2011)

While Bank Indonesia defines micro finance as a loan below Rp50 million, and small financing as a loan ranging from Rp50 million to Rp500 million; these products are provided by formal and semi-formal financial institutions in Indonesia for microenterprises (Bank Indonesia, 2010; Ciputra Entrepreneurship, 2013; Bramono et al., n.d.). According to Antonio (2008), micro finance services in Indonesia can be classified according to the size of loan portfolio, Islamic commercial bank has the largest financing portfolio from Rp100 million to Rp500 million, this is followed by Islamic rural bank (BPRS) from Rp5 million to Rp100 million, and BMT and cooperative from Rp100 thousand to Rp10 million; all of this can be seen in table 2.2. The most common micro finance products are the following: income-generating loans, linkage program, emergency and consumption loans, housing loans, leasing, saving, insurance, and payment services.

<table>
<thead>
<tr>
<th>Group</th>
<th>Financing Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Commercial Bank (BUS and UUS)</td>
<td>Rp 100 - 500 million</td>
</tr>
<tr>
<td>Islamic Rural Banks (BPRS)</td>
<td>Rp 5 - 50 million</td>
</tr>
<tr>
<td>BMT and Islamic Cooperative</td>
<td>Rp 50 thousands - 500 million</td>
</tr>
</tbody>
</table>

Source: Antonio (2008)
While Islamic micro financing may be defined as the Sharīah compliant equivalents of conventional micro financing facilities using various mode of financing such as Qard al-Hasan (interest free loans), which is the only type of loan that permissible under Sharīah; Murābahah, mark-up trade finance; Salam, forward sale and Istitnā’, project financing, Ijārah, financial leases, which is provided for the need of micro enterprises to tie up their scarce capital resources in equipment or buildings (Wilson, 2007). Siddiqui (2001), proposed profit and loss sharing arrangements to be held as an ideal mode of financing in Islamic micro finance. It is expected that this profit and loss sharing will help to significantly remove the inequitable distribution of income and wealth between the rich and the poor.

Compared to the previous definitions of micro finance, micro financing products in Islamic banking merely refers to the products that are offered by an Islamic bank which are managed in accordance to Sharīah principles provided for small, micro and medium enterprises community. Micro finance services in Islamic banks aim to aid developing small and micro businesses to medium-sized enterprises in the form of micro financing facilities managed according to Sharīah where the contract used is based on Sharīah rules and principles such as Murābahah, Mudārabah, Mushārakah, Ijārah, and so on. However, in terms of the definition of micro financing products in Islamic banks in Indonesia, it should be noted that each Islamic bank has their own definition, this also happens in conventional banks.

Bank Syariah Mandiri, for instance, has its own definition of the micro financing which is: financing products designed for individual or business entity for the purpose of development of micro and small medium enterprises with financing limit from Rp2 million up to Rp100 million, while for retailers ranging from Rp100 million to Rp500 million where the business of MSE cater to every industry sector which is not contrary to Islamic values (Bank Syariah Mandiri, 2012). Meanwhile, according to Bank of Indonesia micro finance product in an Islamic bank has the same definition with a micro finance product in a conventional bank which is: financing that has a limit not exceeding Rp50 million allocated for the development of small and medium enterprises sector (Bank Indonesia, 2012). From the above definitions, it can be summarized that a micro financing product in Islamic banking is a financing made by Islamic banks to facilitate the development of micro and small enterprises with financial limits ranging from Rp1 million to Rp100 million, where the financing scheme is used in accordance with the the principles of Islamic Sharīah.

3. Islamic Micro Finance in Indonesia

It should be noted that, the empirical studies have provided strong evidence that the proportion of the Muslim population using financial services is less than their non-Muslim counterparts in the world (El-Hawary & Grais, 2005). It is also known that Islamic countries at times have large segments of poor Muslim populations who largerly lack access to banking services, an example being Indonesia (Imam & Kpodar, 2014). This fact is caused by Muslim lack of access to micro finance services and is the crucial factor in the failure to bring about a broad-based of business and industries and thereby realize the egalitarian objectives of Islam.

Mohieldin et al. (2012), argued that the above issues may be solved by Islamic finance through two approaches. The first is taking the same route as conventional finance by replicating traditional modes of inclusion such as micro finance and micro insurance. The second mode is Islam redistributive mechanism such as Zakāh, Sadaqah Qard al-Hasan, and Waqf. This is an area not well-developed in majority Islamic Muslim modern countries. Therefore, the need for IFIs in Indonesia offering micro financing services is urgent to avoid conventional practices of finance.

In Indonesia, the establishment of the first Islamic bank, followed by Islamic rural bank and BMT, came upon due to the awareness of Muslim’s to get rid of the practice of charging ribā as it is forbidden under Sharīah. Thus, to some extent, it may aid in poverty alleviation and encourage economic development through micro finance which are based on Sharīah principles.
The Indonesian government has now realized the importance of IMFIs (Islamic Micro Finance Institutions) in providing micro finance to MSEs. The three major players of the Indonesian Islamic micro finance are Islamic banks, Islamic rural bank (Bank Pembiyaan Rakyat Syariah, BPRS), and Islamic cooperatives or BMT.

Majority of Islamic banks in Indonesia are committed to the empowerment of MSEs as one of the formal objectives. Bank Muamalat Indonesia for instance, stated this in its corporate mission is committed to providing the best services in accordance with Sharīah in promoting small and medium-scale businesses (BMI 1996, 2013).

One of the most important players of Islamic micro finance in Indonesia is BMT (the house of funds and finance) and Islamic cooperative. The main objective of BMT and Islamic cooperative is to provide an Islamic alternative for micro enterprises. It is seen that BMTs are able to offer employed poor people a real chance at lifting themselves out of poverty. This because BMTs are using Islamic principles of brotherhood and community development in facilitating the fostering of strong personal ties that develop between members and managers, which further aids in building community networks and trust that are essential to the success of BMT (Sakai, 2008).

The key factor of the successful BMTs as an Islamic micro financial service provider for the poor and mobilizing the funds and channelling it to MSEs; is that most BMTs are run by social entrepreneurs who have a strong commitment to establishing social justice based on Islamic principles. There are two reasons why BMTs are defined as social enterprises. The first being that social entrepreneurs and their ventures are capable of finding effective solutions to social problems and offering more flexible financing schemes than banks can do for MSEs. Secondly, BMTs as a social venture necessitate a new framework for evaluating and identifying the capacity-building needs of BMTs. BMT operators, for instance, are strongly concerned with offering entrepreneurial skills, promoting Islamic values, and much needed funds to a larger number of clients in a viable way (Juwaini et al., 2010).

With a large number of MSEs and BMTs, Indonesia is one of the world’s leaders in the application of Islamic Micro finance. The contribution of national micro, small, and medium enterprises (MSMEs) has become so important in the economy of the country. MSMEs constitute the dominant business structure, amounting to 98%, and they are able to absorb more than 80% of their workforce, as well as contributing a sizeable GDP of around 40-50% to Indonesia (Sakti, 2011).

The growth of MSEs can be an important means for employment generation and economic development in Indonesia. MSMEs can play a significant role in employing the surplus that exist in the labor force productively and increase the aggregate output, thus enabling efficient use of capital and labor, initiating indigenous enterprise and management skills, bringing a regional balance, and improving the income distribution inequality (Ahmed, 2001).

The development of BMT in Indonesia shows positive number from time to time. PT Permodalan BMT Ventura for example in 2008, the average comparison of financing level with third party funds is 130.32, while in 2009 and 2010 it is respectively 130.49% and 98.67%, and in 2011 amounting to 100.96%. It means the third party funds have been maximally channeled without core deposits in the company (PT Permodalan BMT Ventura, Annual Report 2011). The micro and small scale entrepreneurs receiving funds from Permodalan BMT Ventura in 2011 are situated in Java Island and Lampung with an outstanding finance of Rp80.30 billion (see table 2.3).
<table>
<thead>
<tr>
<th>No</th>
<th>Area</th>
<th>Outstanding</th>
<th>Total SMEs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bandung</td>
<td>Rp 2.616.666.667,00</td>
<td>1.200</td>
<td>3.33%</td>
</tr>
<tr>
<td>2</td>
<td>Bekasi</td>
<td>Rp 369.166.666.67</td>
<td>200</td>
<td>0.47%</td>
</tr>
<tr>
<td>3</td>
<td>Bogor</td>
<td>Rp 2.285.676.458,33</td>
<td>780</td>
<td>0.91%</td>
</tr>
<tr>
<td>4</td>
<td>Boyolali</td>
<td>Rp 3.410.416.666,68</td>
<td>1.050</td>
<td>4.34%</td>
</tr>
<tr>
<td>5</td>
<td>Cianjur</td>
<td>Rp 856.592.019,22</td>
<td>253</td>
<td>1.09%</td>
</tr>
<tr>
<td>6</td>
<td>Cilacap</td>
<td>Rp 1.395.833.333,33</td>
<td>470</td>
<td>1.78%</td>
</tr>
<tr>
<td>7</td>
<td>Jepara</td>
<td>Rp 1.333.333.333,33</td>
<td>334</td>
<td>1.70%</td>
</tr>
<tr>
<td>8</td>
<td>Kebumen</td>
<td>Rp 670.138.888,89</td>
<td>280</td>
<td>0.85%</td>
</tr>
<tr>
<td>9</td>
<td>Klaten</td>
<td>Rp 3.919.628.239,72</td>
<td>1.307</td>
<td>4.99%</td>
</tr>
<tr>
<td>10</td>
<td>Lampung</td>
<td>Rp 4.444.527.494,75</td>
<td>1.745</td>
<td>5.66%</td>
</tr>
<tr>
<td>11</td>
<td>Magelang</td>
<td>Rp 5.385.416.666,67</td>
<td>1.498</td>
<td>6.85%</td>
</tr>
<tr>
<td>12</td>
<td>Majalengka</td>
<td>Rp 2.520.833.333,33</td>
<td>1.284</td>
<td>3.21%</td>
</tr>
<tr>
<td>13</td>
<td>Pati</td>
<td>Rp 2.916.666.666,67</td>
<td>926</td>
<td>3.71%</td>
</tr>
<tr>
<td>14</td>
<td>Purworejo</td>
<td>Rp 2.166.666.666,67</td>
<td>909</td>
<td>2.76%</td>
</tr>
<tr>
<td>15</td>
<td>Semarang</td>
<td>Rp 13.816.189.385,68</td>
<td>5.041</td>
<td>17.58%</td>
</tr>
<tr>
<td>16</td>
<td>Sidogiri</td>
<td>Rp 3.729.166.666,67</td>
<td>1.857</td>
<td>4.75%</td>
</tr>
<tr>
<td>17</td>
<td>Karanganyar</td>
<td>Rp 11.194.961.176,03</td>
<td>3.938</td>
<td>12.08%</td>
</tr>
<tr>
<td>18</td>
<td>Sragen</td>
<td>Rp 880.555.555,56</td>
<td>524</td>
<td>1.12%</td>
</tr>
<tr>
<td>19</td>
<td>Sukabumi</td>
<td>Rp 496.666.666,67</td>
<td>127</td>
<td>0.63%</td>
</tr>
<tr>
<td>20</td>
<td>Sumedang</td>
<td>Rp 5.046.112.194,45</td>
<td>1.476</td>
<td>6.42%</td>
</tr>
<tr>
<td>21</td>
<td>Surakarta</td>
<td>Rp 833.333.333,33</td>
<td>309</td>
<td>1.06%</td>
</tr>
<tr>
<td>22</td>
<td>Tangerang</td>
<td>Rp 141.666.666,67</td>
<td>47</td>
<td>0.18%</td>
</tr>
<tr>
<td>23</td>
<td>Wonogiri</td>
<td>Rp 1.083.333.333,33</td>
<td>276</td>
<td>1.38%</td>
</tr>
<tr>
<td>24</td>
<td>Wonosobo</td>
<td>Rp 3.166.397.719,01</td>
<td>1.345</td>
<td>4.03%</td>
</tr>
<tr>
<td>25</td>
<td>Yogyakarta</td>
<td>Rp 4.613.003.771,34</td>
<td>1.309</td>
<td>5.87%</td>
</tr>
<tr>
<td>26</td>
<td>Lasem</td>
<td>Rp 1.000.000.000,00</td>
<td>315</td>
<td>1.27%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Rp 80.292.949.570,00</td>
<td>28.800</td>
<td>100,00%</td>
</tr>
</tbody>
</table>

Source: PBMT Ventura Annual Report 2011

The PBMT Ventura had reached significant achievement by channeling and providing financing in the micro sector for up to 36,960 micro entrepreneurs. On average, an entrepreneur receives three million rupiah with the composition of less than Rp5 million (63.7%), Rp5 million – Rp10 million (23.7%), Rp10 million – Rp25 million (8.8%), Rp25 million – Rp50 million (2.9%), greater than Rp50 million (1%). In 2000, beneficiaries increased quite satisfactorily compared to previous years, in 2010 about 14.316 micro entrepreneurs could be served, and in 2011 it increased to 28.800 micro entrepreneurs. PBMT Ventura predicted that the asset of the company will increase by 73% in 2013, compared to the previous years increase of Rp139 billion to Rp241 billion (PT Permodalan BMT Ventura, Annual Report 2012).
4. The Instruments and Business Model of Micro Financing In IMFIs

Islamic Micro Finance Institution can offer a wide-array of Islamic financial instruments addressing various needs and demands of the client especially among the micro and small enterprises. Among these instruments are Murābahah (mark-up sale), this contract can be used for sale and purchase an item, such as motorcycle financing, Mudhārabah, this contract that can be used for investment in which Islamic bank act as capital provider and the customer acts as an entrepreneur, such as car financing, house financing and so on where the profit divided in accordance with the stipulated agreements while the loss is borne by the capital provider, Mushārakah, this contract that can be used for joint venture where Islamic bank act as financier for some business that need for capital injection, Istishna’, this contract that can be used for construction of houses to be ordered by the buyer, Ijārah, this contract is used for lease, the lease usually ends with ownership at the end of the period, Wakālah, kafālah, and many more (Dhumale and Sapcanin, 1998; Dusuki, 2008).

In term of business model of micro finance (MF), Guntz (2011) highlights several financing models that may applied by Islamic Financial Institutions (IFIs) as follows:

1. Solidarity group (Group based financing), which consist 4-5 individuals (who are know each other) in group together to get financing facility from IFIs, everyone of them ensures the financing recovery and made payment on time according to a predefined repayment on schedule (peer monitoring and guarantee mechanism). The advantage of this model is to reduce transaction costs in credit delivery and disbursements (searching, monitoring and enforcement) of the lender by shifting onto the groups (Dusuki, 2008).

2. Village banking, it is a community-based financing and savings association, run by a village itself.

3. Grameen model, this the most famous business model of MF up to date that found by Muhammad Yunus in 1983 on principles of trust and solidarity. Grameen Bank Replication (GBR) program in Indonesia was initially started in Bogor, West Java by Karya Usaha Mandiri (KUM) in 1989. This initiative was followed in 1993 by Mitra Karya East Java (MKEJ) in Malang, East Java. Both organizations have pioneered the GBR story in Indonesia as over 15 GBRs have taken part in different places in the country since 1997. In Sumatra, Grameen Bank model was replicated by Yayasan Pokmas Mandiri (YPM). Now YPM has 2 branches in 2 regencies (Deli Serdang and Asahan) that covers over 60 villages and purely operates as a sustainable micro-credit organization (Sarumpaet, 2005).

4. Individual Model, this model is used by banking institution and other formal financing institution where the financing facility is given directly to the customer and it is his sole duty to pay back the full amount of financing. However, banking will require to pledge some valuable asset as financing security.

Baitulmaal Muamalat uses group based lending in KUM3. The KUM3 financing program is not only encourage the empowerment of society by micro financing through online-based system but also giving religious contain where the group consist of 20 members.

5. Baitul Maal Muamalat: History, Instruments And Business Model

Baitulmaal Muamalat (BMM) is a non profit institution that runs the social role of Islamic Banking, concentrating on community development programs, micro finance, and Islamic social security fund. BMM is a foundation established by the Bank Muamalat on June 16, 2000 as another institution in which carrying out CSR activities and other social events. During the years 2009 and 2010 BMM had distributed 35% from CSR funding allocations which has been set out in the Shareholders’ General Meeting (Hayati et al, 2012).

In 1994, Bank Muamalat established management unit of Zakat Infaq Sadaqah (ZIS) and social funding namely Baitulmaal. The objective of establishment is responsible to micro-economic empowerment, on June 16, 2000 was inaugurated as amil zakat institutions nationwide by the Ministry of Religious Affairs. Then, as demanded by the public to dependency and professionalism of amil zakat institutions and the Law No.38 of 1999, on December 22, 2000 Baitulmaal entity was formally established by the name of Baitulmaal Muamalat Foundation (Baitul Maal Muamalat, 2012; Hayati et al, 2012).
The vision of BMM is being the motivator of independence economic program towards the realization of characterized society, growing, and caring. While the MISSION is to implement the economic empowerment and social society programs in comprehensive manner. Establish and develop with the largest network (Baitul Maal Muamalat, 2012).

There are some capabilities that handled by BMM including management and development of social funds (zakat, infaq, humanitarian funds, and waqaf), development of poor families and business units in the chain of microeconomics. The development of Islamic microfinance institutions nationwide, a disaster post and recovery of social infrastructure after national disaster, and saving the orphans including education, training, developing, and daily living expenses.

5.1 Economic Empowerment Program (Baitulmaal Muamalat Slipi Jakarta, 2012)

1. KJKS (Islamic Cooperative and Financial Services (Koperasi Jasa Keuangan Syariah) and KUM3 Muamalat Community for Micro Businesses based in Masjids (Komunitas Usaha Mikro Muamalat Berbasis Masjid))

Muamalat Community for Micro Businesses based in Masjids or known as Komunitas Usaha Mikro Muamalat Berbasis Masjid (KUM3) is a formal financial institution that was established through the empowerment of mosque-based micro Muamalat entrepreneurs that aimed to maintain continuity of the program. Both KJKS and KUM3 are the end of program KUM3 in a region that has followed the steps of the program with a maximum of 2 years, then self-directed in the form of legalization and possession of a trust fund. Then formed into KJKS and KUM3 as a good predicated area in mentoring business programs and rate of return. KUM3 program in 2010 successfully established seven KJKS in four areas KUM3 had performed very well in previously, which are:

<table>
<thead>
<tr>
<th>Program Area</th>
<th>KJKS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jakarta</td>
<td>KJKS Al Falah, Mampang – South Jakarta</td>
</tr>
<tr>
<td>Semarang</td>
<td>KJKS Kanal Mulia, Ngemplak District</td>
</tr>
<tr>
<td></td>
<td>KJKS Telaga Mulia, Satrio Wibowo Market, Padurungan</td>
</tr>
<tr>
<td>Surabaya</td>
<td>KJKS Rahmat, Mangku Negoro</td>
</tr>
<tr>
<td></td>
<td>KJKS Miftahul Jannah, Gubeng Jaya 2</td>
</tr>
<tr>
<td>Palembang</td>
<td>KJKS Al Amin, Kp. Cek Syeh</td>
</tr>
<tr>
<td></td>
<td>KJKS An Nur, Betung Sekayu</td>
</tr>
</tbody>
</table>


Working capital channelled to the micro entrepreneurs who came from poor families and are active mosque members in the program’s area. The monitoring will focus on business assistance programs, monitoring of worship, and active participation in the group. The programs are facilitated with business mentoring, coaching routines, active participation groups, monitoring the activities of worship, as well as mosque empowerment.

Submission Terms and Conditions

For the mosque program, at least four terms have to be met by the applicants which are; active in the DKM structure (Chairman, Secretary, Treasurer, Youth Mosque), conducting Friday prayers, in the neighborhood of the Mustahik who has the micro-business, and lastly recommended by Bank Muamalat and passes the feasibility survey.

The participant also has to conform with the requirements as follows; active mosque member at Isya and Sabuh prayers, has been staying in that area at least 3 years, possesing an identity/family’s certificate, owning a micro-business (capital of Rp5 million, turnover less or equal to 125 thousand Rupiah per day, having labor less or equal to 2 people). The participant must be a head of household or widow who is willing to follow “a weekly guidance program”, and the distance of the mosque from the participant’s house should be no more than 1 km, and pass the scoring board.

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]

http://www.crimb bd.org
After following all the terms and conditions stated above, BMM will disburse a financing facility to the participant, for venture capital Rp750 thousand to 2 million, while for business facilities the investment is up to Rp1 million per person.

There are additional requirements for the participant which are; the participant must be part of Jamā’ah and mosque activist/mosque youth, a minimum academic qualification of completing Diploma 3, master in computer and internet skills, having a spirit & soul of volunteer and successful completion of the selection tests.

2. Lkms
This program assists, grows and strengthens Sharīah Micro Finance Institutions (LKMS) in Indonesia by providing capital, assistance, training, technology support, and other forms of support. LKMS empowerment and development program has been conducted jointly with partner agencies including the Ministry of Cooperatives and Small and Medium Enterprises. Through this program the people are expected to be more self-reliant economically, creative in working, empowered in their work and become a growing community defined by character and care. LKMS program during 2010 is described in table 5.2.

Table 5.2. LKMS Program of BMM

<table>
<thead>
<tr>
<th>LKMS</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumlah Portofolio Dana Kelolaan / Amount of Portfolio of funds</td>
<td></td>
</tr>
<tr>
<td>managed</td>
<td>136.8 miliar / billion</td>
</tr>
<tr>
<td>Jumlah BMT/KJKS (Unit) / No. of BMT/KJKS (Units)</td>
<td>1.626 Unit / Units</td>
</tr>
<tr>
<td>Jumlah Pengguna Dana / No. of funds users</td>
<td>127.445 Anggota / Members</td>
</tr>
<tr>
<td>Jumlah Wilayah (Propinsi, Kabupaten/Kota) / No. of area (Province, Regency/Town)</td>
<td>33 Propinsi / 273 Kabupaten / Regencies</td>
</tr>
</tbody>
</table>


The contract used in LKMS Program is based on the Islamic principles of Mudārabah or Mushārakah, while the purpose of this program is to increase the capital and distribute financing to customers or members. The maximum financing period is 5 years, while the financing facility starts from Rp100 million. The repayment before maturity is not subject to fines and may use a revolving or non-revolving scheme (depending on the characteristics of SRB / BMT / Cooperative).

KUM3 (Muamalat Community for Micro Business based in the Masjids) is one of the BMM programs that aims to economically empower the poor, increase their iman and taqwa and grow their revenues through business development and provision of revolving capital. In this KUM3 program there is no collateral needed. The implementation of the KUM3 program has been spread to 24 cities that consist of 183 mosques. Until now the recipients of the benefits has reached 4647. This program encourages the poor to increase their business robustness with a touch of modern business management. The program’s mission is to facilitate the micro business community through the utilization of ZIS funding, build the organizational quality of the mosque as a base of development and strengthening the quality of brotherhood as the basis for the establishment of micro enterprises, creating awareness of modern business management, operating a businesses free from maysir, gharar, ribā, and encouraging the habit of giving (Hayati et al., 2012).

The KUM3 program focuses on economic financing to finance the society around the mosque that has been held the program. This program has 20 members in each mosque. The financing was done through an online-based system with a condition that the members would be surveyed first about how they would manage the business, and also surveyed the economic conditions of each members. After the survey, the members input the data, then the funds will be devided among the members based on the financing, each member will get Rp750,000 to Rp2,000,000. In one period there is a 5 month maturity date, the payment is made by installments on a weekly basis. The weekly installment event is not a priority over the payment of financing only, but also the worship
progress of the members. On improving the worship progress, there is companion data collection performed by each mosque (mentoring curriculum). Beside the payment of financing installment there are also savings and *infaq*. There are 3 kinds of financing program from KUM3 which as follows:

1. *’Aqh* Model. In this model, the amount of financing given is from Rp750,000 to Rp2,000,000. This financing is held in the first running year. The objective of this financing is to integrate the member with mentoring. The concern of mentoring is more about the worship progress of the member, making sure the 60% targeted worship is done, and encourage the member to pay the installment on time.

2. *Qard* model. In this model the amount of financing given is from 2.5 million to 5 million. This financing is given in the second year with the objective to expand the role of mentoring, the mentoring is concerned with the analysis and development of the participants business, make sure the 80% worship target is met, and augment the capacity of the business participants.

3. The third part is *Mushārakah* model. The *Mushārakah* model is where the amount of financing given starts from 6 million to 15 million. This financing is given in year 3. In this model, the role of mentoring is still emphasized with a focus on the supervision of the business participants and ensuring the 100% worship target is met and the scale of the business increases. KUM3 has a program that targets the community around the mosque. In this case, the role of the mosque is prioritized in financing. Besides providing the soft funds, KUM3 also gives curriculum mentoring and also requires saving and *Infaq* (charity) in the payment of installment by integrating the business assistance and worship. The KUM3 financing has a model of financing as good as Grameen Bank model. In addition, this program uses a *Sharīah* based model that uses a profit and loss sharing system between participants. Not only encouraging the empowerment of society through soft financing, but also inculcating the religious values. BMM has arranged the curriculum model of financing in KUM3 (Agus Khalifatullah, Personal Interview, 2013).

Table 5.3. Target of The Year KUM3 of BMM

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>’Aqh</em> Model</td>
<td><em>Qard</em> Model</td>
<td><em>Mushārakah</em> Model</td>
</tr>
<tr>
<td>Assist the participants</td>
<td>Improve the quality of guidance</td>
<td>Improve the role of guidance</td>
</tr>
<tr>
<td>Focus on the building of the religion mentality of the participants</td>
<td>Focus on the progress of the business of the participants</td>
<td>Focus on the business supervision</td>
</tr>
<tr>
<td>Implement of 60% of targeted worship</td>
<td>Implement of 80% of targeted worship</td>
<td>Implement of 100% of targeted worship</td>
</tr>
<tr>
<td>Repay the financing received regularly</td>
<td>Increase the business of participants</td>
<td>Increase the scale of business of participants</td>
</tr>
</tbody>
</table>

Source: Hayati et al., (2012); Secondary data processed.

From the above explanation it can be summarized that KUM3 financing model has been integrated the business and the religious element at the same time. The first contract used is *qardhul hasan* which not oriented to generate return, however in the third year, the contract changes to *mushārakah* model based on profit sharing.

KUM3 Program is very good program with the purpose of realization of the religious community with independent micro-enterprises and improves their quality of life to reach the happiness of living in the world and the hereafter. In term of human resources, KUM3 model has a limit in human resources, there are many program was done only by one people, who sometime has no capability in financing knowledge. KUM3 financing model has been integrated the business and religion curriculum. Yet in the implementation, this program is more focus to the worship activity because of the limited human resource. The main expectation from KUM3 financing model is the poor encourage to become a *muzakki* (giver) who can help the others later on (Agus Khalifatullah, Personal Interview, 2013).

6. Conclusion

Baitulmaal Muamalat business model of micro financing is one of the best *Sharīah* model. The lessons that can be taken from the BMM Program is that how the Islamic financing model can be integrated between business with religious value at the same time. The financing receipients obliged to conduct the *Shalat* in
Jama’ah in the Masjid to increase the quality of faith and devotion of the members and train the discipline of the members. The model teaches us that Islamic microfinance shall not solely focus on profit maximization, it has to be religious value must be integrated in the program. So as the program not only create an entrepreneur but also the pious and the good believers.

Disbursement of working capital in KUM3 program is by way of rolling between the micro entrepreneurs who came from a poor family and was active as a mosque member in the program’s area. The monitoring focuses on business assistance programs, monitoring of worship, and active participation of the group. These programs are supported with the business mentoring, coaching routine, active participation group, monitoring the activities of worship, as well as the empowerment of mosque. In a nutshell, this model aims to empower economy of Mustahik and increase the faith and devotion of Mustahik. At the same time BMM boost the Mustahik revenue through business development and provision of revolving capital. In this KUM3 program there is no collateral needed.

References:


Bramono et al., (n.d.). Microfinance in Indonesia. Economic and Management in Developing Countries: INSEAD P4 Assignment.


Are Islamic Finance Products and Services Islamic: A Perceptual Analysis from Malaysia and United Arab Emirates

Dr. Fayaz Ahmad Lone
Assistant Professor
College of Business Administration
Salman Bin Abdulaziz University, Al-kharj Saudi Arabia.
Email: flon@sau.edu.sa, website: www.wdibf.com (M): 00966556428320

Abstract:

Purpose- This paper aims to find the perception of stakeholders towards Islamic finance in Malaysia and United Arab Emirates. This is a comparative study to find the stakeholders perception across profession, age, gender and country.

Design/methodology/approach- primary data has been used to complete this research, which was collected from Malaysia and United Arab Emirates. Data was collected from the stakeholders of Islamic finance which include customers, employees of Islamic banks, Shariah advisors, regulatory officers and others. The research methodology consists of one way-ANOVA and Independent samples T-Test.

Findings- the results reveal that there is a difference in perception towards Islamic finance products and services across profession. But across age, gender and country, there is no difference of opinion towards products and services of Islamic finance.

Research limitations/implications- sample from only two countries have been collected because of budget and time constraint. So research is just a sample to find the overall perception of stakeholders towards Islamic finance across countries.

Practical implications- This study was conducted with the motive to find the perception of stakeholders, whether the products and services of Islamic finance are really Islamic? So this research is justifying whether Islamic banking is Islamic or not.

Originality/value- the paper presents the findings of stakeholders towards Islamic finance products and services across profession, age, country and gender. It highlights what the people think about Islamic finance across the countries.

Keywords- Perception, Stakeholders, Malaysia, United Arab Emirates, Islamic Finance

Paper type- research paper

1. Introduction

Islamic Finance is a young industry, yet it already offers a wide variety of products and services – and new sharia-compliant products are continually being marketed. A range of Islamic financial instruments have been developed in order to cater to the needs of Islamic Finance customers. These products are built on sharia principles, where every transaction is asset-backed and where every party to a financial transaction must share in the risks and rewards attached to it. While the range of financial products and services offered by IFIs is still relatively underdeveloped, Islamic Finance has been quickly seeing an increase in product sophistication. It has been argued that “long-term winners will be those banks that dedicate sufficient resources to structuring the most innovative sharia-compliant products and that tailor those products to specific markets and segments.” Most Islamic instruments are effectively contracts, and because of their unique structure, there is not a direct conventional finance counterpart for each instrument. Despite the proliferation of these products, they can be classified into six basic modes of operation.

1.1. Consumer and business loans: Due to the prohibition of interest in Islamic Finance, secured lending operations may be carried out in one of three ways: (a) a buy-sell-back arrangement (murabahah), where the bank purchases a commodity and resells it at a predetermined higher price to the customer; (b) a lease-to-purchase (ijarah) or diminishing partnership (musharakahmutanaqisah) arrangement, where the bank leases a commodity to the customer for a rental fee and at the end of the lease period the customer purchases the commodity at an agreed price minus the rental fees already paid, or both parties contribute funds to acquire a commodity with the bank’s share being gradually bought-out by the customer; or (c) a three-party contract
Examples of Consumer and Business Loans
- Mudarabah: investment/trustee partnership
- Musharakah: joint venture
- Murabahah: cash plus sale
- Bai‘Bithaman Ajil: deferred payment sale
- Bai‘al-Salam: deferred delivery sale
- Istisna‘a: commissioned Manufacturing
- Bai‘Istijrar: Recurring supply sale
- Bai‘al-Dayb: Debt financing
- Bai‘al-Inah: Repurchase
- Tawarruk: Monetization of Commodity
- Ijarah: Leasing
- Qard Hassan: Benevolent Loan

1.2. Bank deposits and fixed income securities: An Islamic bank acts as the keeper and trustee of depositors’ funds, similarly to conventional banks; however, one of the biggest differences between Islamic and conventional banks is that sharia-compliant institutions do not pay interest on deposit accounts. Standard safe-keeping (wadi‘ah) deposit accounts generate no interest, however, a gift (hibah) may be offered to the depositor by some banks. One attraction for clients is that Islamic banks usually also offer profit-sharing investment accounts (mudarabah), which serve as a major source of funding for Islamic banks (note 1). While Islamic banks state that funds may be withdrawn at any time from these investment accounts, there is the issue of potential losses incurred by any investments made with the “deposited” funds. Alternatively, market-based fixed-income options based on securitization are also available, where Islamic Finance customers can, for example, buy Islamic mortgage based securities, or invest directly in pools of securitized fixed-return Islamic financial products.

Examples of Bank Deposits and Fixed Income Securities
- Wadi‘ah: Safe-keeping account
- Mudarabah: investment partnership account
- Fixed income securitized portfolios/options

1.3. Fee-based services: Like conventional commercial banks, Islamic banks also offer certain services for which they receive a fee. These include letters of guarantee (kafalah), bills of exchange (hawalah), such as cheques and bankers drafts, and agency services (wakalah).

Examples of fee based services
- Wakalah: agency
- Kafalah: Letter of Guarantee
- Hawalah: bills of exchange

1.4. Investment vehicle alternatives: Investment methods through private equity or mutual funds, are similar to those offered by conventional banks, however certain restrictions apply. The first is that all investments must be made in companies that do not produce products that are forbidden to Muslims, such as pork and alcohol. Islamic jurists have extended this to include other “undesirable” engagements, such as the production of weapons or cutting-edge genetic research. Secondly, because the issue of Riba (interest) is more complicated and that the exclusion of all companies that take or receive interest would be impractical, jurists have invoked the rule of necessity where Islamic investors may invest in selected financially-screened companies. These are companies: (a) whose account receivables do not constitute a major share of
their assets; (b) that are not in too much debt; and (c) that do not receive substantial amounts of interest (note 2).

Examples of investment vehicle alternatives
- Investment in selected financially-screened companies that do not produce the products forbidden in Islam.

1.5. Corporate and government bonds: There are two kinds of sharia-compliant bonds (sukuk) that are available for businesses and governments to issue: securitized sukuk and non-securitized sukuk (although there are a number of sukuk which are a hybrid of the two). Securitized sukuk, often based on lease-backed securities (sukuk al-ijarah), are similar to conventional bonds with the difference that they are asset-backed and represent proportionate beneficial ownership in the underlying asset. Sukuk holders are entitled to a share in the revenues generated and in the proceeds of the realization of the sukuk. Treasury bill-like bonds are also issued by some governments using forward sales of some commodities (salam).

Examples of Corporate and Government Bonds
- **Sukuk**: Securitized / unsecuritized / hybrid Islamic bond
- **Salam**: Short-term (treasury bill-like) bonds using forward sales of some commodities

1.6. Insurance. Islamic jurists have ruled that conventional insurance involves maysir as it is akin to gambling due to the uncertainty involved. Furthermore, “safety” or “insurance” is not itself viewed as an object of sale in classical Islamic jurisprudence and therefore is inconsistent with the prohibition of gharar. Islamic insurance (takaful) was therefore developed and is based on mutual cooperation, responsibility, protection and assistance between groups of participants. It is similar to conventional cooperative insurance wherein members contribute a specific sum of money to a common pool and every policyholder pays his subscription to help those that need assistance. Losses are divided and liabilities spread according to the community pooling system. Some forays into reinsurance, or “re-takaful”, have been made recently to allow takaful companies to manage their risk.

Example of Insurance
- **Takaful**: Islamic cooperative / mutual insurance

2. Review Of Literature
In the world, at the beginning of Islamic finance, some authors were advocating that Islamic banking is not Islamic and some argue that Islamic banking is Islamic. But taking the opinion of different experts, we can easily argue now that Islamic banking is Islamic. Some authors argue that in addition to the moral hazard issues involved in financial activities in asymmetric information environments, El Gamal argues that the Islamic product has to be functionally identical to the conventional financial product since otherwise it would not be approved by banking regulators in both Islamic and non-Islamic countries (El Gamal, 2006, pp. 20–21). However, this reason does not explain why Islamic Banks in Pakistan, Sudan and Iran, whose governments favor Islamic Banking over conventional, all rely on non-PLS financing forms.

Some IBF advocates have proffered other rationalizations for Islamic Bankers’ preferences for products, especially murabaha, that closely mimic standard banking transactions. This is due, they argue, to their being Islamically permissible as long as the bank has ownership for any length of time (Henry and Wilson, 2004, pp. 3–4; i.e., no justification is actually necessary), or the weak property rights and high expropriation-risk levels found in most Muslim countries (Yousef, 2004, p. 73), or they being a “hangover” from the conventional banking industry (where most Islamic Bankers originally started their careers) which sees banks as liquidity/credit providers rather than investment vehicles (Ahmed, 2002, p. 28), or due to the higher “due diligence” costs associated with taking a venture stake in an enterprise (Iqbal et al., 1998, p. 50), or the tax advantages of debt financing over equity stakes (Iqbal et al., 1998, p. 51), or simply being an initial necessary step in the “early stages of the development of Islamic Banks” as they seek to establish themselves as viable competitors to conventional ones (Ahmad, 1993, p. 59). As Ahmad’s (1993, p. 59) confident prediction about the declining role of murabaha in IBF was premature and overly optimistic. Murabaha and other non-PLS financing forms (mainly leasing) overwhelmingly dominate current IBF practices.
Sometimes the IBF institutions simply lie in their accounting and report conventional banking/finance transactions as being wholly Islamic. For example, the President of Faisal Islamic Bank of Egypt, the sixth largest Islamic Bank in the world (Iqbal and Molyneux, 2005, p. 81), revealed that the bank was buying conventional government bonds and reporting the income as “religiously legal operations” (Soliman, 2004, p. 281). Sometimes they do not lie in their financial statements but simply do not highlight their conventional activities. An examination of the Annual Report of Al Baraka Islamic Bank of Pakistan shows that 12.75% and 19.65% of its 2006 and 2005 Gross Financings were in the form of conventional (i.e., explicitly interest-based) export finance.

3. Data Collection
For this study, data has been collected from Malaysia and United Arab Emirates. The sample size chosen for the analysis of data is shown in two tables. Table 1 shows the total number of questionnaires distributed, total number of questionnaires completed, average response rate in percentage and method of questionnaire distribution. Table 1 is related to the data collection from Malaysia. A total of ‘339’ questionnaires were distributed out of which ‘255’ were received. This yields a ‘75’ percent response rate. Maximum numbers of questionnaires were distributed among the customers of Islamic Banks and financial institutions, having ‘77’ percent response rate. All other stakeholders show a reasonable response rate.

The table 2, is about the data collection from United Arab Emirates (UAE). In this country ‘240’ questionnaires were distributed and ‘170’ returned as completed questionnaires, having response rate of 70 percent. Employees of Islamic banks consist of ‘57’ respondents and the number of customers are ‘50’ from UAE. This country also shows a good percentage of response, which is 70 percent overall. Same method of data collection was adopted here as was in the case of Malaysia.

4. Characteristics Of Respondents
Before proceeding further, it is necessary to describe the sample in terms of demographics, the profile of which are given in the following tables:

4.1 Gender Profile of Respondents
When a profile of respondents was generated based on gender, it was observed that the respondents were predominantly male in all the occupational groups. This was expected as males typically outnumber females in almost all professions in world. For the present study, there are ‘244’ males and ‘181’ females. Numbers of customers are maximum as far as gender is concerned. But there were only 13 males and 11 females representing the regulatory officers.

The bar diagram below shows the male Vs female sample size of stakeholders who have been taken for the present research.

4.2 Religious Profile of Respondents
Table 4 presents a profile of respondents based on their religious affiliations. As is evident, majority of respondents were followers of Islam (97 %). The followers of other religious are very less in number (3 %) total. As both the countries of data collection are Muslim majority countries, it the reason for being the majority as Muslims.

4.3 Age Profile of Respondents
When the profile of respondents was generated based on the demographic variable age, the majority of respondents were under 25 years of age (41 %), followed by 26-35 year category (40 %), then 36-45 year category (13 %). The last number of respondents belonged to above 46 year (6 %) age bracket. The pie chart shows the percentage of each age category of respondents.

4.4 Country profile of respondents
Table 6 depicts the country profile of respondents. As from Malaysia there are 255 respondents and from UAE there are 170 respondents. The data collection period was more in Malaysia thank in UAE, this is the reason that most of the respondents are from Malaysia.

From Malaysia 96 customers have been selected for the present study and from UAE 57 employees of Islamic banks have been selected. The bar chart below shows the comparison of respondents representing the two countries.
5. Data Analysis

5.1 Mean and Std Deviation
To analyze the data for the research, Mean and Std Deviation was first calculated.

5.2 Reliability
The reliability of the data was calculated which shows positive sign for further analysis.

5.3 Rotated Compound Matrix
The rotated matrix also shows positive sign for further analysis.

6. Testing Of Hypothesis

Hypothesis of this study are as:

(i) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across Profession. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across Profession.

(ii) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across age. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across age.

(iii) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across country. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across country.

(iv) Null Hypothesis is that there is no significant variation in the perception of stakeholders on Islamic finance products and services across gender. On the other hand, alternative hypothesis is that there is significant variation in the perception of stakeholders on Islamic finance products and services across gender.

(i) Islamic Finance Products/Services across Profession

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across profession. To test this hypothesis, One-Way ANOVA has been used.

In the above table 10, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by different stakeholders on Islamic finance products/services.

This has been found from the above table that the employees of the Islamic banks have the highest mean value of 4.03 on five point scale and Std. Deviation of 0.59. This is a clear indication that the employees of Islamic banks have a positive perception about the Islamic finance products and services as compared to other stakeholders.

This may be because of the reason that they are working for the Islamic institutions and they are convinced with the products and services issued by their institutions.

This has also been seen from the above table that Regulatory officers and Shariah advisors also have high mean value i.e., 3.93 and 3.89 respectively. This means they also hold a positive perception towards products/services issued by Islamic finance institutions. This finding is further supported by high mean value of customers and other stakeholders as 3.82 and 3.74 respectively.

Table 11 shows the results of ANOVA test used to access the differences in the perception of stakeholders towards the products and services of Islamic finance. The ‘F’ value is 2.96 and Sig. value is 0.020, which is less than 0.05 (95 percent confidence interval), which indicates a significant differences in the perception of stakeholders on Islamic banking products and services exists.
Hence, the hypothesis that there is no significance difference in the perception of stakeholders towards Islamic banking products and services across profession stands rejected and alternative hypothesis is accepted.

(ii) Islamic finance Products/Services across Age.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across Age. To test this hypothesis, One-Way ANOVA has been used.

In the above table 12, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by different Age groups on Islamic finance products/services.

This has been found from the above table that the age group of '26-35' have the highest mean value of 3.98 on five point scale and Std. Deviation of 0.61. This is a clear indication that this age group has a positive perception about the Islamic finance products and services as compared to other age groups.

This has also been seen from the above table the age group of '46 or older’ and ‘36-45’ also have high mean values i.e., 3.94 and 3.88 respectively. This means they also hold a positive perception towards products/services issued by Islamic finance institutions. This finding is further supported by high mean value of the age group ‘under 25’ as 3.76.

Table 13: shows the results of ANOVA test used to access the differences in the perception of different age groups towards the products and services of Islamic finance. The ‘F’ value is 3.18 and Sig. value is 0.024, which is less than 0.05 (95 percent confidence interval), which indicates a significant differences in the perception of different age groups on Islamic banking products and services exists.

Hence, the hypothesis that there is no significance difference in the perception of stakeholders towards Islamic banking products and services across age stands rejected and alternative hypothesis is accepted.

(iii) Islamic finance Products/Services across Country.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across country. To test this hypothesis, Independent Samples T-Test has been used.

From the above table 14, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by Malaysia and United Arab Emirates on Islamic finance products/services.

This has been found from the above table that United Arab Emirates has the highest mean value of 3.91 on five point scale and Std. Deviation of 0.72. This is a clear indication that in United Arab Emirates there is a positive perception about the Islamic finance products and services as compared to Malaysia.

This has also been seen from the above table the in Malaysia there is also a high mean value of 3.85 and Std. Deviation of .62.

Table 15: shows the results of Independent Samples T-Test used to access the differences in the perception of different stakeholders towards the products and services of Islamic finance across country. The ‘t’ value is 1.047 and Sig. value is 0.296, which is more than 0.05 (95 percent confidence interval), which indicates no differences in the perception of Malaysian and United Arab Emirates stakeholders on Islamic banking products and services exists.

Hence, the hypothesis that there is no significance difference in the perception of stakeholders towards Islamic finance products and services across country stands accepted and alternative hypothesis is rejected.

(iv) Islamic finance Products/Services across Gender.

The hypothesis seeks to test whether there is any significant variation in the perception of stakeholders on Islamic finance products and services across gender. To test this hypothesis, Independent Samples T-Test has been used.
In the above table 16, descriptive statistics is shown. This table indicates the mean value and standard deviation obtained by male and female population on Islamic finance products/services.

This has been found from the above table that the Male population has the highest mean value of 3.88 on five point scale and Std. Deviation of 0.70. This is a clear indication that the male population has a positive perception about the Islamic finance products and services as compared to female population.

This has also been seen from the above table that in female population there is also a high mean value of 3.87 and Std. Deviation of 0.61.

Table 17: shows the results of Independent Samples T-Test used to assess the differences in the perception of stakeholders towards the products and services of Islamic finance across gender. The ‘t’ value is 0.209 and Sig. value is 0.835, which is more than 0.05 (95 percent confidence interval), which indicates no differences in the perception of male and female population on Islamic banking products and services exists.

Hence, the hypothesis that there is no significance difference in the perception of stakeholders towards Islamic banking products and services across gender stands accepted and alternative hypothesis is rejected.

7. Findings And Suggestions

- Products and services issued by Islamic banks and financial institutions in Malaysia and United Arab Emirates (UAE) are almost the same. Those products which are prevailing throughout the world include Mudarabah (sleeping partnership), Murabahah (cost plus financing), Musharakah (partnership financing), Ijarah (leasing), Sukuk (Islamic bond), Takaful (Islamic insurance) etc. The perception of stakeholders towards these products and services and their relevance towards the teachings of Quran and Sunnah were tried to find out. It has been found that there is a significant variation in the perception of stakeholders on Islamic finance products and services across profession. Although all the stakeholders agree that these products and services of Islamic finance are really Islamic, but employees of Islamic banks are more satisfied compared to other stakeholders.

- The highest mean score is of the Musharakah (partnership financing) product and the lowest is of Ijarah (leasing) product. All other products are in between the ‘agree’ and ‘strongly agree’ scale. This means stakeholders strongly agree that Musharakah product is really Islamic.

- Different age groups bear different opinion towards the products and services of Islamic finance. There is significant variation in the perception of stakeholders on Islamic finance products and services across age. Age groups ‘under 25’ to ‘46 or older’ have almost the different opinion towards the products and services issued by Islamic banks and financial institutions. So there is difference of opinion as far as age is concerned.

- Regarding the perception towards the products and services of Islamic finance issued in both countries Malaysia and United Arab Emirates (UAE) the perception is almost the same. All the stakeholders of both the countries agree that all the products and services of Islamic banks and financial institutions are Islamic. This means there is no significant variation in the perception of stakeholders towards Islamic finance products and services across country.

- There has been found no significant variation in the perception of stakeholders’ towards the products and services of Islamic finance across gender. This means there is same opinion prevailing among the male and female population of stakeholders. This has been found in all the products and services of Islamic finance and not in the objectives of Islamic finance only.

References:


Notes:

Note 1: Islamic finance outlook 2008, Standard and poor’s, 2008

Note 2: Overview of Islamic Finance, U.S. Department of the Treasury Office of International Affairs, August 2006
Tables:

**Table 1:** sample size of various stakeholders from Malaysia

<table>
<thead>
<tr>
<th>Stake Holders</th>
<th>Distributed Questionnaires</th>
<th>Usable, Returned and completed questionnaires</th>
<th>Response Rate (%)</th>
<th>Methodology adopted in Distributing Questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>125</td>
<td>96</td>
<td>77</td>
<td>Field work</td>
</tr>
<tr>
<td>Employees of IB</td>
<td>80</td>
<td>62</td>
<td>77</td>
<td>Field Work</td>
</tr>
<tr>
<td>Shariah Advisors</td>
<td>19</td>
<td>13</td>
<td>68</td>
<td>Field work and interview</td>
</tr>
<tr>
<td>Regulatory Officers</td>
<td>35</td>
<td>24</td>
<td>68</td>
<td>Field Work</td>
</tr>
<tr>
<td>Others</td>
<td>80</td>
<td>60</td>
<td>75</td>
<td>Field Work</td>
</tr>
<tr>
<td>Total</td>
<td>339</td>
<td>255</td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2:** sample size of various stakeholders from United Arab Emirates

<table>
<thead>
<tr>
<th>Stake Holders</th>
<th>Distributed Questionnaires</th>
<th>Usable, Returned and completed questionnaires</th>
<th>Response Rate (%)</th>
<th>Methodology adopted in Distributing Questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>70</td>
<td>50</td>
<td>71</td>
<td>Field work</td>
</tr>
<tr>
<td>Employees of IB</td>
<td>80</td>
<td>57</td>
<td>71</td>
<td>Field Work</td>
</tr>
<tr>
<td>Shariah Advisors</td>
<td>30</td>
<td>20</td>
<td>66</td>
<td>Field work and interview</td>
</tr>
<tr>
<td>Regulatory Officers</td>
<td>00</td>
<td>0</td>
<td>00</td>
<td>Field Work</td>
</tr>
<tr>
<td>Others</td>
<td>60</td>
<td>43</td>
<td>71</td>
<td>Field Work</td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>170</td>
<td>70</td>
<td></td>
</tr>
</tbody>
</table>

**Diagram 3:** male and female population

**Chart 4:** religious profile of respondents
Chart 5: age profile of respondents

Age of Respondents

- Under 25: 41%
- 26-35: 40%
- 36-45: 13%
- 46 and above: 6%

Graph 6: country profile of respondents

Muslims: 97%
- Christians: 1%
- Hindus: 1%
- Buddhist: 1%
- Atheist/secular: 0%
Table 7: Mean and Standard Deviation

<table>
<thead>
<tr>
<th>Q. No</th>
<th>Descriptive Statistics</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mudarabah (sleeping partnership)</td>
<td>3.86</td>
<td>0.917</td>
</tr>
<tr>
<td>2</td>
<td>Musharakah (partnership financing)</td>
<td>4.00</td>
<td>0.863</td>
</tr>
<tr>
<td>3</td>
<td>Sukuk (Islamic bond)</td>
<td>3.74</td>
<td>0.885</td>
</tr>
<tr>
<td>4</td>
<td>Ijarah (leasing)</td>
<td>3.95</td>
<td>0.852</td>
</tr>
<tr>
<td>5</td>
<td>Takaful (insurance)</td>
<td>3.92</td>
<td>0.844</td>
</tr>
<tr>
<td>6</td>
<td>Murabahah (cost plus financing)</td>
<td>3.80</td>
<td>0.921</td>
</tr>
</tbody>
</table>

Table 8: Reliability table of Each Statement

<table>
<thead>
<tr>
<th></th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mudarabah (sleeping partnership)</td>
<td>.947</td>
</tr>
<tr>
<td>Musharakah (partnership financing)</td>
<td>.947</td>
</tr>
<tr>
<td>Sukuk</td>
<td>.948</td>
</tr>
<tr>
<td>Ijarah (leasing)</td>
<td>.947</td>
</tr>
<tr>
<td>Takaful (insurance)</td>
<td>.948</td>
</tr>
<tr>
<td>Murabahah (cost plus financing)</td>
<td>.946</td>
</tr>
</tbody>
</table>
Table 9: Rotated Component Matrix

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Component Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mudarabah (sleeping partnership)</td>
<td>.484</td>
</tr>
<tr>
<td>Musharakah (partnership financing)</td>
<td>.588</td>
</tr>
<tr>
<td>Sukuk</td>
<td>.562</td>
</tr>
<tr>
<td>Ijarah (leasing)</td>
<td>.652</td>
</tr>
<tr>
<td>Takaful (insurance)</td>
<td>.548</td>
</tr>
<tr>
<td>Murabahah (cost plus financing)</td>
<td>.675</td>
</tr>
</tbody>
</table>

Table 10: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Profession.

<table>
<thead>
<tr>
<th>Products</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>146</td>
<td>3.825</td>
<td>.72723</td>
<td>.06019</td>
<td>3.7064 - 3.9443</td>
</tr>
<tr>
<td>Employees of Islamic Bank</td>
<td>119</td>
<td>4.036</td>
<td>.59072</td>
<td>.05415</td>
<td>3.9292 - 4.1436</td>
</tr>
<tr>
<td>Shariah Advisors</td>
<td>33</td>
<td>3.899</td>
<td>.66789</td>
<td>.11626</td>
<td>3.6622 - 4.1358</td>
</tr>
<tr>
<td>Regulatory officers</td>
<td>24</td>
<td>3.937</td>
<td>.57696</td>
<td>.11777</td>
<td>3.6939 - 4.1811</td>
</tr>
<tr>
<td>Others</td>
<td>103</td>
<td>3.749</td>
<td>.66005</td>
<td>.06504</td>
<td>3.6202 - 3.8782</td>
</tr>
<tr>
<td>Total</td>
<td>425</td>
<td>3.878</td>
<td>.66840</td>
<td>.03242</td>
<td>3.8143 - 3.9418</td>
</tr>
</tbody>
</table>

Table 11: showing the ‘F’ value and Sig. value of Islamic finance products/services between the stakeholders.

<table>
<thead>
<tr>
<th>Products</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>5.200</td>
<td>4</td>
<td>1.300</td>
<td>2.963</td>
<td>.020</td>
</tr>
<tr>
<td>Within Groups</td>
<td>184.229</td>
<td>420</td>
<td>.439</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>189.428</td>
<td>424</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 12: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Age.

<table>
<thead>
<tr>
<th>Products</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>under 25</td>
<td>176</td>
<td>3.766</td>
<td>.69469</td>
<td>.05236</td>
<td>3.6628 - 3.8694</td>
</tr>
<tr>
<td>26-35</td>
<td>171</td>
<td>3.983</td>
<td>.61905</td>
<td>.04734</td>
<td>3.8900 - 4.0769</td>
</tr>
<tr>
<td>36-45</td>
<td>53</td>
<td>3.880</td>
<td>.67096</td>
<td>.09216</td>
<td>3.6956 - 4.0654</td>
</tr>
<tr>
<td>46 or Older</td>
<td>25</td>
<td>3.940</td>
<td>.71343</td>
<td>.14269</td>
<td>3.6455 - 4.2345</td>
</tr>
<tr>
<td>Total</td>
<td>425</td>
<td>3.878</td>
<td>.66840</td>
<td>.03242</td>
<td>3.8143 - 3.9418</td>
</tr>
</tbody>
</table>
Table 13: showing the ‘F’ value and Sig. value of Islamic finance products/services between different age groups.

<table>
<thead>
<tr>
<th>Products</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>4.201</td>
<td>3</td>
<td>1.400</td>
<td>3.183</td>
<td>.024</td>
</tr>
<tr>
<td>Within Groups</td>
<td>185.227</td>
<td>421</td>
<td>.440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>189.428</td>
<td>424</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 14: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across country.

<table>
<thead>
<tr>
<th>Products</th>
<th>Malaysia</th>
<th>United Arab Emirates (UAE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of Data Collection</td>
<td>N</td>
<td>Mean</td>
</tr>
<tr>
<td>Malaysia</td>
<td>255</td>
<td>3.8503</td>
</tr>
<tr>
<td>United Arab Emirates (UAE)</td>
<td>170</td>
<td>3.9196</td>
</tr>
</tbody>
</table>

Table 15: showing the ‘F’ value and Sig. value of Islamic finance products/services across country.

<table>
<thead>
<tr>
<th>Products</th>
<th>Levene’s Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig.</td>
<td>t</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>5.192</td>
<td>.023</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>-1.015</td>
<td>.323.610</td>
</tr>
</tbody>
</table>

Table 16: Showing the mean, Std. Deviation and Std. Error of Islamic finance products/services across Gender.

<table>
<thead>
<tr>
<th>Products</th>
<th>Gender of the Respondent</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender of the Respondent</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>244</td>
<td>3.8839</td>
<td>.70901</td>
<td>.04539</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>181</td>
<td>3.8702</td>
<td>.61126</td>
<td>.04543</td>
<td></td>
</tr>
</tbody>
</table>

Table 17: showing the ‘F’ value and Sig. value of Islamic finance products/services across gender.

<table>
<thead>
<tr>
<th>Products</th>
<th>Levene’s Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig.</td>
<td>t</td>
</tr>
<tr>
<td>Equal variances assumed</td>
<td>3.950</td>
<td>.048</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>.214</td>
<td>413.495</td>
</tr>
</tbody>
</table>

136

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
Determinants of Liquidity Risk in Islamic Banks: A Panel Study

Khoutem Ben Jedidia (Corresponding author)
The High Institute of Accounting (ISCAE), Manouba Campus-2010-Tunisia
Unité de recherche en Economie de Développement FSEG-Sfax-Tunisia
Tel: (+216) 98 945 309. E-mail: khoutembj@yahoo.fr

&

Hichem Hamza
Higher School of Business (ESCT), Manouba Campus-2010-Tunisia.
Tel: (+216) 98 20 62 44. Email: hichemhamza@yahoo.fr

Abstract:
This paper investigates the determinants of Islamic bank liquidity using a panel of 60 Islamic banks in MENA and Southeastern Asian countries. The period of study considers the subprime crisis insofar it ranges from 2004 to 2012. The analysis illustrates that liquidity risk depends on idiosyncratic factors such as bank profitability, capital adequacy ratio and investment ratio. While the profitability bank indicator (Return on Assets : ROA) positively affects the exposure to liquidity shortage, the capital adequacy ratio (CAR) and the ratio of bank’s investment have statistically significant negatively relationships with the liquidity risk measure. Nevertheless, the bank size does not matter probably because both small and large Islamic have difficulties to manage their liquidity risk. The real growth rate of Gross domestic product has negative but irrelevant association with liquidity risk.

Islamic bank should improve their Profits and Losses Sharing investment in order to reduce their liquidity risk. Moreover, it is critical to reinforce instruments of liquidity risk management.

Keywords: Islamic bank, Investment, Liquidity risk, Management, Return on Assets, Capital ratio

1-Introduction
The liquidity risk management is one of the most important challenges for Islamic banking (IFSB Stability Report, 2013). The Islamic bank liquidity position and liquidity risk « has been changing over time » (Salman, 2013). The author highlights the evolution toward acquiring more liquidity risk which requires greater efforts for Islamic bank liquidity management. This shift in the Islamic bank liquidity reinforces the importance of the study of liquidity and factors that may influence it. The particularities of Islamic bank related to distinct balance sheet structure and Sharia-compliant investment instruments should be taken in the liquidity risk assess (IFSB, 2012).

Islamic bank faces difficulties in managing their short-term liquidity fluctuations (Al-Muharrami and Hardy, 2013). The self insurance conduct them to the keep higher level of liquidity which can be a mandatory choice in a context of lack of availability of Sharia-compliant high-quality liquid assets, lack of active secondary market trading and insufficient tools available to monetary authorities for providing liquidity support to Islamic banks. Thus, the risk facing Islamic bank are « either magnified and/or difficult to mitigate » because of deficiencies and rigidities infrastructure in institutions and instruments (Habib, 2011). Furthermore, Kahf and Hamadi (2014) highlight that available liquidity management instruments for Islamic banks are not fully Sharia compliant due to problems of tawarrug, Riba and ijārah īnah.
Generally, Islamic bank seeks to optimize the liquidity-profitability relationship through the trade-off between liquidity and returns. The improvement of liquidity management can reduce the cost of intermediation and enhance the bank profitability. However, the liquidity excess negatively affects the profitability of Islamic banking while the lack of liquidity may cause crisis. Theoretically, bank should hold sufficient liquidity in order to insure against liquidity risk (Diamond and Dybvig, 1983). In this respect, Islamic bank should strengthen its risk management practices (Ben Arab and Elmelki, 2008). Nevertheless, Ismal (2010) notes that the liquidity management of Islamic bank is less-than-ideal. Ramzan and Zafar (2014) recommend that Islamic banks deploy additional efforts in their liquidity management.

Therefore, it is crucial to investigate the determinants of Islamic bank liquidity in order to improve the liquidity risk management especially along with the limited empirical research devoted to this topic. So, this paper aims to empirically identify factors that influence Islamic bank liquidity risk over the period 2004-2012 for a panel of 60 Islamic banks from MENA and Southeastern Asian countries. Section 2 carries out a short literature review. Section 3 specifies the model and identifies variables. Section 4 displays the results. Section 5 concludes with the main findings and policy recommendations.

2-Literature review

The bank liquidity position depends on its cash and other realizable assets, its financing structure and the amount and type of potential bank liabilities that may eventually become payable in a specified period (Gomes and Kahn, 2011). The liquidity risk can arise from the maturity mismatch related to the function of financial intermediation. On asset side, liquidity risk depends on the ability of bank to convert asset to cash quickly. On liability side, the risk arises from the unanticipated recall of deposits. So, the protection from liquidity risk requires a sound financial position, diversification of resources and restriction of asset transformations.

Islamic banks seem to hold liquidity buffers above legal or prudential requirements notably for rational precautionary. They are more liquid than conventional banks (Zaheer and Farooq, 2013). For instance, they are characterized by a surplus of deposit funding and, in parallel, muslim countries do not offer suitable investment opportunities (Al-Muharrami and Hardy, 2013). Indeed, Islamic banks rely more on short-term funding to fund long-term financing, which increases their liquidity risk (Salman, 2013). Compared to conventional ones, Islamic banks face greater risk of withdrawal of deposits since they pay less return to its PSA depositors or they support a loss risk that they share with the bank (Sundararajan and Errico, 2002). Muharam and Kurnia (2012) note that the profit sharing system gives different influence on the Islamic bank liquidity risk while interest banking system is more fluctuating and more risky.

The bank liquidity is influenced by many internal and external factors. Unlike conventional literature, there are limited empirical studies devoted to the liquidity risk of Islamic bank. Moreover, previous researches focusing on Islamic banks within the same country, stress different conclusions.

Considering a sample of 12 conventional and Islamic banks of Pakistan (2006 to 2009), the study of Akhtar et al. (2011), highlights a positive and significant relation between Return on Asset and Islamic bank liquidity risk at 10%. However, the size of the bank and the net-working capital to net assets have positive but insignificant relationship with liquidity risk faced by Islamic banks.

Ahmed et al (2011) studied a sample of 6 Islamic banks of Pakistan for the period of 2006 to 2009 and suggested that the bank size is directly associated to liquidity risk. Furthermore, there is a negative and significant association between the gearing ratio, the Non Performing Loans ratio and the liquidity risk. In contrast, the capital adequacy is positively associated to liquidity risk.

---

2 Principle 9 established by IFSB (2012) specifies that « An IIFS should maintain a liquidity buffer, composed of cash and other highly liquid Shari’ah compliant assets, in order to withstand a prolonged period of potential stress conditions ».

3 For example, the study of Delachat et al (2012) for determinants of Banks’ Liquidity Buffers in Central America concludes that smaller, lower-capitalized, less profitable and less efficient bank tend to maintain higher liquidity buffers.
Comparing 10 domestic and foreign bank in Pakistan over the period 2001-2010, Abdullah and Khan (2012) found that bank size, debt to equity ratio are negative and significant correlated with liquidity risk for domestic banks (but negative and insignificant for foreign banks). However, liquid assets are negative and insignificant associated with liquidity risk for domestic bank (positive and significant for foreign bank).

Muharam and Kurnia (2012) investigate Islamic and conventional banks liquidity in Indonesia for period 2007-2011. They highlight a positive and significant impact of Net Interest Margin (NIM) and Return On Equity (ROE) on the liquidity risk of Islamic bank. In addition, liquidity gaps, Risky Liquid Assets to Total Assets (RLA) have insignificant effect. For conventional bank, the study concludes to negative and significant influence of Capital Adequacy Ratio (CAR) and ROE on liquidity risk.

The empirical study of Ramzan and Zafar (2014) investigates relationships between internal bank’s characteristics and liquidity risk (measured by the ratio of the most liquid assets to total assets) of Islamic banks of Pakistan over the period 2007-2011. This study concludes to positive and significant correlation between size of the bank and liquidity risk (other variables are statistically insignificant). Thus, strong asset base of Islamic bank helps to more strengthen liquidity control (Ramzan and Zafar, 2014). In contrast, Capital Adequacy Ratio (CAR), The Return on Equity (ROE), Return on Assets (ROA) and Networking Capital (NWC) has insignificant relationship with liquidity risk.

This previous brief literature reveals to deep more the study of liquidity risk management of Islamic bank. This work will enrich the literature in this regard by considering a large sample of Islamic bank and adopt a panel method.

3. Data and methodology
As noted before, the originality of this study lies in the empirical testing, using a sample of 60 Islamic banks in MENA and Asia region over the period 2004-2012 (including the subprime crisis), of liquidity determinants.

3.1 Sample
We retain 60 banks from 15 countries for a total of 344 observations. Bank’s characteristic data are collected from Bankscope data and web site Zawya Islamic financial data. Macroecomic data are gathered from World Bank indicators. This sample seems to be fairly representative because it includes the main centers of Islamic finance, namely Malaysia, Bahrain, Pakistan and Saudi Arabia.

3.2 Model
In this study, we use panel data estimations which may allow to control for observable and unobservable country-level and bank-level heterogeneity. The specification of the empirical model is:

\[ Y_{it} = \alpha + \beta_i X_{it} + \epsilon_{it} \] (1)

The empirical evidence on the liquidity risk consists of cross-sectional units, denoted \( i = 1 \ldots 60 \), observed at each of time periods, denoted \( t = 1 \ldots 9 \) (in this case years).

where \( Y_{it} \) is the dependent variable (liquidity risk), \( \beta_i \) (\( i = 1 \ldots 60 \)) are the regression coefficients, \( X_{it} \) stands for the independent variables of both bank specific factors (Bank size, Capital adequacy ratio, Return on Asset, Investment assets) and external factors (GDP real growth rate). Two dummy variables are introduced for foreign/domestic Islamic bank and also to consider the subprimes financial crisis. Explanation of dependent and independent variables along with their proxies are specified in Table 1 (Appendix).

\( \epsilon_{it} \) is the disturbance term

The Arellano-Bond model (1991) provides a first difference GMM estimator, which consists in taking each period the first difference equation to estimate to eliminate the individual specific effects and then instrumenting the lagged endogenous variable by its past two periods or more. Then, model is following:

\[ Y_{it} = \alpha + \beta_0 Y_{it-1} + \beta_i X_{it} + \epsilon_{it} \] (2)

We suppose also that the error term \( \epsilon_{it} \) can be decomposed in two independent components to control for sample heterogeneity: a random country-specific component \( \mu_i \) and a pure bank specific idiosyncratic component \( \nu_{it} \).

3.3 Variables and hypothesis
Loan to Asset Ratio (Liquidity-1): The dependant variable is loan to total asset ratio (Liquidity-1 = Loans/total assets). Liquidity refers to the ability of the bank to quickly mobilize funds to immediate honor its

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
commitments. Liquidity-1 measures the percentage of total assets the bank has invested in financing. In general, loans are less liquid than other assets. So, the higher is the ratio, the lower the bank has liquidity (Bunda and Desquilbet, 2008).

Cash/total assets (Liquidity-2): In order to check the robustness of estimations, we add second dependent variable denoted Liquidity-2 measured by the ratio between cash and total assets. This ratio « gives a quick picture of proportion of liquidity available within a bank » (Salman, 2013, p.70).

There are two main differences between Liquidity-1 and Liquidity-2. The first difference is that Loan to Asset Ratio is inversely related to the bank liquidity while Liquidity-2 is positively related to the liquidity level. The second difference is that loan reflects the use of resources for financing while the latter indicates a liquidity buffer that bank keep as unused resources.

Bank Size (SIZE) : In most studies, the natural logarithm of total assets is used as a measure of the bank size. The relationship between bank size and liquidity is ambiguous : some authors have found positive relationships between size of the bank and liquidity (Lucchetta, 2007, Isshaq and Bokpin (2009), others have found a negative relationship (Bunda and Desquilbet, 2008). By constrast, empirical studies such as Rauch et al (2010) have shown that bank size does not have a significant effect on liquidity.

H1: The size of the bank has a significant positive effect on the bank liquidity.

Capital Adequacy Ratio (CAR) : CAR, measured by Tier 1 Capital+ Tier2 capital/ Risk weighted assets, illustrates how far the risky bank assets (e.g. loans, investments, securities) financed of the bank’s own capital funds (Shen et al, 2001). In fact, liquidity is somehow short-term solvency. Adequate capital provides a cushion to absorb potential losses. Hence, an important capital adequacy ratio is an indicator of low debt and therefore of a lower solvency risk. Repullo (2004) showed that capital allows the bank to absorb more risk. Empirically, CAR has positive influence on liquidity risk (Akhtar et al, 2011 ; Iqbal, 2012).

H2 : The capital adequacy has a significant positive effect on bank liquidity risk.

Bank profitability (ROA) : Economic profitability or Return On Assets (ROA) measures the percentage ratio between net income and total assets. It permits to measure the ability of bank management in acquiring and managing the profitability of overall bank business efficiency. The relationship between bank liquidity and performance is negative (e.g. Izhar and Asutay (2007) or positive (e.g. Berger and Bouwman (2009) and Wasiuzzaman and Tarmizi (2010). More liquid is the bank, the lower are its return on assets, all other things being equal. Moreover, the bank can use its good revenue to cover its short term obligation.

H3: ROA has a significant positive effect on the liquidity risk of Islamic banks.

Investment/total assets (Investassets): In line with Abdullah and Khan (2012), we consider ratio of investment based on PLS to total assets as a factor affecting the Islamic bank liquidity. PLS paradigm at both asset and liability sides induces specificities in the liquidity issue of Islamic banks. Participative financial intermediation can lead to less liquidity risk. Indeed, in the absence of guarantees of the nominal value of deposits, the Islamic banking system can better resist to the impacts of banking crises (Khan, 1986). In contrast, PLS intermediation can induce more liquidity risk. Financing based on equity increases the Islamic bank vulnerability to risks (Qureshi, 1984). The domination of financing based on real assets also conducts to lengthen the liquidity differential (Al Monayea, 2012). Then, seeing maturity transformation, more investment relative to total assets leads to a more exposition to liquidity risk (Ben Jedidia and Hamza, 2014).

H4 : Investassets may have either positive or negative effect on liquidity risk of Islamic banks.

GDP real growth rate (GDP) : GDP, a proxy of economic cycle, is introduced to check weather macroeconomic environment can be among the exogenous factors influencing bank liquidity. We suppose that in economic growth all economic agents (including banks) are optimistic so they will increase their long-term investments and reduce their holdings of liquid assets. Thus, we except a negative relationship between GDP
growth and bank liquidity. Valla and Saes-Escorbiac (2006) found a negative relationship for a panel English
bank between liquidity and the business cycle with the growth rate of GDP.

**H5**: The rate of GDP growth has a significant negative effect on the liquidity risk of Islamic banks.

**Foreign**: Foreign/domestic bank is among exogenous factors that can influence the bank liquidity level. We
expect that Foreign-owned Islamic may face less liquidity risk since the bank’s holding can sustain the bank
liquidity shortage. We will use this dummy variable defined as follow: Foreign=1 if bank is foreign-owned; Foreign = 0 if bank is domestic-owned

**H6**: The foreign-owned has a significant positive effect on the liquidity risk of Islamic banks.

**Crisis subprimes**: This dummy variable takes the value 1 during the crisis (we choose year 2009) and 0 for
other years. The financial crisis may increase the liquidity risk of the bank. Bunda and Desquilbet (2008) and
Vodova (2011) found a negative relationship between the crisis and liquidity.

**H7**: The crisis has a significant negative effect on the liquidity risk of Islamic banks.

3.4. Specification and estimation method

After presenting the model and the relationship between liquidity ratio and the different explanatory variables, it is possible to rewrite equation (1) as follows:

\[
\text{Liquidity}_{i,j,t} = \alpha_0 + \alpha_1 \text{Liquidity}_{i,j,t-1} + \alpha_2 \text{SIZE}_{i,j} + \alpha_3 \text{CAR}_{i,j} + \alpha_4 \text{investassets}_{i,j} + \alpha_5 \text{ROA}_{i,j} + \alpha_6 \text{GDP}_{i,j} + \alpha_7 \text{foreign}_{i,j} + \alpha_8 \text{crisefinan}_{i,j} + \varepsilon_{i,j}
\]

\[
\text{Liquidity}_{-1, i,j,t} = \beta_0 + \beta_1 \text{Liquidity}_{i,j,t-1} + \beta_2 \text{SIZE}_{i,j} + \beta_3 \text{CAR}_{i,j} + \beta_4 \text{investassets}_{i,j} + \beta_5 \text{ROA}_{i,j} + \beta_6 \text{GDP}_{i,j} + \beta_7 \text{foreign}_{i,j} + \beta_8 \text{crisefinan}_{i,j} + \varepsilon_{i,j}
\]

We use dynamic panel data estimations to take into account both the individual dimension and the temporal
dimension of data. The estimation method is the system Generalized Method of Moments (system GMM)
developed by Arellano and Bover (1995) and Blundell and Bond (1998). Compared to OLS method, the GMM
system method is more efficient to control the endogeneity of variables in the model, and between the dependent
variable and the other explanatory variables. The lagged dependent variable in the right of equation (3)
generates a correlation between specific individual effects and explanatory variables. The GMM method permits
to overcome these problems through the combination of a set of equations where the variables in first difference
are instrumentalized by their own lagged values and expressed in levels, and a second set of equations in levels
using first differences as instruments. According to Blundell and Bond (1998), this provides more efficient
estimators than first-difference GMM because even if the variables are very persistent, the instruments used in
the level equation adequately predict the endogenous variables in the model. We use the Sargan test of over-
identifying restrictions to check the validity of instruments (lagged values) and the Arellano and Bond’s serial
correlation test to verify if errors exhibit second order serial correlation.

4. Results

4.1 Descriptive Statistics

Table 2 (Appendix) shows that the average Loan to asset ratio for the total sample is 53.3% with a standard
deviation of 17.6%. The average ratio of cash is 23.1%. This high level testifies that Islamic banks keep higher
liquidity due to difficulties to manage their liquidity risk. For instance, Islamic banks tended to have high
holding of liquid assets notably those newly established (Salman, 2013). The investment to asset ratio has a
mean of 22.2% and a standard deviation of 20.6 for the period of study. Regarding the bank size indicator, we
note that size is highly volatile.

Before interpreting the estimation results, it is interesting to study the problem of multicollinearity between
explanatory variables. According to Kennedy (1992), there is a serious problem of multicollinearity if the
correlation coefficient is above 80% for each pair of variables. The matrix (see Table 3) shows that, in general,
several variables are correlated but not beyond the critical threshold of multicollinearity. The highest correlation
coefficient is between \textit{Liquidity-1} and \textit{invassets} (0.624), which is expected since more Islamic banks choose PLS investment, less they invest in loans. The coefficient between Foreign and \textit{Liquidity-1} is important (-0.313) which means that if the bank is foreign-owned, its liquidity risk is lower. SIZE is positively correlated with \textit{Liquidity-1} (0.299), which a priori confirms a positive relationship between bank size and liquidity risk. GDP is positively correlated with ROA, giving evidence that bank’s profitability is stimulated by economic expansion.

4.2 Estimation results

Table 4 (Appendix) shows the results of the system GMM estimator, obtained using the command "xtabond2" in STATA 11.1. The p-values associated with over-identifying restrictions test and serial correlation test are quite high, indicating that the null hypothesis of correlation between instrumental variables and error terms (Sargan statistic) and second order correlation (Arellano and Bond statistic) are rejected.

The introduction of the lagged value of \textit{Liquidity-1} ratio on the right of equation (3) implies the existence of liquidity adjustment. According to Table 4, the liquidity adjustment coefficient is statistically significant at 1% with a positive sign as expected. We conclude that liquidity ratios depend on idiosyncratic factors such as bank profitability, capital adequacy ratio and investment ratio. It appears that the profitability indicator ROA is statistically significant at 5% with a positive sign, which is in accordance with our expectations. This establish that more profitable banks can more invest and are therefore liquidity constrained. In contrast, empirical studies of Akhtar et al (2011) Ramzan and Zafar (2014) found that ROA has statistically insignificant relationship with liquidity risk measure. Nevertheless, the coefficient of size is statistically not significant. This can be explained by the fact that both small and large Islamic have difficulties to assess the narrow Islamic capital market for liquidity needs\(^6\). In addition, we find some evidence that GDP has positif but irrelevant association with liquidity risk. Then, bank’s size and macroeconomic conditions do not seem to be determinant of Islamic banks liquidity.

Islamic banks’ liquidity risk depends on CAR ratio. Its coefficient is significant with negative sign. Capital allows the bank to absorb more liquidity risk (Repullo, 2004). The value of capital adequacy ratio as defined in the Basel II accord constitute as a measure to reduce risk (Ojo, 2010). Foreign owned bank affects negatively the liquidity risk. In principle, foreign owned banks should be less liquidity-constrained than domestic banks, since foreign banks would have access to support from headquarters. Turning now to the main focus of this study, from table 4 it appears that the coefficient of investment\textit{assets} is statistically significant at 1% with negative sign. This results shows that the investments based on sharing decreases the exposure to liquidity risk. We observe the influence of investment Ratio as the most important for liquidity risk (ratio of 39%). Then, thanks to sharing principle, the equality of assets and liabilities can be established simultaneously and liquidity minimized (Ben Jedidia & Hamza, 2014). Globally, the sharing risk is important to insulate the Islamic economy from the shocks (Mirakhor, 1988). Islamic bank is less exposed to liquidity shortage problem since the remuneration of deposits does not guarantee fixed yields. Moreover, our results do not show any significant evidence that financial crisis does affect liquidity risk. For instance, Salman (2013) notes that the liquidity risk has moderately increased after the subprimes crisis. Finally, as a main robustness check, we estimate our model using the ratio cash to total assets as our dependent variable (see Table 4), we found that only ROA and SIZE are not significant. While \textit{invassets} affect significant negatively the bank liquidity, others variables (Foreign, Crisis, CAR and GDP) positively influence the level of buffer liquidity of Islamic bank. As expectable, there are totally different influences over the two liquidity rates for the whole period. This additional regressions support our main findings that the investment ratio matters for bank liquidity. The influences of CAR and Foreign on liquidity risk are confirmed by two regressions.

5. Conclusion

\(^6\) This is accordance with Akhtar et al (2011) but in contrast with Muhammad et al (2011) showing that size of the bank has positive and statistically significant relation with liquidity risk at 95% of confidence level.
The study investigates the determinant of Islamic bank liquidity using a panel of 60 Islamic banks. The strength of this study compared to previous ones is the data used which are more longer and up-to-date (2004-2012). We use the GMM estimator that permits to correct bias caused by endogenous explanatory variables.

Based on the result of hypothesis testing, independent variables that have significant effects are ROA, CAR, investment ratio and Foreign. While the profitability bank indicator (Return on Assets) positively affects the exposure to liquidity shortage, the capital adequacy ratio and the ratio investment have statistically significant negative relationships with liquidity risk measure. It appears that PLS investment which is specific to Islamic bank (musharaka and mudaraba) leads to a less exposition to liquidity risk as it is based on sharing principle between Islamic bank and investors. Nevertheless, the bank size and GDP do not matter for liquidity risk since they have irrelevant association with liquidity risk.

In sum, Islamic banks can use capital for their liquidity risk management. In addition, they can convince their depositors to use their deposits for medium and long term investment which in return increase their investments and reduce their liquidity risk. Furthermore, it is critical to reinforce the management instruments of liquidity risk by the development of Islamic money market and Islamic lender at last resort. For instance, Islamic money market must be developed in order to allow the management of asset-liability mismatches. Further, in order to cater liquidity risk in Islamic bank, the Islamic lender at last resort is recommended to develop more instruments for sharia compatible refinancing.

References:


**Appendix**

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]

http://www.crimbbd.org
Symbol | Variable | Proxies | Hypothesis relationship | Depended/Independent
--- | --- | --- | --- | ---
Liquidity-1 | Liquidity risk | Loan to Asset Ratio | | Dependent
Liquidity-2 | Liquidity risk | Cash to total assets | | Dependent
SIZE | Bank size | Logarithm of total assets | + | Independent
CAR | Capital Adequacy Ratio | Tier 1 Capital/ Tier2 capital/ Risk weighted assets | + | Independent
Investassets | investment/ total asset | Investment/ total asset | +/- | Independent
ROA | Return on Assets | Profit after tax/ Total assets | - | Independent
GDP | GDP real growth rate | GDP real growth rate | - | Independent
Foreign | Dummy variables | + | Independent
Crisefinan-e | Dummy variables | + | Independent
C | intercept | | | -
Error term | | | | -

Table 2. Descriptive analysis of all the dependent and independent variables (sample – 60 banks)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity-1</td>
<td>0.533</td>
<td>0.176</td>
<td>0.119</td>
<td>0.950</td>
</tr>
<tr>
<td>Liquidity-2</td>
<td>0.231</td>
<td>0.151</td>
<td>0.001</td>
<td>0.885</td>
</tr>
<tr>
<td>investassets</td>
<td>0.222</td>
<td>0.206</td>
<td>0.0009</td>
<td>3.405</td>
</tr>
<tr>
<td>ROA</td>
<td>0.014</td>
<td>0.021</td>
<td>-0.122</td>
<td>0.132</td>
</tr>
<tr>
<td>SIZE</td>
<td>7.651</td>
<td>1.397</td>
<td>4.116</td>
<td>11.172</td>
</tr>
<tr>
<td>CAR</td>
<td>0.219</td>
<td>0.142</td>
<td>-0.028</td>
<td>1.02</td>
</tr>
<tr>
<td>GDP</td>
<td>0.052</td>
<td>0.041</td>
<td>-0.105</td>
<td>0.262</td>
</tr>
</tbody>
</table>

The study period extends from 2004 to 2012. Observations were made on a sample of 60 Islamic banks from 15 countries. Liquidity-1 = Loan to Asset Ratio. Liquidity-2 = Cash/total assets. investassets = Investment/total assets. ROA= Profit after tax/ Total assets. SIZE= Ln (Total Assets). CAR= Tier 1 Capital/ Tier2 capital/ Risk weighted assets. GDP= growth rate in real GDP.

Table 3. Correlation matrix

<table>
<thead>
<tr>
<th></th>
<th>Liquidity-1</th>
<th>investassets</th>
<th>foreign</th>
<th>Crisefinan-e</th>
<th>ROA</th>
<th>SIZE</th>
<th>CAR</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity-1</td>
<td>1</td>
<td>-0.624</td>
<td>-0.313</td>
<td>-0.021</td>
<td>0.043</td>
<td>0.299</td>
<td>-0.271</td>
<td>0.101</td>
</tr>
<tr>
<td>investassets</td>
<td>-0.624</td>
<td>1</td>
<td>0.206</td>
<td>-0.035</td>
<td>0.038</td>
<td>-0.160</td>
<td>0.140</td>
<td>-0.091</td>
</tr>
<tr>
<td>foreign</td>
<td>-0.313</td>
<td>0.206</td>
<td>1</td>
<td>-0.001</td>
<td>-0.045</td>
<td>-0.294</td>
<td>0.114</td>
<td>-0.116</td>
</tr>
<tr>
<td>Crisefinan-e</td>
<td>-0.021</td>
<td>-0.035</td>
<td>-0.001</td>
<td>1</td>
<td>-0.123</td>
<td>-0.008</td>
<td>-0.001</td>
<td>-0.360</td>
</tr>
<tr>
<td>ROA</td>
<td>0.043</td>
<td>0.038</td>
<td>-0.045</td>
<td>-0.123</td>
<td>1</td>
<td>0.096</td>
<td>0.095</td>
<td>0.294</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.299</td>
<td>-0.160</td>
<td>-0.294</td>
<td>0.0008</td>
<td>0.096</td>
<td>1</td>
<td>1</td>
<td>0.033</td>
</tr>
<tr>
<td>CAR</td>
<td>-0.271</td>
<td>0.140</td>
<td>0.114</td>
<td>-0.001</td>
<td>0.095</td>
<td>-0.299</td>
<td>1</td>
<td>-0.001</td>
</tr>
<tr>
<td>GDP</td>
<td>0.101</td>
<td>-0.091</td>
<td>-0.116</td>
<td>-0.360</td>
<td>0.294</td>
<td>0.033</td>
<td>-0.001</td>
<td>1</td>
</tr>
</tbody>
</table>

The study period extends from 2004 to 2012. Observations were made on a sample of 60 Islamic banks from 15 countries. Liquidity-1 = Loan to Asset Ratio. Liquidity-2 = Cash/total assets. investassets = Investment/total assets. ROA= Profit after tax/ Total assets. SIZE= Ln (Total Assets). CAR= Tier 1 Capital/ Tier2 capital/ Risk weighted assets. GDP= growth rate in real GDP.

Table 4. Determinants of islamic bank liquidity risk

<table>
<thead>
<tr>
<th></th>
<th>Liquidity-1</th>
<th>Liquidity-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity-1_{t-1} / Liquidity-2_{t-1}</td>
<td>0.471***</td>
<td>0.358***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>investassets</td>
<td>-0.390***</td>
<td>-0.438***</td>
</tr>
</tbody>
</table>

145

Co-Published with Center for Research on Islamic Management and Business [Reg.No: S-8626 (647)]
http://www.crimbbd.org
The study period extends from 2004 to 2012. Observations were made on a sample of 60 Islamic banks from 15 countries. Liquidity-1 = Loan to Asset Ratio. Liquidity-2 = Cash/total assets. investassets = Investment/total assets. ROA = Profit after tax/ Total assets. SIZE = Ln (Total Assets). CAR = Tier 1 Capital+ Tier2 capital/ Risk weighted assets. GDP = growth rate in real GDP.

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign</td>
<td>-0.070**</td>
<td>0.107**</td>
</tr>
<tr>
<td>Crisefinan-e</td>
<td>-0.0204</td>
<td>0.026**</td>
</tr>
<tr>
<td>ROA</td>
<td>0.97**</td>
<td>-0.785</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.004</td>
<td>-0.007</td>
</tr>
<tr>
<td>CAR</td>
<td>-0.332**</td>
<td>0.287**</td>
</tr>
<tr>
<td>GDP</td>
<td>-0.261</td>
<td>0.377*</td>
</tr>
<tr>
<td>Constante</td>
<td>0.428***</td>
<td>0.200**</td>
</tr>
</tbody>
</table>

Observations: 344

Statistic of Sargan (exogeneity of instrumental variables):
- p-value of Sargan statistic: 0.533 0.628
- Test of Arellano-Bond AR(2) (Second order auto-correlation):
  - p-value AR2: 0.187 0.790

* significatif at 10%; ** significatif at 5%; *** significatif at 1%
Micro Finance with Regard to Beneficiaries Perspective in Conventional and Islamic Paradigm with the Effect of Riba (interest): A Case Study on a Particular area of Bangladesh

Kazi Farzana Shumi
Assistant Professor
Department of Business Administration
International Islamic University Chittagong
H/P: 01676086554, E-mail: kzfarzana@yahoo.com

&

Afroza Bulbul
(PhD Fellow of IIUM)
Associate Professor
Department of Business Administration
International Islamic University Chittagong
Mobile: 1712846557, E-mail: afrozabulbul132@gmail.com

Abstract:
We acknowledge that there is an argument in support of Riba and dispute against Riba. Once more the endless journey of “Micro Credit” at its Summit in Washington D.C, 1997 also convey; yet the “Micro Credit” still being one of the powerful tools fights against poverty but in application it exploit slight improvement in achievement. Moreover, The initiatives of Govt. and non Govt Organization, efforts of GRAMEEN BANK comes up with the same end result. The poverty itself arrest the people not only with physical starvation rather causes mental sickness and thereby breaks the social harmony. Where the ends? Then the study is attempt to cover in depth analysis of the beneficiaries of Riba micro financing i.e. conventional, its content, approach in contrast with the modes, approach of non-Riba i.e. Islamic micro financing incorporating the analysis of few beneficiaries in the local area of Bangladesh. The sample research would certainly explore the brilliant suggestion to Micro Finance of its restructuring for stepping ahead by manufacturing successful milestone to eradicate poverty.

Key Words: Riba, Islamic microfinance, Muslim Aid, Grameen Bank, ASA.

1. Introduction:
Though Micro Finance is the premier innovation of the paradigm of the age-old Banking system since today its effective use and sustainability makes a big question mark? So, the researcher coupled with the practitioners alarmed to find the clues behind the episode. Now, the scholars are looking into the matters to see the new template of “Islamic Micro Finance” practiced by few people in few areas of the world. The thinkers also notify the causes of the shred of the western economy parallel with the progression of the Islamic Economics and Banking throughout the world. So, this study covers the area of practicability of conventional finance verses with Islamic micro finance in some few areas of Bangladesh. Prof. Yunus, Nobel Laureate at 2006, his untiring efforts of 30 years on micro finance has achieved momentum success with competitive field to use micro financing. Still further research is required to eradicate poverty with financial soundness, moral education, better physical and mental health of family and society at large. This would certainly strengthen the infrastructure of the economic and financial sectors. This article gives an overview and comparative analysis of Riba Financing; conventional interest based financing) and non-Riba financing. The whole analysis is based on choosing on the organizations are specially Grameen Bank, ASA in the conventional spectrum i. e. interest based (Riba Financing) on the upstream Muslim Aid (MA) Non-Riba Financing. MA runs over successfully about 15 years.
in our country standing upon Islamic Shariah (Profit sharing). The word “Riba” literally means increase, addition or growth. In theory and practice the difference between Riba and interest is a matter of degree, and not of kind. World Development Report 2000 summarized poverty is the outcome of the deficiency of the five principal assets that tells of human, natural, physical, financial and social assets.

Objectives of the Study: The main objective of the paper titled “Micro Finance: Beneficiaries Perspective in Conventional And Islamic Paradigm with the Effect of Riba” A Case Study on a Particular Area of Bangladesh”

- To compare the relative performance analysis about the influencing factors of socio economic condition of top three MFI: Grameen Bank, ASA along with Muslim Aid UK, Bangladesh though smooth conduction of unique Management approach.
- To suggest what components should be incorporated with the Microfinance program that will reduce the risk of being vulnerable to poor and conclude with Riba or Riba free which instrument work best for the society at large and play fruitful for world class global standard.

3. Rationale of the Study

As the caption of our study is to develop the sound economic health through Riba or non-Riba financing so the rationale of the study is to take knowledge of Riba. According to Umer Chapra.” In Shariah, Riba technically refers to the premium that must be paid by the borrower to the lender along with the principal as a condition for the loan or for an extension in its maturity” (chapra 1992, pp.56-57). There are two types of Riba, Riba Al-Nasiah and Riba al-Fadl.” Riba al-nasiah (equivalent to the term used in the Quran-the author). It was well known and conventional among the Arabs in jahiliyyah. They used to give loans on the condition that every month they would receive a stipulated amount with the whole principal remaining outstanding. Then when the loan matured and the borrower was unable to clear his obligation, the amount was raised and the period was extended. (Chapra 1985, p244). Riba al-fadl encountered hand to hand purchase and sell of commodities. The Shariah requires that if gold, silver, wheat, barley, dates and salt (i.e. commodities) are exchanged against themselves, they should be exchanged spot and be equal and alike or in general, the commodities should be ‘like for like and equal for equal’(Bukhari). So, Riba is pre-fixed, positive and not consider any loss or uncertainty in the business venture on the contrary. Profit is post-determined and its amount can be positive, zero and even negative. So, it is very easy and clear that “Riba’ is necessarily a zulum can ensure few benefits in some few areas, the approach can never been an complete and rational approach for business and for the life. So the quest has been made for an empirical analysis of conventional financing (Riba Financing) vs. Islamic micro financing (Riba free Financing). The study is going to focus the operating efficiency of Grameen Bank, ASA and Muslim Aid UK, Bangladesh to reduce extreme poverty, a burning question for academicians and beneficiaries. The rationale is to see the achievement of Muslim Aid and its contribution to the socio economic development of Bangladesh. This study will be an eye break of conventional policy makers of micro finance and to get way the policies to the thinkers who wants to alleviate poverty in the light of Islamic views. The rationale even to way out some policies for strengthening capacity and redesign the activities ultra poor in the society.

4. Methodology

4.1. Study Area and Population Sample:

Total beneficiaries of the four villages Named, ALIGONJ and Guchhogram from (Narail Sadar, under Khulna Division) and Bahir Para and Thana villages from (Lohagara thana) are taken. The populations are 10,000 in total. The average populations of the villagers are approximately 2500 as per Sadar data. And the ratio of male and female are closed to equal i.e. 50% to 50%. Basically from ALIGONJ (Named with the respect of HAZRAT ALI [R]; Besides Nur Muhammad BIRSHERESTO Musiam and his birth place. The sample size of 50 is collected from Muslim Aid beneficiaries and another 50(25 from Grameen Bank +25 from ASA). The primary and secondary sources of data were collected from the interview through questionnaire. Then secondary data have been collected from internet, paper, articles and journal.
5. Literature Review


Nabi and Salahuddin (1988) in their study found that small industry played a dominant role in the economic development in Bangladesh by producing various types of goods and services and generating larger employment opportunities for people.

Gibbons and Todd (1993) observed in his study on “Research on Tangail: crucible of the Grameen Bank Approach to overtly Reduction” that GB loans helped the poor asset less women to increase their earning.

Holcombe, S.H (1995) wrote a book named “Managing to empower: the Grameen Bank Experience of Poverty Alleviation”. He express that daily agriculture labor is a principle source of income for the very poor in Bangladesh.

Rahman, H (1996) in another article emphasized on micro-enterprises development for promoting Entrepreneurship in Bangladesh. He suggested for providing three types of assistances such as stimulatory support and sustaining activities for running these enterprises successfully.

Solaiman (1996) conducted a research on a sample of 100 rural women entrepreneurs in the Chittagong district of Bangladesh and found that lack of information and marketing skills, inadequate fund and instability of government policy were the major causes behind unhealthy growth of rural women entrepreneurship.

Baker (1996) examined some selective special credit programs targeting women in Bangladesh and found that weak organizational structure and poor loan supervision, low rates of return on certain activities financed and high cost of operation were potential constraints in expanding credit to women entrepreneurs. He made some recommendations which would minimize these constraints such as strengthening of credit delivery and recovery mechanisms, group formation, and non credit activities but all these were related only to a part of the problem.

Khandker, S.R. (1998), found in his survey and showed in his book named “Fighting Poverty with Micro Credit Experience in Bangladesh” that 21% of GB browsers manage to lift their families of poverty within 4.2 years. This 5 percent of GB households rose above poverty each year by borrowing from GB. Few also found that for BRAC and BRDB credit this percentage is 3 and 6 respectively.

Solaiman (1998) found that CODEC plays a significant role by providing credit to the unprivileged women without collateral and generation of feeling of self reliance amongst the weaker section of the society.

6. Analysis of key Concepts

6.1. What are the challenges of finding a great microfinance charity? The believes of Islamic micro finance come forward here. The total Institutional believe comes from the best source of knowledge i.e. Quran, Sunnah, Ijma and Qiyas. where the most conventional interest based micro lending NGO come forward to do report data on their interest rates and repayment rates, and measure the performance of borrowers of taking loan with relatively high interest rates and paying it back is the evidence that the clients are being empowered, where the large U.S. microfinance charities were rarely clear about their value-added. (David Roodman). However, in examining Riba (interest) based micro lending organizations it is generally seen high dropout rates (i.e., many clients seem to pay back their loans but drop out of the program), Even some reasons to be concerned that loans can do harm as well as good to the borrowers.

6.2. Brief Introduction of Muslim Aid

Muslim Aid is an international relief and development organization working to alleviate poverty worldwide. The charity believes in sustainable, local and practical solutions to empower individuals and strengthen communities. Muslim Aid was founded in 1985 when leading British Muslim organizations joined together to respond to endemic humanitarian crises in Africa. Over the past 27 years Muslim Aid has grown from a small office in London to a leading UK NGO, providing relief and development programs in over 70 countries across the globe.
the globe. Muslim Aid believes that in order to really help people, the causes, not just the symptoms of poverty must be addressed. By 1994 long-term development projects accounted for almost 50% of Muslim Aid’s relief activity.

6.2.1. Mission: Muslim Aid’s mission, guided by the teachings of Islam, endeavors to tackle poverty and its causes by developing innovative and sustainable solutions that enable individuals and their communities to live with dignity and by supporting initiatives that promote economic and social justice.

6.2.2. Vision: Muslim Aid’s vision is alleviation of poverty, education for all, and the provision of basic amenities for those in need in order to create a world where charity and compassion produce justice, self-reliance and sustainable human development.

6.2.3. Muslim Aid Bangladesh Field Office (MABFO) Bangladesh is well known for a variety of natural disasters like flood, cyclone and storm surge, flash flood, drought, tornado, river bank erosion etc. The geographical setting of Bangladesh makes the country vulnerable to natural disasters. The mountains and hills bordering almost three-fourth of the country, the funnel shaped Bay of Bengal in the south makes it a subject to catastrophic ravages of natural disasters. Muslim Aid Bangladesh Field Office (MABFO) is now working in almost 64 districts through its core development programs and special programs across the country with 1274 dedicated staff members. MABFO has eight major interventions in Bangladesh. The interventions are education, microfinance and SME, emergency response and humanitarian assistance, food security and nutrition, agriculture and livelihood, disaster risk reduction and climate change adaptation, community and maternal health. Total beneficiary of MABFO since its beginning is three million. Muslim Aid Bangladesh office planned to support 813,128 beneficiaries throughout the year in 2012 with its program interventions.

6.3. ASA

ASA has emerged as one of the largest and most efficient Microfinance Institution (MFI) in the world and has been working relentlessly to assist the poor since its inception in 1978.

6.3.1. Highlights and Accomplishment

I chose microfinance as my AFE main topic and aimed to see how financial solution, such as microfinance can contribute to building a peaceful society. The highlight of the AFE in Bangladesh was the direct interviews to the current borrowers of microfinance. During two months of AFE, I successfully interviewed 60 female borrowers in the slums of Dhaka where most of migrants settle when they arrive in Dhaka.

Between 1996 and 2005, the total population living in the slums of Dhaka more than doubled (from 1.5 to 3.4 million), while the number of slum communities increased by roughly 70% (from 3,007 to 4,966). ASA currently covers those slums area with 111 branches under 2 district offices. The field visits were performed during the period from 19 July 2010 through 17 Aug 2010. Out of 10,554 groups in 111 branches, I visited 23 groups in 12 branches in Dhaka and conducted inquiries to 60 ASA borrowers. In this research, 64% of borrowers are housewife and depend on their spouse or children’s income sources for a living. 94% of borrowers answered their current household income increased from the time before taking ASA loan. However, 2 borrowers’ household income decreased. Although both borrowers work as a house cleaner at full time basis, their husbands have been in sick for over a year. This is main cause to decrease their household income since no income earning has been expected other than borrowers’ income.

6.4. Basic features of Micro-Credit program of Grameen Bank: Existing rules of Grameen Bank do not apply to beggar members; they make up their own rules. All loans are interest-free. Loans can be for very long term, to make repayment installments very small. For example, for a loan to buy a quilt or a mosquito-net, or an umbrella, many borrowers are paying Tk 2.00 (3.4 cents US) per week. Beggar members are covered under life insurance and loan insurance programs without paying any cost. Groups and Centers are encouraged to become patrons of the beggar members. Members are not required to give up begging, but are encouraged to take up an additional income generating activity like selling popular consumer items door to door, or at the place of begging.
6.4.1. Credit Lending Models of Grameen Bank:

This is where the target community forms an 'association' through which various micro-finance (and other) activities are initiated. Such activities may include savings. Associations or groups can be composed of youth, or women; they can form around political/religious/cultural issues; can create support structures for microenterprises and other work-based issues. In some countries, an 'association' can be a legal body that has certain advantages such as collection of fees, insurance, tax breaks and other protective measures.

6.5. Comparative Analysis of MA (Muslim Aid), Islamic Approach; GB (Grameen Bank) And ASA; Conventional Approach:

6.5.1. Growth Analysis of Income after taking the loan by the respondents at different income categories in Islamic and conventional perspective: From the table below we see that the income deviation of Muslim Aid before to after has significantly been improved. Especially at the lowest income group it goes more than 100% where GB+ASA perform very Poor like only 10% improvement than before.

Table: 1: Growth Analysis after taking the loan at group in different income categories.

<table>
<thead>
<tr>
<th>Income Deviation</th>
<th>Growth Analysis after taking the loan</th>
<th>Growth Analysis after taking the loan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MA (Muslim Aid) (figure in percentage%)</td>
<td>(Grameen Bank and ASA) (figure in percentage%)</td>
</tr>
<tr>
<td>&lt;= 36,000</td>
<td>104</td>
<td>7.89</td>
</tr>
<tr>
<td>36,001 - 72,000</td>
<td>45</td>
<td>15.09</td>
</tr>
<tr>
<td>72,001 - 108,000</td>
<td>90</td>
<td>12.73</td>
</tr>
<tr>
<td>108,001+</td>
<td>32</td>
<td>35.52</td>
</tr>
</tbody>
</table>

This result occurs due to the fact that MA contributes and donates a significant amount for health, education, sanitation etc.

Figure: 1. The deviation of income before and after taking loan of MA. Figure: 2. The deviation of income before and after taking loan of MA.

The above figure: 1, and figure: 2, again shows the deviation or growth of income of the respondents of Muslim Aid, Grameen Bank and ASA after taking loan from the respective organizations. Here the data of Grameen and ASA are taking at average rate. To analyze in both respect (Conventional and Islamic) the sample size at both sides have taken at equal, i.e. 50 respondents at each side.
6.5.2. Comparative Analysis of the respondents of the two kinds of Organization after taking loan at different Income levels.

From the following table we see that Muslim Aid which follows its lending on profit loss sharing and avoid the fixed rate of interest to its clients. The result shows that Muslim is always ahead of the two conventional Organizations with its pragmatic approach. MA proceeds 35.52% ahead of income at the highest Income category i.e. 108,001+ from the conventional type.

<table>
<thead>
<tr>
<th>Income Range</th>
<th>Muslim Aid (Islamic)</th>
<th>(Grameen Bank + ASA)(Conventional)</th>
<th>Comparative Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average Income After taking loan (AIAL)</td>
<td>Average Income After taking loan (AIAL)</td>
<td>%</td>
</tr>
<tr>
<td>&lt; = 36,000</td>
<td>38,650</td>
<td>20,500</td>
<td>7.89</td>
</tr>
<tr>
<td>36,001 - 72,000</td>
<td>76,667</td>
<td>61,000</td>
<td>15.09</td>
</tr>
<tr>
<td>72,001 - 108,000</td>
<td>176,489</td>
<td>97,589</td>
<td>12.73</td>
</tr>
<tr>
<td>108,001+</td>
<td>179,583</td>
<td>168,333</td>
<td>35.52</td>
</tr>
</tbody>
</table>

Table:2 Comparative Analysis of the respondents of the two kinds of Organization after taking loan at different Income levels.

- **Rate of Interest**: The rate of interest is considered as flat for the MA beneficiaries whereas it is fixed as 12.5% to 15% approximately for GB and ASA. This is very alarming and burden for the beneficiaries.

- **Loan Repayment Process**: Relatively the loan collection process for the two groups instrumentally is not total same. The weekly repayment process and weekly saving creation is same. For loan processing MA do not impose any charges and they do not take any fees for one week at least for the smart payer.

- **Duration of loan collection**: The installment time is 40 to 46 weeks in principal for both kinds of Organizations are same.

- **Treatment of the beneficiaries during fail case**: Generally our survey result shows that if anybody fails to repay the principal amount of loan in case of MA then it is settle through group understanding in the way that MA consult and fixed a group during loan disbursement with the concept of risk sharing attitudes of the group members. So if any one fails to repay the weekly payment then other group members cover it with the mutual understanding that next time the defaulter will repay the payee on behalf of him. Thereby the research shows that in case of GB out of 25 respondents nearly 7 is fail to repay on the timely manner. Which closely 30% in the village Guchhogram but better for ASA in the village of ALIGONJ under the Upazill Narail.

<table>
<thead>
<tr>
<th>Status of the Respondents of Muslim Aid (Fail to pay loan)</th>
<th>Number of Respondents(n)</th>
<th>Figure in percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Free</td>
<td>36</td>
<td>72</td>
</tr>
<tr>
<td>Comparatively less Costly</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Standard Price</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>No comment</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>
Table: 3 Status of the Respondents of Muslim Aid (Fail to pay loan)

A total number of 72% respondents opened their satisfaction due to comparatively less costly than the market price but 28% respondents mentioned due to free service from MA can effectively perform their business with full concentration of time and money with the view that they have their true friend in need here as this kind of services are now totally absent from GB and ASA. Where we found unsuccessful business exposure and some drop out case even.

Potential Use of the Savings Money of the Beneficiaries And the Ratio of Their Productive Uses.

<table>
<thead>
<tr>
<th>Respondent’s Savings Money Utilization:</th>
<th>MA(Islamic)</th>
<th>GB+ASA (Conventional)</th>
<th>Comparative Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N(Number of respondents)</td>
<td>(Figure in percentage)%</td>
<td>N(Number of respondents)</td>
</tr>
<tr>
<td>Non Productive Sectors</td>
<td>4</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Productive Sectors</td>
<td>40</td>
<td>80</td>
<td>20</td>
</tr>
<tr>
<td>Misusing the money</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Others</td>
<td>6</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100</td>
<td>50</td>
</tr>
</tbody>
</table>

GB=Grameen Bank, MA=Muslim Aid

Table:4: savings money of the beneficiaries and the ratio of their productive uses.

The above table illustrates the potential use of the savings money of the beneficiaries and the ratio of their productive uses. Here the analysis shows the excellent result of MA instead of (GB+ASA), where the use of productive resource is 80%, just double than the figure of GB and ASA, which is 40% only. The misuse of money for conventional respect is 7% only but for Islamic respect there is zero result.

![Figure 3: Respondents Savings Money utilization of MA.](image)

![Figure 4: Respondents Savings Money utilization of (GB+ASA).](image)

The above figure 3 and figure 4; perfectly tells us how effectively MA beneficiaries perform better in case of their saving money utilization of the productive sectors because very sound way they can invest the saving money. In non productive sector MA invest 8%, where GB and ASA spend four times more i.e.32%. As the staff of Muslim Aid believes in Muslim Shariah. So they provide proper business consultancy, business acumen and risk sharing with group behavior is encouraged to practice.
6.5. The key Problems and Suggestions criteria of the Respondents from Conventional And Islamic Perspective:

<table>
<thead>
<tr>
<th>Problems</th>
<th>Muslim Aid(Number of Respondents)</th>
<th>(Figure in Percentage)%</th>
<th>GB+ASA(Number of Respondents)</th>
<th>% (Figure in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low loan Ceiling</td>
<td>12</td>
<td>24</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>No. long time repayment system</td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>No. Big loan</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Don't get investment demand wise</td>
<td>2</td>
<td>4</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>Not admit the Unmarried</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Not response</td>
<td>20</td>
<td>40</td>
<td>40</td>
<td>80</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Suggestions</th>
<th>Muslim Aid(Number of Respondents)</th>
<th>(Figure in Percentage)%</th>
<th>GB+ASA(Number of Respondents)</th>
<th>% (Figure in Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase loan ceiling</td>
<td>16</td>
<td>32</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Provide SME loan</td>
<td>5</td>
<td>10</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Established Islamic Microfinance</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Increase Islamic motivation</td>
<td>3</td>
<td>6</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Start DPS</td>
<td>7</td>
<td>14</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Provide Education loan, Housing loan, Seasonal loan &amp; others loan</td>
<td>5</td>
<td>10</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>Monthly Installment</td>
<td>1</td>
<td>2</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Individual loan Disbursement</td>
<td>1</td>
<td>2</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Increase interest free project duration</td>
<td>1</td>
<td>2</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td>Long time repayment system</td>
<td>4</td>
<td>8</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Big business loan</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

Table: 5.Problems and Suggestions criteria of the Respondents from Conventional And Islamic Perspective

The key problem criteria have been identified as Low loan Ceiling where MA get complain for 24% but (GP+ASA) get for 60% rate. No. long time repayment system, not admit the Unmarried and No. Big loan in this respect both are same but Don't get investment demand wise, in this case MA stands only for 4% but (GP+ASA) stands for 60%.

Increase loan ceiling, Provide SME loan in these two cases (GP+ASA) is double step ahead than MA. But it is very interesting that same percentage of respondents gave the opinion for Established Islamic Microfinance and for increasing Islamic motivation. Start DPS, Provide Education loan, Housing loan, Seasonal loan & others loan, here (GP+ASA) respondents suggest six times more than MA, as MA clients are already getting the services. For Monthly Installment, MA advocates only 2% but (GP+ASA) advocates for 50%. Individual loan Disbursement, the suggestion for increasing interest free project duration, in this respect (GP+ASA) clients vote for 80%, because they are out of this service. For Long time repayment system, MA respondents claim for 8% and (GP+ASA) claimed for ten times more. In case Big business loan, MA suggest for 4% but (GP+ASA) suggest for three times more. Besides, these people of MA have very good knowledge about the disaster management and this is the result of the activities of MAB. They also preferred disaster preparedness activities rather giving relief support after the disaster.
8. Conclusion

The research draws the conclusion that over the NGO of GB and ASA which performs but still not Riba free has perform not better than Muslim Aid in the following way. The research has been conducted to assess the impact of Muslim Aid development and charity work highlighted a number of good points which helped the communities in improving their earnings and leading a better life. Muslim Aid diverse work field provided an opportunity to the people of Bangladesh, especially women and young people in rural areas where most of the 44% people living below poverty line are residing, to benefit from various services and not just one area. These services are provided on basic Islamic principles and following Shariah which alleviates all fears in the mind of a rural Bangladeshi who is interested in continuing his life in a religious manner and is afraid of conventional way of carrying out business through normal banking loans.

References:


