

BUSINESS & ISLAM  
Seminar  
University of Kansas  
April 7-8, 2006

"

"Dr. Sultan Abou-Ali  
Professor of Economics  
Zazazig University, Egypt

"

"



Keynote Address: "Challenges and Opportunities for Business in an Islamic Environment."

Good evening ladies and gentlemen. It is a great pleasure for me to be with you this evening and I thank the University of Kansas (KU) and the Kansas African Studies Center (KASC) and the Center for International Business Education and Research (CIBER) and the Department of Economics for arranging this opportunity to come here and to discuss together this subject and I think it is the time where exchange of views is very important and necessary we need to have cooperation instead of confrontation which we are facing in this world these days and I think this is one of the opportunities whereby we have to discuss and bridge the information gap especially that we are at the time of ... (3mn 08") communication technology, it is too sad that we find that the gap as big now. As John [Janzen] was saying, the subject of the workshop was changing to the extent that I myself got confused what to say, what not to say, what would interest you, what would not interest you. So I hope that you will be patient with me and then we'll have a period of comments and questions and discussion whereby we can correct and see what would interest you most. I'll try to conjecture what would be relevant to the subject and will give you this presentation briefly because the subject is very broad and cannot be covered in one session.

As Melissa [Birch, Director of CIBER] wanted me to talk about business in Islam, immediately there came to my mind the well known saying that "business has no religion." This saying simultaneously correct and not correct, not exact. It is exact in the sense that the main objective of business is making profit and anyone under any religion I think would seek to realize profit out of business. But on the other hand the way how business is conducted and in which environment it would be affected by religion, by values, by morals, by culture. With that let me briefly give my presentation of what I think Islam is. Of course you should know that people might have a different opinion. But I'll try to present you the main stream of thinking about Islam and then move to business.

The word Islam means submission to God, mainly submission to God. He is our lord and we have to abide by his orders. The word Islam itself in Arabic comes from the word (the root) *salama* which means peace. So one should realize peace with oneself, peace with others, with family with society, and peace among nations. Islam also means balance.

The concept of balance or equilibrium or mediation is a main theme in Islam. No extremism [is advocate] and that's where you have to reach balance is a basic concept. In terms of this balance the important thing which is related to business is balance between the material and the spiritual aspects of life.

When we want to know about Islam, the sources and knowledge about Islamic, and rules which guide the total life including business, we have four main sources: first, the *Qur'an*, the revealed book given to the prophet Mohammed; second, the *Hadith*, the sayings and the actions of the prophet. These are the main sources and from these two main sources there are two other sources. Third, analogy (*qiyas*), that's when world is changing and you need rules and guidance in this new condition. So the community has to apply its thinking and you come to analogy in other cases. If no analogy is available, then there is, fourth, the consensus (*ijma'a*). Of course, it is very difficult to have unanimity amongst people, so what is meant here is that you will have the majority because if that's the way to take a decision.

When we look to Islam, we can divide it into three main categories: beliefs, worship, and transactions. As far as beliefs, we believe in God and God is one and he is God for all. We don't believe that God is our God and not the God for others. No. He is for all people and we believe in all prophets: Abraham, Moses, Jesus, Mohammed, and so on, and the angels. We believe also in other heavenly revelations such as Christianity and Judaism and other religions that have been revealed. Maybe we know about some of them, maybe we don't know. Was Buddha for instance a prophet or not? He might be or might not be, I don't know. We believe in fate and also we believe in the hereafter, where the correction of the one has done and one has received in this world if he received less than what he should have received then he will receive the balance in the hereafter or settle the balance then.

The second category is worship, for a Muslim it has five features. The first one is to bear witness to God and the prophet Mohammed. That's *al-shahadatan*. Second, prayers five times a day, the *zakat*. Third, giving-- that's for social solidarity and so on. Fourth, is fasting. Fifth, the pilgrimage to Mecca (*hajj*) for those who are able to do it. If you don't have the means then you don't have to do that. These first two categories--beliefs and worship--I say that they are constant, not subject to reasoning. You can not vary such things, with few exceptions with our reasoning, so it has to be ordained by God and in this sense they are constant.

The third category is transactions. They are an area of life in which there are variations, as in science and knowledge and so on. These are, we believe and it is said that these are variable. We believe that Islam is for all times and regions and places and in order to be like this it has to be flexible. Worship and beliefs are not subject to change from one place to the other or from time to the other because we worship God and we have to worship him the way he ordained us to do it. But for transactions these change from time to time from place to place and so on. So they have to be flexible in order to be continuous and for all times, the constants in this aspect are very few. The general principle is--and this according to the saying of the prophet Mohammed (may peace be upon him)--that you know your life and your world better and your conditions better so you have to guide your life according to the general principles of Islam and this might change from one person to the other but within the environment which we defined!!!. So the general principles guiding this in my opinion are freedom of thinking and knowledge of the environment. You know your environment, you see what would fit you best according to the general principles of Islam.

In this respect actually in business and in economics, I believe that the literature and the

dealings with the subject of “business in Islam” or “Islamic economics” there is an overemphasis of the subject of Riba. It [Riba] is not Islamic business and Islamic economics is not Riba . Riba, as most of you know, is in the western world [understood as follows]. The church distinguished between interest and usury. Usury is a very high rate of interest. How high it is, I don't know, because if you have for example a rate of inflation which is going on at certain times, an 80 % rate of interest might not be usury; but at other times even 5% might be too much and might be usury. Take Japan for instance. But what is meant by Riba is any increase on a fixed loan, whether it is small or big. Riba it is overemphasized in my opinion in the literature of Islamic economics and business and we'll come back to that later. You see Riba means that you do business according to lending-borrowing. Consequently, the Islamic scholars, when they dealt with Riba, as any increase on borrowed capital, according to this, the regular banking system is doing Riba and it is not allowed under Islam. This is challenged these days, but whether you challenge this or not we might mention later that Islam would like to do business according to not borrowing and lending, but on the basis of profit sharing. The main idea here, I believe, as an economist now, is that the regular banking system as it exists now, propagates income inequality. This is one of the problems the world is facing: poverty and income inequality. The rich are getting richer and the poor are getting poorer. This is not social justice in any community. How is this? The depositors at the bank, as you know, usually are small savers, and they cannot do business by themselves. So they deposit their money in the bank. But those who'd borrow from the bank are investors and unless they are expecting that they are going to get higher income than the rate of interest that they are going to pay to the bank, they are not going to borrow. So this means that they maximize their share through borrowing from the bank and they are the high income people in the society so their share would be increased more and this will aggravate the situation of income distribution towards more inequality. That's why I say even if Riba is not the interest rate at the bank, arranging business on the basis of lending and borrowing is not what Islam tries to put. Why? Because it needs to realize justice, as we'll emphasize later. Of course I realize that there will be certain groups that might not be able to bear risks of profit sharing, such as we do. Certain money has to be spent on children, and so on. So something has to be arranged for that matter. But doing business in Islam has to be done according to certain moral values.

What are the moral values from an Islamic perspective?

First, ends do not justify means. Then in order to realize profit it is not acceptable or permissible that you'd do anything to maximize your profit, you can maximize your profit but only by legal means.

Second , Justice and Beneficence, justice between the parties in the business, in doing business it has two parties at least and it has to be just in order to be a continuous process.

This reminds me actually of someone told me if you come to a joint venture i told him what kind of joint venture, i welcome joint venture.. and i remember telling this joke that I'm going to tell you to late president Reagan and he laughed a lot on it, at that time i was responsible of the investment authority and i was encouraging joint ventures with americans here which we welcomed and still welcome actually and not much is coming unfortunately. i told him mr president we'd like to do a joint venture but not like the joint venture between a hen and a pig, he told me what is this? a hen went to pig and told him: hi piggy, how about having a joint venture together? he said: oh henny that's nice, but what to do? so she told him to do egg and bacon. he said: hein, henny an egg for you is a daily activity but bacon for me is a total commitment. that is not just, so business has to be just between all parties.

Third is that it has truth and not fraud and there should be trust versus mistrust, you have to have trust and I think there is a wide literature now. I don't want to bore you about what trust does to and the effects neurologically on the individual and so on and increase productivity and so when there is trust and business might ... more, a lots of literature is coming up these days.

The fifth is you should have equity, and not inequity (*zulm*, injustice).

Number six is *shura* vs dictatorship, *shura* means more or less democracy.

Seven is the value of work, in Islam one has to work and has to value work and has to do the work to perfection, this is a very important moral value, and here again, one more is moderation versus extremism, and i think

Let me stop here because this subject now, we feel hurt that in western literature in the present days that when they talk about Muslims and Islam call them extremists or terrorists, I think this is far beyond what is the main stream of Islam and what Muslims should be. Of course like in any other religion or any other group you might have some extremists, you might have some terrorists, some criminals. Of course this exists, this is a human trait which exists everywhere. But the main stream in Islam is no extremities and Islam is a moderating, middle way between everything. So if some people violate this value then one should not describe or relate it to all the followers of the religion that they are extremists. This is outside of Islamic religion.

## Questions

Samira Hussein, Pakistan. I'm a business administration professor at Johnson County Community College I thank you for your very articulate observations and comments that you've made, I was curious as to the effects of colonization on the different Muslim countries and how that has played out into the current economies that we feel has that been a part of the problem as you see where we are today as far as some of challenges we face in the economic development?

Abou Ali's answer: I think colonization has exploited countries that were Muslim or not Muslim and that's the reason for colonization but we have been liberated quite for many years, and we can not just have colonization as escape boat, we have to follow the right policies and do our homework first and then if it does not work, we might resort to colonization. It affected us in the past but you cannot just have it as an escape boat till now.

Samira: I was referring to the mental colonization actually, because in Pakistan I still feel how they are still struggling with what they have inherited and what they are trying to do now.

Abou Ali answer: yes I think this is very relevant in the sense that the elite or the leadership believe and try to implement Islam as it was presented like this? I think the answer is almost no, straight no and this is one of the dilemma, we have dualism in our societies in what we believe and what we practice, whether we are ruled or ruler and this is one of the big problems and it has to be settled and it is not going to be settled in a short time I think.