Original Paper

Business and Marketing Ethics in Islam: A Conceptual Study

Mohiuddin M. G.1* & Md. Juwel Ahmed Sarker2

1 Professor, Department of Management, Islamic University, Kushtia, Bangladesh
2 Program officer, Pulli Karmu Shohaok Foundation, Dhaka, Bangladesh

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Abstract

Islamic ethics positions men in relation to Allah, his own self and the universe. Interest about Islamic ethics in business and marketing practices has been growing among the various segments of populations including academics, manufacturers, consumers, workers, and mass people. The present study aimed at exploring the ethical concept of business and Marketing in Islam. As the study is a conceptual in nature, it is mainly based on content analysis and used secondary data and information. To attain the objectives, the study consulted Holy Qur’an, different books of Hadith, journal and related literature. The study revealed that, the principle of faithful observance of contracts, abstaining from false advertising and mis-presentation, accurate measurement, non-indulgence in hoarding and profiteering, avoiding destruction of surplus produce, prohibition of interest and unlawful trade, fair and just recruitment practices, brotherly treatment of workers, protection from environmental pollution, are only illustrative of business ethics in Islam. This study also emphasizes the necessity of further study on the implications of Islamic principles in the context of present-day business and marketing situation so that these principles could be operationalized.

Keywords

business ethics, marketing ethics, Islamic perspective, ethical principles

1. Introduction

Ethics is defined as the set of moral principles that distinguish right from wrong. It is a normative field because it prescribes what one should do and abstain from doing. Business and marketing ethics, sometimes referred to as management ethics or organizational ethics, simply limits its frame of reference to organizations. Ethical behavior in business means the conducts of marketer which is guided by morality. Ketz (2003) opines if a business wants itself to be called an ethically accepted business, must have to take actions which are ethically accepted. For an acceptable ethical behavior, the
conventional approaches emphasize on the importance of conductor’s education and fear of punishment. Tufail & Irfan (2009) told it is required to have clear sense of one’s duties and responsibilities to be an ethical. It is considered that responsibilities of a person can be cleared by education and fear of punishment for going ethical. In a work Kjønstad and Wilmott (1995) showed the ethical behavior should not be restrictive rather empowering. Developing the moral learning and judgement may be means for empowering.

In Islamic context, the term most closely related to ethics in the Quran is Khuluq (character). The Quran also uses a whole array terms to describe the concept of goodness: Khayr (goodness), birr (righteousness), qist (equity), adl (justice), haqq (truth and right), maruf (known and approved), and taqwa (piety). Pious actions are described as salihat (good work) and impious actions are described as sayyiat (bad work) (Beekun, 1996). Within the context of the Islamic framework, it offers an alternative explanation and argued that the development of a global moral order in fact reflects a natural universal desire for a more stringent moral an ethical value system and gives support to the view that there exist innate universal moral values in every human being irrespective of their culture, creed, or religion. This movement towards a “global moral order” represents a process of nature which the Qur’an describes as “…For the scum disappears like forth cast out; while that which is for the good of mankind remains on the earth…” (Al-Qur’an, 13, p. 17). To explain the global moral order purely in terms of social, cognitive and moral development theories would be misleading and would not do justice to this worldwide phenomenon. Islam believes in a natural inclination to higher ideals. Within this context, the emergence of a global moral order represents the enduring spiritual dimension of human beings which can never be suppressed altogether.

2. Objectives of the Study

The main objective of the study is to conduct a conceptual study about Business and marketing Ethics in Islam. The other objectives are:

(i) to discuss about the principles of business ethics in Islamic Perspective.
(ii) to describe different ethical issues and principles with references to Islam; and
(iii) to make concluding remark and conceptual framework on Islamic Business and marketing Ethics.

3. Method

The pursuit of this study is to explore the conceptual notion of Islamic perspective of ethics in business and marketing. This objective requires detail investigation and analysis of existing literature and information. Therefore, the study is mainly based on content analysis and used secondary data and information. To attain the objective of the study the Holy Qur’an, different books of Hadith, Islamic ethics literature, journal and different related research-based literature have been reviewed. Furthermore, to substantiate and supplement the findings researcher also conducted in depth interview.
of relevant scholars of this field.

4. Result and discussion

4.1 Contemporary Ethical Systems

The Islamic ethical system differs from secular ethical systems and the moral code advocated by other religions. The Islamic code of ethics is enforceable at all times because its creator and monitor is closer to man than his jugular vein, and has perfect, eternal knowledge. However, secular models and moral codes that are transient and myopic since they are based on the values of their human founders. These models generally propose a system of ethics divorced from religion. Contemporary ethics differs from Islamic ethical system in multiple ways. Six ethical systems now dominate ethical thinking in general (Beekun, 1996). These are summarized in Table 1:

Table 1. Contemporary Major Secular Ethical Systems

<table>
<thead>
<tr>
<th>Ethical System</th>
<th>Decision Making Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relativism</td>
<td>Ethical decisions are made on the basis of self-interest and needs</td>
</tr>
<tr>
<td>Utilitarianism</td>
<td>Ethical decisions are made on the basis of the outcomes resulting from these decisions. An action is ethical if it results in the greatest benefit for the largest number of people.</td>
</tr>
<tr>
<td>Universalism</td>
<td>Ethical decisions stress the intention of the decision or action. Similar decision should be reached by everyone under similar circumstances.</td>
</tr>
<tr>
<td>Rights</td>
<td>Ethical decisions stress a single value, liberty, and are based on individual rights ensuring freedom of choice.</td>
</tr>
<tr>
<td>Distributive Justice</td>
<td>Ethical decisions stress a single value, justice and ensure an equitable distribution of wealth and benefits.</td>
</tr>
<tr>
<td>Eternal Law</td>
<td>Ethical decisions are made on the basis of eternal law which is revealed in scripture.</td>
</tr>
</tbody>
</table>

4.2 Specific Principles and Business Ethics in Islam

There is almost a general consensus among human beings regarding some fundamental ethical values. However, the main problem is how to operationalize and implement them and to decide what kind of force could be used for promulgation. Islam offers its own solution to this problem. It prescribes specific guidelines for governing business ethics. It identifies ethically desired forms of business, specifies the undesirable modes of transactions and enumerates the general ethical rules of business conduct. Here some of them are highlighted with Islamic references:
4.2.1 Riba
In order to get a clear understanding of the meaning of Riba, let us consider the following hadith and the opinions of the great authorities of Islamic Sharia (Ahmad, 1995).
(a) Any loan that brings additional is Riba.
(b) Anyone who recommends a person and then accepts a gift from him has committed Riba.
(c) Acceptance of a gift from one’s debtor is Riba.
(d) Eating in the house of one’s dilator is haram.
Riba is directly opposed to the co-operative spirit of Islam. Since Riba lead to injustice, it creates hatred and harms the relations which God wants to be kept intact. Mowdodi has enumerated the following vices of Riba.
(a) It gives rise to greed, excess parsimony, selfishness, heart heartened tyranny and money worship.
(b) It encourages hoarding and accumulation of wealth and discourage direct investment in productive enterprise.
(c) It prevents the circulation of wealth by concentrating it into the coffers of the capitalist.
Recounting the evils of Riba, Syyid Qutb concludes that in all cases the burden of interest is eventually borne by the general public. The industrialist and the businessman simply increase their prices and the burden is shifted to the consumers.

4.2.2 Adherence to Contracts
Islam attaches extraordinary importance to the fulltime of contracts and promises. The basic principles of truth, honesty and trust are involved here. Thus, a Muslim trader/manager keeps his trusts, promises and contracts. The following verses of the Quran and traditions of the Holy Prophet (SAW) throw light on this fact:
(a) O ye believes! fulfill your contracts (Al Quran, 5, p. 1).
(b) (True believers are those) “Who faithfully observe trust and covenants” (Al Quran, 23, p. 8).
One of the Disciples of Prophet (SA) said—“I bought something for the prophet (SAM) before he received his prophetic commission and as there was something still due to him, I promised him that I would bring it to him at his place but I forgot. When I remembered three days later, I went to that place and found him there. He said—I have been here for three days waiting for you” (Mohiuddin, 2004).

4.2.3 Fraud (Dishonesty, False Advertisement and Misrepresentation)
Islam requires its adherent to be honest and trustworthy. A fraud or a cheater does not deserve to be counted a genuine member of Muslim Ummah. According to the prophet (SAW) “He who defrauds does not belong to us” (Ahmad, 1995). In this regard Allah (SWT) says “O ye who believe! betray not the trust of Allah and the Post nor misappropriate knowingly things entrusted to you”. One of the most common unethical practices in modern business is to deceive customers by benching misleading advertisement and publicly campaigns. Islam strongly condemns all these practices and asks its followers to abstain from them. Allah says in this regard—“And do not withhold from people the thing
that are their due and commit not evil in the land with intent spread disorder (Al Quran, 11, p. 85)”. Prophet said—“It is not lawful for a Muslim to sell such a commodity that has a defect, except that the defect in shown to the buyer (Bukhari)”. Thus, there is no scope for fraud, false advertisement, adulterate misrepresentation, concealment of defect in the Islamic framework of business.

4.2.4 Exactness in Weights and Measures

One of the oldest ways of cheating in business in selling commodities is forfeiting weight or measurement system. This include the practice of selling substandard, inferior or adulterate products, which is the most common form of business frauds these days. Islam declares that justice and balance are the essence of the universe, and hence man, as a part there of, is expected to maintain justice and balance in all sphere of life.

The Quran & Sunnah (Tradition of Prophet) repeatedly emphasize the ethical responsibility of business regarding weight and measurement:

(a) “Give full measure when you measure and weigh with a balance that is straight” (Al Quran, 17, p. 35).

(b) “Give just measure and weight do not withhold from the people the things that are due” (Al Quran, 7, p. 85).

4.2.5 Hoarding and Profiteering

Hoarding, whether in cash or kind, is totally repugnant to the teachings of Islam. In Islam terminology hoarding of wealth (gold, silver and other cash) in called Iktinaz. Hoarding of wealth and preventing its circulation in the society are condemned by the Quran in severest terms:

“And there is those who bury gold and silver and spend it not in the way of God: announce unto them a most grievous penal on the Day when heat will be produced out of that (wealth) in the fire of hell, and with it will be branded their foreheads, their flanks and their backs”. This is the (treasure) which be buried (Al Quran, 9, pp. 34-35).

Prophet (SAW) said—“One who interferes in the market of the Muslims for increasing the prices, it becomes obligatory for Allah to throw him in the intense fire on the Day of Judgment (Abu Dawud)”.

4.2.6 Fair Treatment of Workers

It is moral responsibility of business organizations to take care of the overall welfare and betterment of their employees. They should not treat workers as machines or tools, but as human beings. The following are same Islamic instructions in this regard:

(a) “Give the laborer wages before his perspiration be dry” (Bayhaqi).

(b) “Those who work under you are your brothers. Allah has placed them to work under you. So if a brother is working under another brother, it is incumbent upon the brother in authority to provide the same food for his younger brother as he takes part himself and gives him the same clothing as he wears and does not put too much workload on his (worker’s) shoulders lest he is overburdened and if he
overburdened, you should come to his help” (Bukhari).

4.2.7 Fair Recruitment Practices

One of the important areas of public concern is the recruitment practices of big industrial organizations. Discrimination, nepotism, corruption and bribery are common practices, especially in the public sector during recruitment and promotion decisions. According to Islam, an office or a position is a divine trust and, therefore, it should be offered to the deserving person. There are ample evidences regarding this issue mentioned in the Quran and the Sunnah.

(a) “Allah commands you to render back your trust to those to whom they are due and when you judge between man and man, that you judge with justice” (Al Quran, 4, p. 58).

(b) “When the administration is given a job, he should receive his due and should pay the dues of others and then he is like a brighter in the cause of Allah till he returns home” (Tibrani).

(c) “Who ever recommend the case of persons and in compensation, he is given a gift and he accept it, then he enters a big gate of the major sins” (Abu Dawud).

4.2.8 Investigation and Verification

Investigation and verification are essential because they constitute a prelude to right and ethical conduct. The Quran instructs Muslims to probe and verify any given statement or information before making a decision or taking any action. Also, it advises us to investigate about the commodity before purchasing it. This must be done, even if there is no other reason, in order to ascertain whether the commodity in Halal or Haram.

4.2.9 Service Motive

In Islam service motive prevails over selfish. Though business activity a Muslim should intend to provide a needful service to his community and the humanity at large. A business man must be mindful of the following guidelines:

(a) Consideration of other’s needs and interests:

Prophet (SAW) laid down:

- All human constitutes the family of Allah; the dearest to Allah among them is the one who is the most beneficial towards Allah’s family.

- Who ever relieve a fellow human being of a burden in this world, Allah would relieve him of a burden on the Day of Judgment.

- None of you can be a true believer unless he loves for his bellow men what he loves for himself.

(b) Providing help free of charge and spending on others:

In order that Muslims provide help to his fellow humans they are urged to spend their wealth on others, they are encouraged to become self-sufficient and produce more than what they need. They are taught that “a giving hand is better than a receiving one”.

The story of Dhu-al Qarnayn in the Quran presents an excellent model for free help.
(c) Recommending and supporting a good cause. The Muslims are exhorted to participate in and cooperate with any venture that is good and beneficial to the society.

4.2.10 Hima and Monopoly

Islam prohibits both Hima and monopoly. The Hima refers the state when a person’s or group’s rights gets prominence over the rights of the rest of the society. The latter, also known as corner marketing, stands for the acquisition of similar privileges by using methods other than force. Since both the practices put restrictions on free trade and constrain people and make them to pay unjust and exorbitant prices, they stand directly opposed to the Islamic norms of complete freedom and justice in trade (Ahmad, 1995).

4.2.11 Destruction of Surplus Produce

One of the “modern” methods of profit maximization, adopted by the western business organizations, is to destroy the surplus produce with a view to create an artificial scarcity of goods and increase the price by artificial excess in demand. Islam does not allow a person to destroy his produce. Goods and resources actually belong to Allah and man in merely their trustee. Some of the Islamic instructions regarding the destruction of produce are cited below:

(a) And when he turns his back his aim everywhere is spread mischief through the earth and destroy crops and cattle. But Allah loves not disorder on earth (Al Quran, 2, p. 205).

(b) The prophet (SAW) said, “I dislike three things for you: useless argumentations, wasting goods and excessive questioning”.

4.2.12 Protection of Environment

One of the greatest problems of the present day’s big industrial plants is the pollution of the environment. Businessmen, in their lust for money, totally disregard the repercussions of the manufacturing processes on the environment. According to Islam, no individual or organization has the right to utilize it resources in such a way that damage or cause inconvenience to the people or the society in general. The prophet (SAW) has said.

“There is no scope for causing damage in Islam neither in the case of an independent action as a reaction” (Bukhari).

4.3 Islamic Viewpoint on Ethical Marketing Operations

The teachings of Islam may help the marketer to accomplish these functions ethically so that the parties associated with the marketing process does not require to be victim of marketing manipulations. Clearly, a marketer should provide quality and safe products at reasonable price and also must ensure the proper supply of goods to the market if Islamic ideology-based marketing system is installed. The viewpoints of Islam regarding the various facets of marketing operations are noted below:

i. Islam has motivated people to get involved with various types of morally-acceptable business. The main focus of Islam is on the concept of fair-trade based on reasonable profit, proper weights and measures, storing of consumer goods by the marketer for a reasonable period of time and the sale of
quality and safe products to the buyers. Prophet (SAW) said “The man stores products during scarcity in
the market is a great sinner” Al (Tirmizi, 1130).

ii. The market transactions in Islam are founded on the principles of social justice, equity,
self-restraint and equitable relations among the parties concerned with a marketing process. The Islamic
ideology demands that the marketer must be guided by self-consciousness. The Holy Quran says:

Do not devour one another’s property wrongfully, nor through it before the judges in order to devour a
portion of others property sinfully and knowingly. (Al Quran, 9, p. 188)

iii. Islam has prohibited the acts of smuggling and black-marketing, deception of buyers through
misrepresentation of facts, manipulations in marketing transactions, the sale of illegal food and
interest-based trading operations. The Prophet (Sm) endorsed the importance of legitimate ways of
earning in the given words:

Asked “what form of gain is the best?” [the Prophet] said, “A man’s work with his hands, and every
legitimate sale” (Sunane, p. 1576).

This implies that the efforts of Islam aim at creating ethical behavior among the parties operating in the
market place.

iv. Islam has instructed the people to make optimal utilization of available resources, reduce
wastages at the micro and macro levels, and follow a realistic and just compensation policy and
adherence to moral standards in dealing with employee’s and creditors. These Islamic ideals provide
the inputs of ethical marketing.

v. It has been advised by Hazrat Mohammad (SAW) to perform business operations with utmost
honesty for attaining success. The man of principle and integrity is the most respected person to Allah.
He said-The truthful merchant [is rewarded by being ranked] on the day of Resurrection will be with
Prophets, veracious souls, martyrs and pious people Al (Tirmidhi, p. 1130).

Our honorable prophet Mohammad (SAW) installed a fair and justified distributions system to ensure
social justice for his people. Thus, Islamic teaching lay the foundation of a just marketing system.

vi. Islam has imposed restrictions on speculative transaction and hoarding of goods by the marketers
which aim at earning excessive profit through the exploitation of casual market opportunities. The
forward selling of farm products during the early stage of production has also been prohibited by Islam,
since it provides the scope of earning unreasonable differential economic gain- or loss by the parties
concerned with such transaction.

vii. The discharge of social responsibility by the marketer has been made mandatory in Islam through
the provision of Zakat system. The payment of Zakat at the rate of 2.5 per cent on idle money by the
marketing people may assist in improving the economy for a lot of the members of society if it is
distributed through macro-level planning.

viii. As regards merchandising it has been clearly instructed in Islam not get involved with the
trading in anti-social, harmful or prohibited good for enjoying divine blessings. Any attempt to hinder the
normal interplay of demand and supply of goods in marketplace is treated as an offence in Islam. The seller must display the goods properly without hiding any of its defects. The terms of sale must be settled through proper negotiation between the buyer and seller. There shall not be any scope for deception by any party in the marketing Transaction. The Prophet (SAW) is reported to have said:

A sale is a sale only if it is made through mutual consent (Ibne, p. 2176.).

ix. In respect of pricing, Islam has encouraged the marketer to adhere to the market-oriented competitive policy. Hazrat Mohammad (SAW) has informed his followers that divine blessings will be available for a trader selling at a market price. The selling of goods at fixed price based on reasonable margin of profit conforms to the Islamic ideals. On the contrary, price discrimination without logical basis is not permitted in Islam since it gives the seller an opportunity to exploit the buyers in marketplace.

x. Islam accords permission to the promotion of goods in the market to the extent of disseminating precise product information through disclosure of facts. It imposes bar on misleading and exaggerated advertisement and false propaganda of the marketer designed to manipulate the buyers of goods or services. The promotion of goods in international market though dumping price is also not acceptable as per the injunctions of Islam.

xi. Islam is the only religion which places the highest significance on ethical values in all aspects of the life of human being. In Islam ethics governs all aspects of life. Islamic teachings strongly stress the observance of ethical and moral code in human behavior including Marketing. Moral conducts and codes of ethics are repeatedly stressed throughout the Holy Quran. There are also pretty much teachings of the prophet Mohammad (SAW) which cover the area of Moral and ethical values. The Holy Quran Says:

You are the best nation which has been raised up for mankind; You enjoin right conduct, forbid evil and believe in Allah (Quran, 3, p. 110).

The Prophet (SAW) Says:

I have been sent for the purpose of perfecting good morals (Hadith Ibn Hamble).

4.4 Ethical Marketing: A Comparison between Traditional and Islamic Thoughts

The concept of ethics in traditional business and marketing thought is still in the process of development. The increasing demand from the consumers and government for compliance with ethical standards by the marketers has made this issue more acceptable to the academics and professionals. There are similarities between traditional and Islamic business and marketing models. First, both-the systems are founded on similar moral values like honestly, sincerity, fairness, justice and rationality. Second, both the traditional and Islamic models of ethical marketing lay stress on consumer satisfaction and social-welfare orientation. Third, the implementation of both models of marketing may facilitate the creation of fair and just corporate image. Fourth, mutual trust, confidence and reciprocity are the binding blocks of each of these two marketing concepts. Finally, it becomes easier for the venture to meet some genuine expectation of interest groups under both the marketing systems.
Nevertheless, the Islamic version of business and marketing ethics is based on interest-free welfare economic models whereas, the traditional concept of business and marketing ethics has evolved to protect the interests of the marketer and consumers within the framework of traditional economy that adhere to the ideals of interest based free-market economy. The traditional concept of ethical marketing evolved from social pressures to discharge ethical behavior in business. Moreover, technology, strict legal control and education are considered as effective tool for implementing ethics in business and marketing. On the country, in Islamic model, ethics is inevitable requirement for materialist success in this world and spiritual requirements for life hereafter. Therefore, need of strict legal control over marketing may not be felt strongly.

4.5 How Can we Develop a Marketing Model Based on Islamic Ethics?

In modern days, marketing is a requisite task to cater to the various/multiple needs of the members of a society. Evidently, a beneficial role of marketing can help the people to lead a happy and decent standard of life. It appears that a marketing model based on Islamic principles may work practically in meeting the expectations of a society. It is true that Islam has laid down clear course of action to support the marketers in performing their concerned responsibilities. But unfortunately, this branch of knowledge is yet to fully explore due to dearth of research by scholars in this field. Since the marketing companies are emerging, time has come to develop and adhere to the principles of Islamic marketing to face the modern marketing challenges effectively. This calls for a systematic research on the teachings of Islam to help develop the Islamic model of marketing. Academicians and professionals possessing Islamic knowledge should devote their time and energy to formulate the details of this model for the benefit of mankind (Chowdhury, 1999).

![Marketing Ethics Model](image-url)
Figure 2. Islamic Marketing

Above model shows the marketers work ultimately to satisfy the need of the society at large. From different quarter it receives some obligation to work ethically. But in case of Islamic Marketing Ethics the pressure is intrinsic and divine. Here the desire for reward (Entering into the Heaven) hereafter and or fear of punishment (Entering into the Hell and burning into the hellfire) work well to be accountable to all the stakeholders.

4.6 Requirements for Developing Islamic Ethical Marketing

Ethical marketing calls for a systematic and planned development on the ethical aspects of marketing operations. The profit oriented manipulative marketing mentality of the enterprises needs to be changed for laying the foundation of Islamic ethical marketing. The following measures may help in developing ethical marketing:

i. Devise codes of goods marketing practices for the industry groups and professional associations. Communicate these codes of marketing to the concerned parties properly.

ii. Create awareness about the need for maintaining a desired standard of marketing ethics through proper education and training of the marketing people.

iii. Enact appropriate legal provisions in the marketing legislations to remove unethical marketing behavior.

iv. Activate the social forces and form strong consumer associations to fight against the malpractices of the marketers.

v. Reveal the genuine expectations of the interest groups and devise the marketing operations to help in meeting these expectations.
vi. Increase the alertness of the professional associations to restrict the unfair handling of marketing
takes by their members. If needed, the members resorting to unethical marketing behavior are penalized
(Chowdhury, 1999).

5. Conclusion
From the Islamic perspective, business and market is a sacred institution and marketing is not a value
free concept. The nature of goods and services and their trading are defined by the Shariah. Business
and Market agents are duty bound to observe the ‘Shariah Law’ and to implement God’s command and
vision on this earth. Buyers and sellers do not face unrestricted bundle of goods and services. Agents of
the market face dual objectives: (a) Maximization on of profit/utility, i.e., welfare in this world; (b)
Maximization of success for the world hereafter, i.e., achievement of paradise. The present view of
ethical marketing concepts is not contrast to Islamic way of marketing, rather these two views almost
possess some attitude to wellbeing of the society by acceptable marketing practices. Islamic perspective
shades lights on the broad area of ethics in business and marketing. It identified some activities and
principles which a business owner or marketer should follow. It also emphasis prohibition on some
behaviors and actions including exaggerated advertisement, irrational pricing, etc.

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