

Analysis of the Relevance of Islamic Business Ethics to the Nigerian Economy

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Abstract

This paper analyses the relevance of Islamic business ethics to the development of the Nigerian Economy. As a contribution to the debate on the establishment of Islamic banking in Nigeria, the paper wants broaden the understanding of Islamic business ethics among the Nigerians. Essentially we want demonstrate that Islamic business ethics want promote justice, equity and fair dealings among the market players, and it is pervading in all business transactions, not necessarily in banking and finance. This we expect will go a long way in clearing some misgiving among the opposing views and give way for economic development in Nigeria. The paper draws upon the Qur'an, Hadith and the existing literature on Islamic business ethics. The paper also draws upon the functions of NAFDAC, CPC and SON to make its analysis. As the Islamic business ethics frown on all kinds of exploitation and promote justice, equity and fairness in business dealings, it should be supported by all, since nobody will like to be exploited or dealt with unjustly or unfairly.

Key words: Islamic Business Ethics, Nigerian Economy, Islamic Banking, Islamic Finance.

1. Introduction

Recently, there have been uproars in Nigeria against interest-free or Islamic banking which outlaws interest rate (*Riba*) and replaces it with certain modes of finance acceptable to Islam. Observing the different views for and against the movement indicates that there is a deep misunderstanding of Islamic business ethics among the Nigerians. The objective of this paper is to contribute in the debate by broadening the understanding of Islamic business ethics among the Nigerians. Essentially, we want demonstrate that Islamic business ethics are to promote justice and fair dealings among the market players and it is pervading in all business transactions, not necessarily restricted to banking and finance.

This we expect will go a long way in clearing some misgivings among the opposing views and give way for further economic development. To achieve this objective the paper draws upon the *Qur'an* and *Ahadith* and the existing literature on Islamic business ethics. The paper also draws upon the functions of three market supervisory organizations in Nigeria; National Agency for Food and Drug Administration and Control (NAFDAC), Consumer Protection Council (CPC) and Standard Organisation of Nigeria (SON) to make its analysis.

The paper is divided into five sections. Section one is this introduction, section two reviews the concept of Islamic ethics, section three reviews business ethics in Islam. Section four examines the relevance of Islamic business ethics to the Nigerian economy. Section five concludes the paper.

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2. Islamic Concept of Ethics

Ethics has been defined as the study of right or wrong, good or bad in conduct (Beekun, 1996). It was also defined as that aspect of religious teaching and philosophy which tells us how we ought to behave. The difference between ethics of revelation and manmade ethics is that, the ethics of revelation is what Allah Has ordained but not what man thinks it is (Gwandu, 1998). Again, Abdulhakim (1953) defined it as the study of good and evil. It is a moral principle that distinguishes what is right from what is wrong (Abdullahi, n.d.). Ethics was also described as a normative field of study because it prescribed what one should do or abstain from doing (Beekun, 1996).

Abdullahi (n.d.) explains ethics as an Islamic moral that deals with the relationship between man and God, man and his fellow men, man and other creatures of God, man and his innermost self. Therefore, man should adhere to God's command and should do good to his fellow men and other creatures of God. His role is to do what is right and fight what is evil, seek what is true and abandon what is false, shun away arrogance, vanity, and indifference since they are distasteful, offensive, displeasing to God and therefore unethical. Man should act ethically in earning and dealings with others. Similarly, man should not separate economic activities and fear of God, because if the two separates that may lead to immorality, corruption, cheating, dishonesty and exploitation (Razavi, 1990). Man should be honest, just and equitable in earning and in dealings with others. He must abstain from injustice, transgression and everything that are against the principle of justice and equity (Hassanuzaman, 1981). Mikailu (1989) added that, the right order of man is to have an absolute obedience to Allah and follow His *Shari'ah* (Islamic law), restrict him within the realm of Islamic ethical code enshrined in the *Qur'an* and *Sunnah* of Prophet Muhammad (SAW). The *Qur'an* states "To each among you Have We Prescribed a law And an Open Way."(5:51). The *Shari'ah* comprises the explicit ordinances of the *Qur'an* and *Sunnah*, which are simultaneously moral and legal. *Shari'ah* is concise and strictly speaking, it is not a law per se, although it was translated as Islamic law. It is a way of life under God's command and obedience to his will (Irfan, 1995).

3. Business Ethics in Islam

Islam as a religion and a way of life has prescribed desirable and undesirable ways of conducting business dealings. It enjoins truthfulness, trustworthiness, fair treatment of workers, honesty, and fairness, honouring and fulfilling obligations. It also prohibits dealings in unlawful items, speculation, hoarding of food stuff, exploitation, cheating and fraud in business transactions (Azmi, 2012). Business misconducts, such as giving short measure, short weight, adulteration, deception, cheating, and concealment of defects mixing good and bad products are illegal ways of conducting business and hence prohibited. In Islamic business transaction both the buyer and the seller have the responsibility to abide by buying/selling rules and regulations, they would be rewarded for telling the truth about their good and punishment awaits falsehood from either of them (Irfan, 1995). In business transaction, it is forbidden to do anything which is dishonest, therefore, dealings in usury, gambling, shady deals and hoarding are illegal and unfair method of business, and hence justice and fair play must govern all transaction (Hussain, 1974).

Business transactions that could lead to market imperfection are prohibited, these types of businesses include, stockholding, speculation, concealment of vital information about the product and selling by false vows (Khan, 1989; Ayub, 2007). Khan (1998) also stressed that, the Prophet (SAW) forbade certain market malpractices which could lead to market imperfection. These include withholding of food items at the times of scarcity (*Ihtikar*), making sales by a town dweller on behalf of the farmer (*Bay al-talaqi al-rukban*), sale or purchase of uncertain commodities (*Bay al-gharar*) and sale of something which one does not possess.

In business transaction Islam requires use of appropriate and standard weight and measure between sellers and buyers of commodities. In a *hadith* narrated by Al-Miqdam bin Ma'diyakrib the Prophet (SAW) has said "measure your food stuff and you will be blessed" Bukhari V. 3 (192). As indicated in the Holy *Qur'an* any failure to measure or weight trading commodities accurately is fraud (Mikailu, 1989). In business dealings fraud constitutes where a man desire for higher standard in his own favour and he is not willing to exact higher standard against himself (El-Gammal, 1984). The Prophet (SAW) explains the value of proper and standard weight and measure in business and said: "Islam laid emphasis and stress upon the use of correct and standard weight and measure". Islam also prohibits false oath with an intension of convincing the buyer (Qureshi, 1961). Bashir (1984) translated overpricing as (*Ghubn*), in exchange (*Ghubn*) means charging more than the market price (*Sir al-Silk*) of a commodity.

It is the difference between the ruling market price and the price charged on a good that represent (*Ghubn*). If one sells at a price lower or higher than the price of the equivalent he is a cheat.

Market misconducts is hoarding of goods, hoarding with an intention of raising the price of goods is condemned in Islam. Muslim in his Sahih reports on the authority of Ma'amar ibn Abdullah that the Prophet on him be peace said "only misguided hoard" for the hoards is he who buys up food which people need and keeps it in store with the intention of putting up the price. He is an oppressor of the buying public therefore, the authorities should compel people to sell their stock for fair value (*bi-qimat al-mithl*) when their goods are urgently needed. According to Chapra (1985) God given resources should be used for one's own benefit as well as for the benefit of others, thus by fulfilling the purpose of their creation. Therefore, traders should not hoard goods needed by other people and causing hardship to them.

Mannan (1984) added that Islam prohibits bad activities of businessmen which may results in causing artificial scarcity of goods needed by consumers and cause rise in price of the commodities. These bad activities include speculation, hoarding, black marketing and smuggling. Ahmad (1980) Mikailu (1989), Gusau (1991) and Irfan (1995) maintained that, it is prohibited to hoard money or goods required by other members of the society or try to monopolise any goods in order to charge higher prices.

Hoarding of essential commodities needed by the people may lead to three possible outcomes. It may lead to the shortage of that commodity, it may increase the price of that commodity and it may reduce the value of money. For these reasons, Islam is strongly against hoarding of goods (Ahmad, 1980). Similarly, Irfan (1995) observes that hoarding of goods may lead to higher, prices and reduces the purchasing power of the people. Therefore, causing a lot of hardship to the poor and disable and thus, Islam prohibits it. Islam does not accept speculative activities caused deliberately by the bad activities of businessmen that result in rise in price of commodities Prophet (SAW) said:

"He who accumulates stock of grain during storage of it (with a view of profiteering later) is a great sinner".

Hoarding may create artificial scarcity of goods, which in turn lead to rise in price of goods. *Qur'an* and *Sunnah* condemned hoarding and declares grievous punishment for those who encourage hoarding (Q. 9: 34). Al-Darir (1997) adds that hoarding may lead to shortage of commodities needed by the poor; it may also increase the price of goods that is why Prophet (SAW) forbade hoarding in all its ramifications. Siddiqi (1976) argues that not all hoarders are sinners. Some hoarders buy goods when they are in abundance and sell during scarcity, therefore, they help in maintaining constant flow of the commodities in the market.

Market misconduct is interception of goods before the seller reaches the market. It was condemned by the Prophet (SAW), because the seller does not know the actual price (*Sir*) of his goods. Since his goods may be purchased for less than their values. The Prophet (SAW) emphasized that the buyers (traders that buy from villagers in bulk and sell in retail inside the market) should allow the sellers (traders that come from village to town) to reach the market to avoid selling their commodities at less than their values (Ibn Taimiyyah, 1982). Hadith reported by Ibn Abbas said, Allah's Apostle (may peace be upon him) said, "do not go to meet the caravans on the way (for buying – their goods without letting them know the market price); a town dweller should not sell the goods of a desert dweller on behalf of the latter: I asked Ibn Abbas, "what does he mean by not selling the goods of a desert dweller by a town dweller? He said, He should not become his broker" (Sahih Bukhari Hadith, 34 verse 367). Similarly, Ibn Taimiyya (1982) warn traders on deception of easy going customers who does not bargain. Traders should not sell at lower price to those who bargain and sell at higher price to (Murstasil) who does not bargain or to those who are ignorant of the market price. This is dishonest in business transaction.

Additionally, Ibn Taymiyya (1982) explains option of misdescription as a situation whereby a vendor conceal the defects of his property or to testify that his product possesses certain desirable quality and such property proves to be devoid of such quality. The purchaser has the option to revoke the sell since the seller mis-descrip the quality of his commodity. In buying and selling any act of swindling or lying in respect of price is prohibited. Similarly, it is not lawful to hide the defects of a commodity, or mix good quality product with less quality product, or hide features of a commodity which if discloses can prevent buyer from buying the commodity. Ibn Abi-Zaid Qayrawani, (undated), Khan (1989), and Gatawa (2006) maintained that concealment of defects, selling by false vows, sell of commodity which is not on possession of the owner is a way of misleading the buyer to purchase commodity which does not possess desirable quality needed and also involves uncertainties in the delivery of the commodity involved.

4. Analysis of Relevance of Islamic Business Ethics to the Nigerian Economy

Nigeria as a nation comprises people with different religions. The country practice secular system of governance; this makes all the economic institutions and organizations to be secular in nature. However, some of these institutions and organizations in their intent and operational guidelines share some similarities with Islamic business ethics. This section examines the functions of three of such institutions. The institutions are National Agency for Food and Drug Administration and Control (NAFDAC), Consumer Protection Council (CPC), and Standards Organisation of Nigeria (SON).

4.1 Functions of NAFDAC

NAFDAC was established to perform the following functions:

- Regulate and control the importation, exportation, manufacture, advertisement, distribution, sale and use of drugs, cosmetics, medical devices, bottled water and chemicals.
- Conduct appropriate tests and ensure compliance with standard specifications designated and approved by the council for the effective control of quality of food, drugs, cosmetics, medical devices, bottled water, and chemicals.
- Undertake appropriate investigation into the production premises and raw materials for food, drugs, cosmetics, medical devices, bottled water and chemicals and establish a relevant quality assurance system, including certification of the production sites and of the regulated products.
- Undertake inspection of imported foods, drugs, cosmetics, medical devices, bottled water, and chemicals and establish a relevant quality assurance system, including certification of the production sites and of the regulated products.
- Compile standard specifications, regulations, and guidelines for the production, importation, exportation, sale and distribution of food, drugs, cosmetics, medical devices, bottled water, and chemicals.
- Undertake the registration of food, drugs, medical devices, bottled water and chemicals.
- Control the exportation and issue quality certification of food, drugs, medical devices, bottled water and chemicals intended for export.
- Establish and maintain relevant laboratories or other institutions in strategic areas of Nigeria as may be necessary for the performance of its functions.

4.2 Functions of CPC

The CPC is charged with the following functions:

- a. Provide speedy redress to consumer's complaints through negotiations, mediation and conciliations.
- b. Seek ways and means of removing or eliminating from the market hazardous products and causing offenders to replace such products with safer and more appropriate alternatives.
- c. Publish from time to time list of products whose consumption and sale have been banned, withdrawn, severally restricted or not approved by the Federal Government or foreign governments.
- d. cause an offending company, firm, trade, association or individual to protect, compensate, provide relief and safeguards to injured consumers or communities from adverse effects of technologies that are inherently harmful, injurious, violent or highly hazardous;
- e. Organize and undertake campaigns, and other forms of activities as will lead to increased public consumer awareness.
- f. Encourage trade, industry and professional associations to develop and enforce in their various fields quality standards designed to safeguard the interest of consumers;
- g. Issue guidelines to manufacturers, importers, dealers, and wholesalers in relation to their obligation under this Decree.
- h. Encourage the formation of voluntary consumer groups or associations for consumer well being.
- i. Ensure that consumers interests receive due consideration at appropriate forum and to provide redress to obnoxious practices or the unscrupulous exploitation of consumers, firms, trade association or individual.

- j. encourage the adaptation of appropriate measures to ensure that products are sold for either intended or normally safe use, and
- k. Perform such other functions as may be imposed on the Council pursuant to this Decree.

4.3 Functions of SON

The SON is charged with the following functions:

- a. To advise the Federal Government generally on the national policy on standards, standards specification, quality control and metrology.
- b. To designate establish and approve standards in respect of metrology, materials, commodities, structures and processes for the certification of products in commerce and industry throughout Nigeria.
- c. To provide the necessary measures for quality control of new materials and products in conformity with the standard specification.
- d. to determine the overall policy of the organization, in particular with regard to the financial, operational, and administrative programmes of the organization and to ensure the implementation of the said policy, and
- e. To carry out other functions imposed on it under this act on any other written law.

A cross examination of the different functions of these organizations from Islamic business ethics viewpoint reviewed earlier will reveal that these functions could fall under the following:

- Establishment of standard or measure of quality of products.
- Control of harmful products in the public,
- Ensuring correct information about the products,
- Control of arbitrary treatment of consumers.
- Checking and mitigating cheating and fraud in business transactions and
- Ensuring the safety of the general public from consumption of adulterated goods.

Incidentally, the above functions enumerated from different institutions charged with the task of regulating many economic activities in Nigeria coincide with the functions performed by the institution of *Hisbah* in an Islamic economy. The institution of *Hisbah* through the director of the institution called *Muhtasib* (market consor) oversee the affairs of the market to ensure proper functioning of the market. Throughout history the institution of *Hisbah* has served the Muslim society until its disintegration during the colonial era (Khan, 1982). For example, in the Sokoto Khalifate, Sultan Muhammad Bello is reported to have said "The *Muhtasib* should order the baker and his likes that everyone of them should make stamp with his name engraved upon it and imprint it, on his bread (i.e. commodities) so that the bread of everyone is recognized by its sign so that evidence can be established against him" (Gusau, 1991).

From the foregoing, it is clear that Islam is against all kinds of exploitation, injustice and unfairness in business dealings. Dealings in interest (*Riba*) are prohibited in Islam because it lacks equity and fairness. In the interest rate based banking, the lender is assured his rate of return in terms of interest. The borrower however is uncertain of his return and faces the market risk alone. This is what makes interest unjust and unfair. The interest – free or Islamic banking replaces interest with profit and loss sharing and other permissible modes of finance that make the capital provider and the entrepreneur to share the business risk and returns.

5. Conclusion

This paper examines the relevance of the Islamic business ethics to the Nigerian economy. It reviews the Islamic business ethics and finds that the ethics frown on all kinds of exploitation and promote justice, equity and fairness in business dealings. It also analyses the functions of NAFDAC, CPC and SON and finds them similar to some of the functions of the institution of *Hisbah* in Islam. These should be supported by all, since nobody will like to be exploited or dealt with unjustly or unfairly.

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