

AN ASSESSMENT OF BUSINESS ETHICS IN ISLAM AND THE PRACTICES OF THE CONTEMPORARY MUSLIM TRADERS IN MARKET PLACE OF SOKOTO METROPOLIS

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ABSTRACT

This study investigates the business ethics in Islam and the practices of the contemporary Muslim traders in the Market place of Sokoto, particularly the Sokoto metropolis. Several religious myths have been proclaimed regarding numerous fire outbreaks in Sokoto central market and old market. For example, many believed these fire outbreaks were consequences of not adopting business ethics in Islam and non-payment of zakat (Donation) by Muslim traders. This study highlighted the business activities and contemporary practices among Muslim traders in the Sokoto metropolis marketplace. Due to the nature of the study, the phenomenological research design was adopted. A face-to-face interview protocol was used to gather data from 40 participants, including 25 Muslim traders, 10 buyers, and 5 Muslim scholars. The findings of the study reveal that the nature of Muslim trading activities in the market includes Ribah (Usury), value-added trade, Khilabah (fraud), and Ghishsh (deception). Based on these findings, the study recommended that Muslim traders conduct their trading activities as enshrined by Islamic jurisprudence. Muslim scholars also have a role in preaching on the consequence of illegal trading activities in this world and hereafter.

Keywords: Assessment, Business ethics, Muslim trading, Contemporary, Sokoto Metropolis.

INTRODUCTION

In today's modern business, each business enterprise is fettered to follow the business language's ethical perspective because no business activity can be best managed and organized without knowing sound Islamic business ethics, especially for Muslims. Because Allah (S.W.A) mentioned in the Quran

"Allah has made business legitimate for you."¹

If a person knows about the wide range of confederated issues with all the marketing functions, so then he/she can best manage the overall business in splendid ways. Religious beliefs and practices of a group of people greatly influence all their social and economic behaviors and approaches to issues. People have a heritage, culture, and religious beliefs that dictate how to carry out their day-to-day activities or transactions².

There are many different business people; you have to respond to customers, shareholders, clients, suppliers, government, and others. Business ethics refers to the moral rules and regulations

¹ Q 2.275 The Second Surah Al-Baqarah (The Cow) Medina Period

² Dr. Sabahuddin Azmi, (2010). An Islamic Approach to Business Ethics, Lecturer, College of Islamic Banking, World Al-Lootah University, Dubai.



governing the business world. In other words, they are the moral values that guide the way corporations or other business makes decisions³. Some business ethics are imposed by law. e.g.

Problem Statement

Due to the current dynamic business environment, Muslims were always in serious dilemmas and need guidance from developed Islamic business ethics. To juxtapose the above in the Sokoto Metropolis context, one, first of all, needs to recap the environment in which most Sokoto People's businesses operate. Most of these businesses operate within a mostly informal climate, coupled with variously unregulated business activities even within the formal sector. It is, therefore, clear that issues that raise ethical questions may arise. These include tax evasion and avoidance, bribery and corruption, environmental destruction, misleading advertisements, customer rights violations, and business owners' poor attitudes. These issues can variously be addressed if ethical considerations or values are variously promoted within the business environment.

Therefore, there is a need to access the Islamic code of conduct in business by Nigerian Muslim entrepreneurs and the contributing factors to determine the level of awareness and application of such behavior.

Objectives of the study

1. To assess the understanding of Muslim traders on Islam business ethics in Sokoto Metropolis
2. To highlight the role of faith and religious beliefs on business practices in Sokoto Metropolis.
3. To ascertain whether religious beliefs help produce more ethical organizations and business people in Sokoto Metropolis
4. To point out Islam's teachings regarding ethical practices in commerce in Sokoto Metropolis

LITERATURE REVIEW

This focused on reviewing existing literature related to the study, including Business ethics and Islamic trading approaches, interest-free transactions, and the Islamic jurisdictions on the payment of zaka'at. Gaps in the reviewed literature were also highlighted. Based on the researchers' investigations, there are several studies relevant to discuss in this section. The followings are the said studies:

Beekun and Badawi (2005) examined Islamic business ethics from a normative perspective. The critical finding claimed that business ethics could not be separated from ethics in other aspects of a Muslim's daily life. SMEs' issue from Islamic business ethics is scarce to be found in the study; only the above-mentioned extracted discussions are relevant to the current research. It is arguable here, Islam and business are related to each other.

A study conducted⁴ revealed that knowledge of ethics in practice is vital to the international manager. Rice (1999) also discussed business ethics among Egyptian people. In more detail, Egypt's illustration shows considerable diversities between philosophy and practice; diversities, if

^{3 3} Ahmad, S.F. (1991). The ethical responsibility of business: Islamic principles and implication. *Journal of Objective Studies*, 3(1), 23-43

⁴ Rice, G. (1999). Islamic ethics and the implications for business. *Journal of Business Ethics*, 18(4), 35-345.



understood, can provide a foreign executive with ideas on how to negotiate with Egyptians and even what kinds of products or services might be appreciated. Rice (1999) also mentioned the importance of unity (*tawhid*), justice (*adalah*), trusteeship (*khilafah*) in dealing with businesses.

According to a study reported by⁵, all business practices involve explicit or implicit harm, and Islam disapproves of injustice to the contracting parties or the public. Further, to build a profitable business, any business must have an excellent Muslim business leader that will drive the company into lawful business as intended by *Shariah*. Abeng (1997) also noted six components needed to be understood by Muslim business leaders.

Among others are the fulfillment of promises, exactness in weights and measures, truthfulness, efficiency, selection of merit, and investigation and verification. By incorporating these components, all business practices will be treated as permissible as required by *Shariah Islamiyyah*. Indeed, this study provides general guidelines for the current research in identifying measures that better reflect SMEs.

Justification of the study

Studies reviewed in the literature were based on contemporary issues of Islamic Business ethics and trading activities. Going by the above literature, theoretical evidence was to guide how trading activities should be done according to Islamic perspective. Therefore, this study seeks to investigate whether traders in the Sokoto marketplace follow these Islamic guidelines and, as such, to what extent.

RESEARCH METHODOLOGY

The study adopted the case study design within the qualitative research paradigm to assess the level of understanding of trade ethics among Muslim traders in the Sokoto Metropolis. The qualitative paradigm was deemed appropriate for the study because it enabled the researcher to have an in-depth interaction with participants, which led to a detailed understanding of the phenomenon under discussion. Qualitative research involves using soft data in the form of gestures, impressions, and symbols of the respondents⁶. The researcher combined the purposive and simple random sampling techniques to select respondents for the study.

A total of nineteen (25) respondents were selected for the task. The respondents' distribution was as follows: twelve (18) Muslim traders (6 wholesalers, 6 retailers, 6 hawkers) in the Sokoto Central Market. Again, five (5) regular customers of the Muslim traders were selected, and finally, two (2) Muslim leaders or Imams were chosen for the study. The main instrument of data collection was through the use of in-depth interviews. This instrument was deemed appropriate because it allowed the researcher to interact face-to-face with respondents. It also allowed for detailed responses to be obtained through follow-up questions that allowed for clearer and detailed responses from participants. A well-designed interview guide facilitated all interview sessions. All the interviews were audio-recorded; after each interview, the proceedings were

⁵ Rice, G. (1999). Islamic ethics and the implications for business. *Journal of Business Ethics*, 18(4), 35–345.

⁶ Newman, Joshua. (2007). Old times there are not forgotten: Sport, identity, and the Confederate flag in the Dixie South. *Sociology of Sport Journal*, 24(3):261–282



replayed aloud; the interviews were transcribed and typed into word format. The typed data was subjected to thorough content analysis. The analysis involved a description and interpretation of data in narratives, including direct quotations from the interviewees.

Table 1: type of permissible Contracts

Contract	Attributes and Modus Operandi	Prohibition
Bay Muqayadah	Refers to barter trade: must be of the same genus and with immediate delivery and equality	Barter of Ribawi items: Gold, Silver, Wheat, Barley, Dates, and Salt of different qualities, amount, and deferred (Sahih Bukhari, Volume 3, Book 38, Hadith No. 506). Ribawi items are those commodities that are susceptible to Riba al-Fadl (Ayub, pp.43-45, 2007)
Bay Mutlaq	Sale of goods for money	No Prohibition as long as the subject matter is not amongst the forbidden items (alcohol, pork, and other haram items) by Shari'a
Bay Sarf	Sale of the absolute price for absolute price or money exchange. For instance: a new 10 RM note must be exchanged with an equal value of an old 10RM note; money exchange, e.g., where 1USD equals 3.1RM according to market rate at that time	No Prohibition as long as the currencies are exchanged in the same session of contract (on-spot delivery and possession) and equal quality and rate
Bay Salam	Sale contract where payment is received in advance by the buyer, but the goods of purchase are delivered later. The critical feature of bay salam is that the seller need not have the goods he is selling in the contract. Conditions include: <ol style="list-style-type: none"> The date of delivery of the goods has to be fixed in salam sale. The subject matter in salam sale need not necessarily have the seller. Sale through a salam contract is only permitted for those commodities that can be precisely determined in quality and quantity. d. Payment for the subject matter must be made at the time of contract in bay salam (Zuhayli, pp. 599-624, 1984; and Mansuri, pp. 202-205, 2006) 	It is not permissible to sell identical goods, such as wheat for wheat, potato for potato, etc. A salam contract is binding and irrevocable unless there are exceptional circumstances. Examples of exceptional circumstances include the death of the supplier, damage to the goods while in possession of the supplier, etc. When the problem arises from the supplier 's side leading to no deliverability of the goods, the buyer is entitled to a full refund either from the supplier himself or his heirs in the event of death. However, should the buyer be the party to meet the end, the contract remains in effect?
Bay Istisna	A sale contract represents a modern-day order-to-manufacture sale where a manufacturer or artisan is given to produce something based on the buyer's description. In Istisna, the subject matter needs manufacturing, and the price can be paid anytime during the contract, provided it is specified and	On an excellent bay' istisna, the materials of the object being made must also come from the manufacturer. Otherwise, if the materials come from the buyer and the manufacturer provides his labor



	<p>agreed upon at the time of contract. Furthermore, the istisna contract can be revoked unilaterally as long as the artisan has not started working on the goods (Al Kasani, 1998). However, Majelle of the Ottoman Empire stipulated that if the manufacturer has bought the goods as per the buyer's order, the purchaser is bound to accept them (Majelle, article 392).</p> <p>The contract is terminated either by completing the job and delivering the goods to the customer or the artisan meet death while his/her heirs are unable to provide the performance of the contract</p>	<p>and skill, the contract is that of ijarah (hire of workmanship services) (Al Kasani, Vol.5: pp.3, 1998)</p>
Murabahah	<p>Sale contract where the seller of an item discloses the product's actual cost to the buyer and both parties agree on a profit margin for sale, which would be the seller's earnings. It is permissible to fix a profit in percentages such as 5% or 10% of the cost. Therefore, the contract's essence is based on the seller's integrity to disclose the product's actual price. This contract is commonly known in English as a cost-plus profit sale.</p> <p>According to Zuhayli (Vol. 4: pp. 704-706, 1984), some conditions for the validity of Murabahah:</p> <ol style="list-style-type: none"> a. The commodity's original price has to be necessarily declared during the contract session, or else the agreement is invalid if the parties depart without the actual cost being stipulated. b. Similarly, the profit amount has to be agreed upon and added to the contract's original cost price within the contract session. c. The subject matter must have relevant cost value that can be precisely ascertained to be sold on a Murabahah sale contract. Items of which cost value is not specific or the seller is unaware cannot be sold on a Murabahah contract. a. d. The subject matter must originally have been procured by the seller through a valid contract for it to be sold on a second Murabahah contract. If the original contract was invalid, then the product's price from that invalid contract is not a legal basis to form the cost of the product in the second Murabahah contract. 	<p>If the buyer and seller agree on zero profit, that is, the item's resale takes place at the original cost (at par value), then it is known as Tawliyah sale. If the resale is at a lower price than the actual cost, the deal is known as wadi'ah sale. Following the execution of a Murabahah contract, if the buyer realizes the seller has not been truthful about the original cost, then Shari'ah allows compensation to the deceived buyer (Sarakhasi, Vol. 13; pp. 86, 1978; Ibn Rushd, Vol. 2; pp. 162, 1950).</p>

Prohibited Sale Transactions: Many sale contracts are expressly prohibited in Shari'ah based on the Quran and Sunnah's evidence. Most of these sales were practiced by the Arabs during the



pre-Islamic period, and the Prophet (P.B.U.H) forbade them as seen through various narrations of hadith⁷. Some of these prohibited sale contracts are summarized in Table 2:

Table 2. Prohibited Sale Contract

Contract	Attributes and Modus Operandi	Source of Prohibition
Bay al-Mukhadarah	Sale of fruits, vegetables, and grains before they are almost ripe as there is a risk of them being spoilt before they are ready for consumption	Hadith of Prophet (saw) quoted in Sahih Bukhari and narrated by Anas ibn Malik that Allah" s Messenger (saw) forbade the sale of fruit till they were almost ripe
Bay al-Juzaf	Sale of food items randomly without determining their quantity	Due to gharar on the quantity of the item. Moreover, food is one of the ribawi items which must be free from gharar to make the sale valid
Bay al-Munabadha	Throw sale where the seller throws down the goods towards the buyer without the opportunity to inspect them. The prohibition is also on barter of goods where two parties mutually exchange goods without any examination by either of them	Al-Bukhari, Kitab Al-Libas (77) no. 967
Bay al-Munabadhah	Throw sale where the seller throws down the goods towards the buyer without the opportunity to inspect them. The prohibition is also on barter of goods where two parties mutually exchange goods without any examination by either of them	Al-Bukhari, Kitab Al-Libas (77) no. 967
Bay al-Mulamasah	The subject matter is bought without examining it but just by merely touching it	Same like the prohibition of bay al-munabadhah
Bay al-Muzabanah	The sale of fresh fruits without determining its quantity in exchange for dry fruits whose quantity is measured	Al-Bukhari, Kitab Al-Buyu' (34) no. 985
Bay al-Haml	The sale of the unborn foetus of a female animal	Al-Bukhari, Kitab Al-Buyu' (34), no. 968
Bay al-Hasat	A kind of sale whereby the seller announces, "from these pieces of cloth, I sell you the one on which falls the pebble thrown in the air."	"Prophet P.B.U.H. Bay alHasat" (Narrated by Sahih Muslim)
Mu'awamah	Selling of fruits on a tree, two or three years in advance.	Al-Bukhari, Kitab AlMusaqah (42), no. 992
Darbat al-Ghais	A sale where the seller proclaims: "I dive into the sea; if I have anything (pearl), it will be yours at such and such price."	"The Prophet P.B.U.H. prohibited Bay Habl alHabal, buy the milk of cattle until it is measurable, buy a servant while he is away, buy ghanimah until it is divided, buy from sadaqat until it's delivered, and

⁷ Shawkani (1982). Nail al-Aowtar Sharh Muntaqa al-Akhbar. Cairo: Matba'ah Mustafa al-Halabi.



		darbat al-Ghais" (Narrated by Ibn Majah)
Asb al-Fahl	A male animal is rented to copulate with a female animal	Al-Bukhari, Kitab al-Ijarah, no. 2164
Sale of fish in the water	The Prophet (saw) forbade such types of contracts commonly practiced by the Arabs in the pre-Islamic period.	Hakim ibn Hizam asked Prophet P.B.U.H.: "O The Messenger of Allah! A man comes to me and asks me to sell him what is not with me, so I sell him [what he wants] and then buy the goods for him in the market [and deliver]. And The Messenger P.B.U.H. said: "sell not what is not with you" (Sunan Abi Dawood, no. 3503)
Bay Habl al-Habalah	Sale of younglings of animals that have not yet been born	Al-Bukhari, Kitab Al-Buyu' (34), no. 968
Bay al-Kali bi al-Ka	Selling off one debt for another. For example, when the time comes for a debtor to make payment and he is unable to clear his debt, he offers to sell his existing debt to get further payment period and provides the buyer additional consideration (Hassan, pp65, 1994)	Al-Hakim, 2/66 no343.
Bay wa Salaf	Simultaneous selling and lending in a contract where a man says to the other: "I shall take your goods for such and such if you lend me such and such."	"Prophet P.B.U.H. said: It is impermissible to combine a sale contract with a lending contract" (Narrated by Abu Dawood and al-Tirmidhi)
Sale of Milk in the Udder of Animals	Selling of milk still within the udder of animals (before milking) without ascertaining its quantity	Same as in the prohibition of darbat al-ghais.
Sale of Food before Possession	The Prophet (saw) forbade the resale of food items before taking actual possession of the items by the seller himself.	In the hadith narrated by Ibn Umar, it is reported that Allah "s Messenger also forbade the sale of goods on the spot they are bought

RECOMMENDATION

To strengthen Muslim traders' understanding of Islamic trade ethics more systematically and holistically, the study makes the following key recommendations.

- This study's primary recommendation is to enhance Muslim Women's training and education on the accepted trading ethics and standards established by Islam. Traders should be educated on the acceptable Islamic means and should be taught the consequences of not abiding by these standards. This would further enhance their understanding of what Islam expects from them. Methodically educating traders would improve their confidence in the teachings, reinforce what they already appear to know, and clear all doubts regarding trade ethics.
- Again, the study recommends women groups' formation to invite their religious leaders to encourage and assist them through seminars and workshops.

- Muslim leaders should monitor their followers by regularly interacting with them to ensure their people abide by the Islamic ethical principles.

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