

STRENGTHENING SMALL BUSINESS AMONG MALAY MUSLIMS THROUGH MUAMALAT AND ISLAMIC ETHICS IN MALAYSIA

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Abstract

Management of business institutions among the Malays in this country had experienced many years of business turbulence, challenges and transformation. Reports of early business trading activities by the Malay community had begun in earlier history of the Sultanate of Malacca. With the coming of the earlier colonialist of Portuguese to Malacca in 1511 and the consequent Dutch and British in the following century had encouraged more Malay ethnics plunged into local trade. However with the discouraging modern day business among present Malay population; a certain determination to find out the failing business trend among younger and the middle age Malay businessmen had prevailed. Modern Malay business establishments involving several criteria of business such as management of SME's, GLC's, restaurants, hotels, workshops, sundries, tourism, constructions and so forth will begin in the study. Problematic business management among Malays is a common issue to date. Business sector is vital for Malay Muslims in particular as it contribute to economic progress of the community. Small business organizations among the Malays are mushrooming every day and at the same times almost 'dying' at the same rate. The issues of weak management without the practice of Islamic ethics and maintaining sustainable business operation are obviously due to lack of material or financial support which finally resulted in ownership transfers to non-citizens or immigrants to this country.

Key words: Business management, Malay small business, Islamic Ethics, and Muamalat.

INTRODUCTION

This article would like to emphasize on several issues on how small scale business among Malays could be sustainable and proactive to alleviate them into an appropriate position among the business community in Malaysia. An appropriate Islamic business management and good business values or ethics should be implicated to tackle problems, to attain business

competitiveness and business challenges. Sustainable management should be able to organize, control, plan and lead their business operations in accordance with Islamic culture and business principles. To accomplish this, several findings regarding business weaknesses, cultural habits, norms, physical support and adaptation of the divine business knowledge are essential. Islamic business philosophy stresses on several ethical properties such as justice, equality, honesty, truthfulness, righteousness, free from fraud and corruption as enshrined in Al Quran and *Hadith Rasullullah* will be discussed and studied in order to discover the effectiveness and the impact on those areas. Interest in establishing new business organizations among Malay Muslims had increased tremendously especially after the 1969 racial tragedy in Kuala Lumpur. However the rate of business success is discouraging, hence by exploring management ideals through Islamic ethics in helping Malay Muslims in this country to regain business momentum stimulate this research further.

Literature review

Reports of early business trading activities by the Malay community had begun in earlier history of the Sultanate of Malacca. With the coming of the earlier colonialists to Malacca in 1511, historical reports (R.O. Winstedt, 1935) had indicated participation of ethnic Acehnese, Bugis and Malays of Yunnan's origin; were actively involved in commercial activities with the traders from India, Portugal, Holland, China and the Malay Archipelago (R.O. Winstedt, 1935). British economic and political dominance after that, (Syed Husein Ali, 1979) had given the Malay businessmen and entrepreneurs an upper hand in various forms of commercial activities which include textile, hotels, food outlets, construction, mining, shipping, agriculture and so forth.

Since the departure of the British colonialist and the dawning of Malaysia's independence, more Malay Muslims were getting involve in business activities from small/medium enterprises into more bigger and complex industries. However the rate of failures supersedes the rate of success and the writer is taking the initiative to explore the reasons behind those business failures. Malay Muslims' participant in commercial activities from colonial days till now have shown increasing trend but the rate of Malay success compared to non-Muslims' is not very encouraging. The western business ideals that stress purely on material gains have been diffusing into the daily Malay Muslims business activities until their business shortcomings could not be overcome until it was too late. Successful business management can strive on further by adopting positive cultural approach, sufficient capital support, positive attitude, ideal behaviour and norms. Ignoring those business ideals and business principles will sometimes result in organizational collapse (Mawdudi, 1960).

Perhaps business activities among Malay Muslims in Ampang had transpired from this early history of Malay participants in commerce and entrepreneurship. Increasing Malay business performance (Brennan, 1982) sees Malaysia's stability after the race riot of May 1969. All this while business management among the Malays are excessively diffused by western culture and norms. Exploring the impact of practicing Islamic business ethics among Malay Muslims business management has become a necessity. Management framework for the role of business in society and setting standard behavior to which a corporation must subscribe in order to obtain a positive society in a productive manner is crucial (Asyraf Wajdi Dusuki *et al*, (2007).

Interest in establishing new business organizations among Malay Muslims had increased tremendously especially in the Ampang district of Selangor. However the rate of business success is similarly discouraging. Exploring management ideals through Islamic ethics in helping Malay Muslims in Ampang to regain business momentum stimulate this research further.

Managing business is considered complicated and it requires dedication and competency. Managers are decision makers (Henry Mintzberg,1970) and play multiple roles in organizing businesses. They manage business organization by sets of behaviors that can shape up the future of that organization. Failures in business activities among Malays Muslims are due to weak management (Zulkifli Che Omar *et al*, 2015). Exploring business management problems and business culture among Malay Muslims in Ampang, Selangor is a pressing issue at present. Understanding the process age group of Malay Muslims in business management such as planning, organizing, leading and controlling (Henry Mintzberg,1970); needs refining and reshaping in line with the ideal business concept in Islam. What business managers do in business; studying their characteristics, identifying personal habits of an effective manager are also important. When managers are effective as on-task, leadership understanding, goal oriented, understanding challenges, having good accountability and able to determine code of ethics are good sign for business. Further decisions made by managers on ideal business practices, be a positive role model, set expectations and embrace social responsibility are good indicators for business managers.

Research findings

The Malay Muslim business organizations in general should strengthen and consolidate business management by practicing Islamic business ethics and divine knowledge stipulated by Islam such as honesty, transparency, free from fraud and assimilate sincerity in business transactions. Small business organizations should be able to identify several negative business habits, bad business culture and negative business norms but instead pursued a paradigm shift or business ideals that can be an alternative to the present conventional business management. These include the teaching of AL Quran, deeds of the Prophet or '*Sunnah Rasullulah*' and consensus decisions of Islamic prominent scholars or '*Ijtima' Ulama*'.

Management framework for the role of business in society and setting standard behavior to which a corporation must subscribe in order to obtain a positive society in a productive manner is crucial, Asyraf Wajdi Dusuki *et al*, (2007). It is paramount that the Malays should develop more appropriate type of business management to suit Malaysia's context by defining the Islamic business principles, properties, concepts and ideals. Therefore by exploring manage mental substitutes through ethnical capabilities, business resources & cultural habits could develop sustainable business establishments well among the Malay society. The survey also found out that by providing some assistance to Malay Muslim business management through material and financial assistance commercial bodies such the Malay Chamber of Commerce or other business NGO's without much hustle and problem; needed a serious thought. To obtain financial capital and with the determination to find out the failing business trend among younger and the middle age Malay businessmen should be overcome immediately. Assistance in financial capital involving several criteria of business such as management of SME's, GLC's, restaurants, hotels, workshops, sundries, tourism, constructions and so forth needed special attention both by private and governmental bodies.

In Islam, the dawning of business entrepreneurship (Nawawi Dusuki, 1996) started with Prophet Muhammad S.A.W. Al Amin (Borne 20th April 571), when he was still at a tender age of twelve years old and developed his entrepreneurial skill onwards till the age of twenty two. The Prophet started doing business under the guidance of Saidatina Khadijah bte Khualid whom he later married at the age of twenty five. From Mecca he expanded his activities to Syria (Syam/Palestine). Income derived from this business endeavor later on helped to finance the 'da'wah' and Islamic movement in Mecca (Nawawi Dusuki, 1996).

Islamic business knowledge and human competency in managing business is crucial in the present economic challenges (Choudhury, 2004). Islamic business ethics may be defined as the set of moral principles that distinguish what is right from what is wrong (Azmi S, 2011). Survival in business requires efficient, competent, creative, religious and progressive business managers (Branine & Pollard, 2010). It was reported by the managing director and CEO of TEKUN Nasional, about 30% from 170,000 micro borrowers of TEKUN in Malaysia have failed in the repayment of their loans since this agency was formed in 1989 (Abu Bakar Sedek *et al*, 2011). Furthermore, most of them declined to service their loans due to the problems encountered in their business performance and also their businesses are not viable apart from making losses. Hence honesty, trustworthy and righteousness (*birr*) are demanded for practice in Islamic business ethics (Imam Nawawi: 40 *hadith sahih*). Islamic knowledge and worldly inspiration in business management are the main components that stimulate business dynamism (Agha Piruz, 2004). Past records and research have shown that business activities were critical within the first year of operation (Hatten, 1997). Perhaps business survival, according to (Philip Kotler *et al*, 2016) ; would be determined within three months of its activities. This duration would indicate whether the business would survive or not.

Since 'Bumiputera' ownership had increased to 18.9% in 2004 against 2.4% in 1970 and poverty decreased to 8.3% in 2004 against 64.8% in the 1970s (Abu Bakar Sedek *et al*, 2011). The commitment of the management among Malay Muslim business owners is much demanded to ensure 'Bumiputra' business sustainability. Therefore Islam highlights several Islamic business principles to accommodate the shortfalls in business management among the Malay Muslim community. Elements such as equality, benevolence, righteousness, element of fraud, resilience, consistency and so forth should be observed and practiced (Mawdudi, 1960). Consistency, competency and integrity in business management among Malay Muslims' organization requires solid integration of 'ukhrawi' and 'duniawi' in order to achieve business objective (Pahrol, 2010). Among other aspect in this research will be to ascertain and reveal several weaknesses in business management carried out by the Malays. Both internal and external factors that influence the performance of Failures in business among Malay Muslims are due to weak management (Zulkifli Che Omar *et al*, 2015). Malaysia is prosperous and free economic heaven which encourages her citizens to siege business opportunities (Mahathir

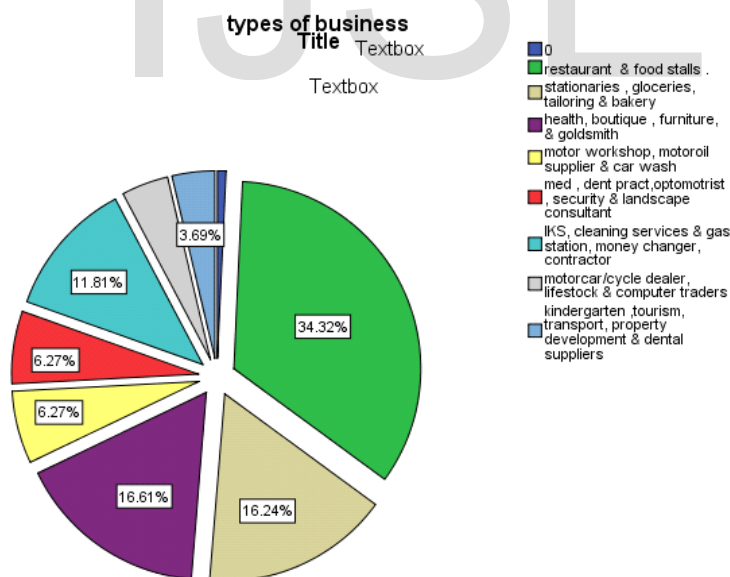
Muhammad, 1972). Studies have shown that many Malay Muslim business organizations flourished and at the same time ended abruptly. Perhaps the findings by Buerah Tunggak *et., et al* (2011) illustrate that knowledge and entrepreneurial management skills are major weaknesses of 'Bumiputera' (Malay Muslims). Small scale Malay business establishments and their management are the prime concern. Study have indicated that incompetent businesses are cause

by internal weakness among managers and the external influence involving economic, social and governmental policy (Hatten,1997).

Propagating Islamic business ethics through observing, promoting and practicing ‘*Aqli*’ and ‘*Naqli*’ are very much demanded in Islam. The term ‘*aqli*’ describes the physical forces of the mind (intelligence), capital, strength and vision in management. Whereas ‘*naqli*’ in managerial operation is the pursuant of divine directives by *Al Quran, Hadith and Ijtima’ Ulama*. Business organizations without proper management could lead to the collapse of that business and consequently it will lead to negative impact such as financial debt, social ills, family and economic problems (Muzammil Siddiqi, 2010).

The areas that manifest management problems in business are planning, organizing, leading and controlling the business (Henry Mintzberg, 1970). These four elements and principles of management have to be given a ‘refurbish’ by adopting Islamic business ethics. Many Malay Muslim businesses which comprises food stalls, restaurants, small & medium enterprises, hotels, transport, workshops and so forth started well but begins to show sign of declining in operation within a year and the surviving period can be seen within three years of business (Hatten, 1997). With the current global economic and financial turbulence brought an immense pressure to business managers with especially to newly established companies (Mohd Zulkifli Che Omar *et al*, 2015). A non-rational concept stemming from informal views, traditions and norms of behaviours by business managers could influence business survival (Greiner, 1983).

Pie-chart showing prominent small business in percentage run by Malays in Malaysia (N-300)



The above Pie-chart indicates the small business in Restaurants & Food stalls comprises 34.32% of the entire types of business. This is the most participated type of business and most popular among the Malays. This survey was conducted among three hundred Malay business respondents in the Klang Valley, Kuala Lumpur. The survey took into consideration of respondents' demographic background financial capital and business locality. This category of business were found to be easy to set up, minimal maintenance and with less risk.

Research however have discovered that 70% of this business ended up with failures rather than success due to weakness in management (Mohd Zulkifli Che Omar, *et al* 2015). Managerial behaviours that can be linked to business crisis have to be studied and this phenomenon normally brought negative impact to business activities. Perhaps by practicing Islamic business ethics in management is rather a pressing matter. Proactive action demands an alternative solution to overcome the problems.

Overcoming weaknesses in business management especially among the Malay Muslim population will be confined to areas of Ampang, Selangor. Record shows most Malay Muslim business activities in this area revolve around SME's activities such as running food stalls, restaurants and fast food, computer, motor mechanics, tailoring, constructions and so forth. Other aspect of business organizations run by them is hotel industry, mini markets and managing the Government Link Companies (GLC). Malay Muslim business establishments in Ampang comprise minor percentage of the involvement by Malays for the whole country. According to statistic taken in 2008, Malays and other 'Bumiputra' individual companies and trust agencies were only 21.9% compared to other ethnics and foreign owned firms, Edmund Terence Gomez *et al.*, (2013).

According to Mawdudi (1960), Islam provides guidelines in overcoming weakness in business management. Muslims are advised to pursue aspect of (*Khayr*) or goodness, (*birr*) or righteousness, (*qist*) or equity, (*adl*) or equilibrium/justice, (*haqq*) or truth/right, (*ma'ruf*) or known/approved and (*taqwa*) or piety. Thus this study will conduct in its findings on how Islamic business ethics in management could be an added value in Malay Muslims' business endeavour. There are many types of businesses operating in the Malaysian economic scenario; from small enterprises to huge industries. Other business entities include the service sector, health, transport and so forth. These businesses are either run by the private sectors or government agencies (Government Link Companies). Record on foreign investors that are actively involved in establishing their companies in this country such as oil & gas, supermarkets, furniture, properties and health services.

According to statistic taken in 2008, Malays and other 'Bumiputra' individual companies and trust agencies were only 21.9% compared to other ethnics and foreign owned firms (Edmund Terence Gomez, *et al*, 2013). Islam envisages the philosophical business ethics in everyday running of business organizations which encompasses the principle of 'tawheed' According to statistic taken in 2008, Malays and other 'Bumiputra' individual companies and trust agencies were only 21.9% compared to other ethnics and foreign owned firms (Edmund Terence Gomez, *et al*, 2013). The element has close interaction with human survival on this earth which stresses the aspect of religion, human life, and their way of thinking, preservation of assets and the caring of future generation.

Most of Malay Muslim businesses and establishments are managed through the conventional or western concept and few among them adopted the 'Shariah compliance' policy. Normally these few 'Shariah' compliance business companies belong to the various government agencies. However lately some private business organizations begin to adopt the 'shariah compliance' concept especially in the banking industry. The irony is that the assimilation of Islamic values and business principles which could be executed through these business organizations seldom being discussed in cases of business 'disaster'. Not even they were put forward as alternative solutions to the slowly degrading conventional business concept.

In Islam, the purpose of setting business should be initiated with an intention (*niat*). Therefore the intention (*niat*) will reveal the true purpose whether to follow the path of Islam in obtaining blessing (*barakhah*) from Allah SWT or purely for personal desires (*greed*). To that effect Islam encourages Muslims to embark on the principles of 'maqasid syariah'. This guideline requires the safeguarding of religion, encouraging moderation in business, save guarding assets and those elements involving self and family future needs. Benefits derive from business activities will be the Muslims responsibility to pay back to society and religion. Without holding to these Islamic principles will gradually results in business mismanagement and entrepreneurial failures.

Malaysia's natural resources, her national education policy and strong political background are the 'greatest gift' by Allah to the Malaysian 'ummah'. These factors are predominantly the basis of Malay Muslims success in the business sector and it is their responsibility to repay the blessing by mobilizing effort to sustain Islamic ethics in business management for global benefit. The habit of blaming others and bad faith on disastrous business undertakings are quite rampant. Failures in this context sometimes correlated with business greed, fraud, dishonest, injustice and so forth. Islam stresses the importance of Islamic values in business management and its implementation to ensure prosperity and wellbeing of the 'ummah'. Islam expressed the directives to mankind which can enlighten their way of life in order to obtain the main objective of 'divinely' ordain and worldly success, Mawdudi (1960). Thus Islam provides a sound and complete ethical system especially in business organization and its management the suitable choice whether to accept the true path to 'jannah' (*Firdausi*) or otherwise. In pursuing wealth and prosperity on this earth, Islam guarantees success through the concept of purity and divine solution to commercial problem. Such elements that stresses the importance of morality, (*akhlaq*), equality (*adl*), benevolence (*ehsan*), goodness (*khayr*), righteousness (*birr*), piety (*taqwa*), truth/right (*ma'ruf*) and justice/equilibrium (*haqq*), (Mawdudi, 1960). Thus this research stipulates on extending the findings that contribute to the negative impact and shortfalls; faces by managerial and commercial sectors on Malay Muslims in the country.

Humans could not control humans and their thinking characteristics are limited. The capability of giving opinion also limited. Therefore human thinking could also be a mistake (Pahrol Mohamad Juoi, 2010). In another words humans or mankind must return to the Islamic concept in overcoming business problems according to Al Quran and '*hadith*' Rasullullah s.a.w. The fact that Allah created humans with many imperfections, limitations, and shortfalls on this earth. Ismail R. Faruqi, (1982) revealed the concept of '*tawhid*' envisaged by Prophet Muhammad s.a.w. in freeing the Quraish tribes from darkness in the earlier Islamic era. Inspiring Islamic knowledge developed through embracing formal Quranic interpretations and '*sunnah*' Rasulullah Muhammad s.a.w. According to (Khaliq Ahmad, 2009), Islam professed the rule of Islamic laws (*shariah*) through several sources such as: The Al Qur'an: Allah's messages to mankind through Muhaamad s.a.w. (*by Gabriel*), the Sunnah (*hadith*): sayings and practices of Prophet Muhammad SAW, *Ijma'* Ulama (*fatwa*): consensus opinions of Islamic religious scholars and '*Qiyas*' or analogy in Islamic maxim

Weaknesses in Malay business management:

- **Poor cash management in business**

Most Malay Muslims entrepreneurs regard cash that is something to be spent lavishly. Perhaps cash is a tool to increase income and assets for the survival of the future business. It is common that most business capital derives from loans of financial institutions and seldom come from our own pockets. Hence the burden of loan payment lies within the capacity and business performance of that business organization. Therefore it is essential that managers of businesses should practice '*amanah*' in handling cash of their companies so much so that it would not result in misuse and exorbitant spending. Islam prohibits wastage and encourages careful administration of business capital as enshrine in the Al Quran and the '*hadith*'.

Spending cash unnecessarily from companies' coffer could erode business capital slowly and consequently owners would find difficulties in sustaining and maintaining the business itself. Cash is considered liquid asset and easily dispose or utilize compared to fix assets such as buildings, lands, stock/shares and so forth. Ready cash within business can easily facilitate buying more assets, paying salaries and settling debt without burdening oneself for further borrowings and engaging loans. Hence when owners of business organizations meet with a difficult situation of utilizing cash for companies' performance; then problems will arise and eventually comes a time of companies' closure or even owners faced with bankruptcy situation.

- **Negative attitude among Malay Muslim businessmen:**

It is imperative to know that Malays in business are not serious when comes to dealing with customers. Most premises do not give proper lip service to customers when compared to non-Muslims. Customers are normally attracted to genuine hospitality of proprietors and their kind attention when they enter their premises. They don't mind paying more for good lip services and will rather come to the same premises for the next visit. Any managers of business organizations for that matter require good public relation when dealing with clients, workers, society and financial institutions. This attitude will ensure prosperity for business and reflects strong commitment in managing towards business organizations.

- **Inefficient and ineffective planning and management.**

In planning the everyday running of business organizations, Malay Muslims tends to be complacent and taking things too easy. Business should start with proper schedule and daily

program well planned ahead of function. This will enable smooth flow of duties for workers and proper distribution of responsibilities in every unit existing in the business. The concept should adapt to all kinds of businesses from small enterprises to high risk and heavy industries. The 'guiding light' concerning business concept and business attitude enshrined in Al Quran and 'hadith' is yet to be practiced in a wider scope. Allah SWT has stated in Al Quran through Prophet Muhammad s.a.w the importance of its implementation to ensure prosperity and wellbeing of the 'ummah'. Allah had expressed the directives to mankind not to burden His 'ummah' but to enlighten their way of life. Thus Islam provides a sound and complete ethical system especially in business organization and its management

Conclusion

The overall solutions for small Malay traders in this country needs several aspects of paradigm shifts with elements encompassing Islamic ethics, strong financial assistance, positive cultural habits and proactive business norms. Governmental bodies, non-government organization business (NGO's) and the Malay society requires to work hand in hand for the benefits of Malays and Islam in general. Principles of Islamic ethics in business management, combined with an established management concept developed by the West; is the appropriate ingredients to ensure business survival among small Malay traders. More Malay business participants throughout the country should be encouraged to 'siphon' more business opportunities and do not feel complacent on what they had achieved so far. They should 'conspire' to grab every opportunity in commerce, established good contacts, groom future business generation and they should adhere to good principles of business ethics and business norms. Islam is persistent on philosophical application in business management that had been encouraged by the *shar'iat* to ensure smooth running of the organizations. Ethics in Islam is pragmatic; it puts great emphasis on managing the life of 'ummah', managing time and finances so that they may have a happy and prosperous life. Hence several indications of Islamic prudence by the laws of the Al Quran which prohibits or legalize Muslim businessmen from performing their business activities. The Malays in Malaysia should abide by the rule of Islam in order to succeed in conducting businesses. According to Dr. Muzammil Siddiqi in his research, "Business Ethics in Islam", in Islam mutual consent is necessary in business transaction. Prophet Muhammad SAW is reported to have said, "The sale is complete when the two parties involved depart with mutual consent" (Hadith; Al-Bukhari). Islam also stresses on rigidity with regard to weights and measures. The great Prophet Muhammad SAW also reported to have said, "When people cheat in weight and measures, their provision is cut off from them" (Hadith; Al-Muwatta). The Prophet also told the owners of measures and weights, "You have been entrusted with affairs over which some nations before you were destroyed" (Hadith; Al-Tirmidhi). The Prophet forbade monopolies. "Whoever monopolizes is a sinner" (Hadith; Abu Dawud). Free enterprise, the price of the commodities should not be fixed.

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