

## Summary Islamic Ethics in Business Management, Evidence in North Sumatra

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**Abstract—** *The Qur'an is a holy book revealed to Allah SWT that provides benefits for certainty and belief, written in the holy book from the beginning of Surah al-Fatihah to the end of Surah An-Naas (Mushaf Usmany), ordered to be delivered to his people, as a guide and the demands of life for mankind. The Qur'an not only encourages Muslims to trade, but also the Qur'an frames that trade is carried out by upholding moral values. Honesty, trust, sincerity and fairness are examples of trade ethics that will never rot with time. This paper focuses on the importance of ethics Islam in trading. By paying attention to about 100 objects of Muslim entrepreneurs in various business lines in North Sumatra, it is obtained several Islamic ethics in business management which tend to be often implemented including Unity, Equilibrium, Free Will, Responsibility and Benevolence.*

**Keywords:** Business Management, Islamic Ethics.

### 1. INTRODUCTION

To get a goal in doing business, many consider it no longer necessary to have ethics in business, however it can be done to make a profit. This is because many think that when using ethics, it will be difficult because it is related to behavior and morals which are feared to make it difficult for business actors. However, there are also many business actors who think that ethics is necessary. They believe that by using ethics in a business, they will get the true good for the company, workers and the surrounding community who are directly or indirectly consumers. People who play in the area of doubt may enter into unlawful acts. In the business category, halal and haram provisions still apply. Rafiq mentions halal and haram business areas [1]. This is because the goodness comes from getting the pleasure of Allah SWT. Basically, ethics is a commitment to do the right thing and stay away from what is not right.

In business ethics, it can be interpreted as a knowledge of how to regulate and manage a business by paying attention to the morals and norms that exist both universally, socially and in their application to get goals in business. In business, it is necessary to have *istiqamah* nature. *Istiqamah* is defined as determination, obedience or not changing. *Istiqamah* is standing before Allah or always being on the straight path by always practicing the truth and doing what is good in words, deeds, behavior, and intentions. In other words, do not deviate from the teachings of Allah SWT.[2] In doing business it is necessary to have business ethics to resolve when there are problems in the assessment of business activities and behavior this refers to the value of honesty in business.

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Received: 10 February 2022

Reviewed: 15 May 2022

Accepted: 20 June 2022

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Business ethics is a science in trading that must be known by traders, especially Muslim entrepreneurs, how are the procedures and rules in managing a business that still pays attention to the existence of morals and norms in obtaining profits in transactions to collect assets and fulfill the necessities of life. Wealth has no benefit in the sight of Allah, when you do not obey or even neglect your obligations from Allah's commands, this is because wealth is only a means of getting closer and achieving the pleasure of Allah in this world and the hereafter [3]. In the Qur'an, Islam also teaches that the market business runs fairly, well and does not harm others.

If you pay attention in the Qur'an, there are several verses that are very clear that Islam's attention to the market is quite large. In QS. Hud {11}: 84-85 for example,

أَوْفُوا الْمِكْيَالَ الْمِيزَانَ الْفَيْسُطَ لَا النَّاسَ أَشْيَاءَهُمْ لَا الْأَرْضِ

It was emphasized that economic activity in the market must be free from fraud in the form of fraud in the scales. The market must also stand on the principle of perfect competition without anyone's pressure, willingly voluntarily, no party feeling forced or deceived at a certain price level (QS. an-Nisaa' {4}: 29)

The Qur'anic verse above has explained that Allah SWT forbids Muslims or Muslim businessmen to enjoy their property in a vanity way. In the context of the verse above, something is called vanity in buying and selling if it is prohibited by syara. Trade is vanity if it contains elements of MAGHRIB which stands for *maisir*, *gharar*, *usury* and vanity [4]. More broadly, actions that violate the sharia texts are also seen as vanity, such as stealing, robbing, corruption and so on.

Meanwhile, the idea of Islamic business ethics in North Sumatra has begun to surface, especially Muslim entrepreneurs, this is due to the foundation that Islam is a perfect religion. Islam is a religion in which there is a collection and the existence of rules regarding the teachings of the doctrine and there are values in it that can lead mankind in living their lives to achieve the goal of happiness in life in this world and in the hereafter.

## 2. THEORITICAL REVIEW

### Performance

The origin of the word ethics from Ancient Greek is *ethikos* [5][6]. This word has many meanings such as customs, morals, habits, feelings, character, ways of thinking and attitudes. In the plural, it means custom. In this sense, it is the background for the formation of the term ethics. Aristotle already used the word ethics to denote moral philosophy (384-322) [7]. Ethics is a world of philosophy, morals, values, which means that ethics are abstract and deal with issues of good and bad [8]. Ethics (ethic) in English has four meanings, namely 1) Ethics is the principle/science of behavior and habits [9]. 2) ethics is a system of values and moral principles. 3) the word "ethics" is defined as the study of the general and specific nature of morals is the use of *mufrad* (singular). 4) ethics in singular and plural is a provision or measure that regulates the behavior of members in a profession. In the Big Indonesian Dictionary, ethics is explained by distinguishing three meanings: 1) Knowledge of what is good and what is bad and of moral rights and obligations (morals). 2) A collection of principles or values relating to morality. 3) Values about right and wrong held by a group or society [10].

Economic activity is called business. In this activity, it is common to exchange, produce, market, work and hire and buy and interact with fellow human beings with the aim of making a profit. Business activity is an economic activity that has been structured and organized so that it can make a profit. Brown and Petrello stated that business is an institution that produces goods and services needed by society. In simple terms, a business is an institution that produces goods and services to meet the needs of consumers/others

[11]. Bertens said that running a business is a social communication that can be beneficial for the parties involved in it. In this case, it means that seeking profit in business is not one-sided, but in the interaction between the owner of the company and employees, consumers, and business relations. Business ethics has been considered to have an important role to make the company gain profit in business. A successful company where they are still able to serve all parties in the business. Therefore, good business is a requirement of every company in building a successful and long-lasting business system.

In applying honesty and ethics will increase the value of business entities. The high level of business competition and critical consumers will demand customer satisfaction. Consumer satisfaction must be maintained. This is so that the company can be trusted and sustainable in the long term. In terms of intellectual and academic fields in the context of teaching and research in universities. But it must be noted, business ethics is the result of a long journey of ethics in business.

Bertens said that business ethics is the study of the moral aspects of economic and business activities. In business ethics can be divided and practiced in three levels. 1) At the macro level, ethics is talking about the whole business aspect, for example, about the issue of justice. 2) the meso (intermediate) level in this level of business ethics investigates ethical issues in the field of organization, for example labor unions, professional associations, and consumer institutions. 3) the micro level is the level that focuses on individuals in the relationship between business activities, for example the ethical responsibilities of employees, producers, managers, employers, and consumers. The Prophet Muhammad became an example as a trustworthy and honest trader who had been nurtured well since he was young. Prophet Muhammad always set an example of integrity and great responsibility when interacting with others [12].

Afzalur Rahman wrote:

*The secret of success in trading is being honest and fair in dealing with traders. By adhering to this principle, the Prophet had set an example of the best way to become a successful trader. Before marrying Khadijah, the Prophet had traded as Khadijah's agent to Syria, Jerusalem, Yemen and other places. In these trades the Prophet gained more than expected. Not a penny was embezzled and not a penny was lost by the Prophet. Many agents have been hired. Khadija was before the Prophet, but no one worked more satisfactorily than the Prophet. The woman delights in honesty, integrity, good attitude and ability to trade the Prophet so that these qualities create a sense of love and compassion in Khadijah. Here. The Prophet has shown how by sticking to the truth, honesty and trustworthiness-prosperity in commerce will be realized [13].*

Business ethics is a branch of ethics that has rules and principles in a commercial context, both ethical and moral. The subject of discussion here is business management and the obligations that apply to anyone involved in the business. Business ethics is a set of values about right, wrong, good, and bad in running the business world based on moral principles.

Another meaning says that business principles and norms must be committed in behaving, transacting, and relating this is aimed at saving the business. Another thing also means that there are thoughts of morality in business and economics which are about bad, commendable, good, wrong, and right, reasonable, and appropriate from human actors in doing business [14]. In determining ethical standards required normative discipline. Which then to be applied as signs in running a business. Ethics has been regulated in the Qur'an and the teachings of the Prophet which have explained more broadly and comprehensively which explains that Islam has emphasized obedience to morals, ethics, and morality from the faithful joints of human life such as business ethics. Dr. Syahata said that Islamic business ethics has a substantial function that equips businesspeople with the following points [15]: 1) Building an Islamic code of ethics that regulates, develops, and implants

business methods within the framework of religious teachings. This code of ethics is also a symbol of direction to protect businesspeople from risk. 2) This code can be a legal basis in determining the responsibilities of businesspeople, especially for themselves, between the business community, society, and above all the responsibility before Allah SWT. 3) This code of ethics is perceived as a legal document that can solve problems that arise, rather than having to be submitted to the judiciary. 4) A code of ethics can contribute to solving many problems that occur between businesspeople and the communities where they work. A thing that can build brotherhood (*ukhuwah*) and cooperation between all of them.

### 3. RESEARCH METHODS

This study was conducted using descriptive and qualitative methods approach. Descriptive study aims to explain how to do business using Islamic business ethics. The qualitative method was chosen because the findings in the field were obtained to find out how strong the influence of Islamic business ethics carried out by Muslim entrepreneurs in running their business, especially Muslim entrepreneurs in North Sumatra.

The qualitative method is Any investigation which does not make use of statistical procedures is called “qualitative” nowadays, as if this were a quality label in itself [16]. This method emphasizes the process of observing the researched or phenomena. In addition, it also focuses more on the substance of the meaning of what is being studied. In the sharpness and deepening of the analysis, it is strongly influenced by the strength of the sentences used. So, the focus in qualitative methods is on the process and the meaning of the results. Qualitative research methods are focused on human elements, objects and institutions and human interactions, in the sense that what is researched is elements to understand human behavior [17]. In this case, the researcher uses a qualitative method by going directly to the field using observation with an interview mechanism and direct discussion with businesspeople. then process the data obtained to be processed by strengthening sentences or words according to the data obtained in the field.

### 4. RESULTS AND DISCUSSION

The following are the results of the findings in the field using the media of interviews and discussions with businesspeople, especially Muslim entrepreneurs in North Sumatra.

#### **Basic Principles of Islamic Ethics and Its Practice in Business in North Sumatra**

Every society that tries to maintain life will need a system that can regulate how humans interact well. A system that is regulated to limit the interaction between humans that can make people respect each other and have manners and manners is what is called ethics. Economic conditions are no less bleak. Where the weak community groups experience misery, the economic structure collapses and then comes the oligarchic system in trade. This has resulted in orphans, the poor and widows experiencing extraordinary suffering. In addition, male and female slaves were forced to work without being paid wages and even worse, female slaves were forced to serve their masters, slavery occurred in the outskirts of this area which made them have no dignity as human beings [18].

North Sumatra province is a form of territory that has various ethnicities and various religions. The people of North Sumatra uphold ethics in carrying out their daily lives. Likewise in doing business, people put the principles of business ethics first. Especially businesspeople who are Muslim, they run their business or business by prioritizing the principles of Islamic business ethics. This is what makes Muslim entrepreneurs continue to run businesses so that they can last a long time. The five principles that underlie Islamic ethics as a paradigm in building a business are [19]:

## 1) Unity.

Muslim entrepreneurs in North Sumatra prioritize unity which reflected the concept of monotheism which combines all aspects of life, whether economic, social, political, cultural, into one homogeneous, consistent, and orderly unit. The existence of a vertical dimension (humans with their creator) and horizontal (fellow humans) that have the nature of coordination [20][21]. Yusuf Qardawi explained that *muamalat* is a human affair. When there is a group of people in one area, they must interact with each other in terms of buying and selling, lending, and borrowing, renting or in terms of being consistent or inconsistent.

Sharia exists to foster, improve, establish rules, and straighten and explain the intent, explain the conditions, preserve what is right and in accordance with it and delete what is contradictory [22]. The practice in business in North Sumatra Muslim entrepreneurs: a). There is no discrimination against workers, sellers, buyers, and other work partners (Qur'an 49:13). b). Forced or forced to obey Allah SWT (Qur'an 6:163). c). Leaving unethical actions and encouraging each individual to be trustworthy because existing wealth is a trust from Allah (Qur'an 18:46).

## 2) Equilibrium.

In doing business, Muslim entrepreneurs in North Sumatra always present balance, togetherness, and moderation, which are ethical principles that must be applied in business activities and entities. (QS. 2:195; QS. 25:67-68, 72-73; QS.17:35; QS. 54:49; QS. 25:67). By applying a sense of balance in business, humans will become totally aware and realize that the success of a business and being successful in it is basically a trial and a test from Allah SWT. Honesty is an act to get closer to Allah SWT. Then the closer you get to and love God, the more you will feel the test. [23] The practice in business in North Sumatra Muslim entrepreneurs: a). There is no cheating in measuring and weighing. b). Pricing is based on normal market mechanisms.

## 3) Free Will.

Freedom here is the freedom to choose or act according to ethics or vice versa: "And say (Muhammad) the truth comes from your Lord, whoever wills (believes) let him believe and whoever wants (disbeliever) let him disbelieve" (Surah 18: 29). Businesspeople in North Sumatra, they realize that if someone becomes a Muslim then he must submit his will to Allah. Furthermore, time is the main human capital. When time is not used with positive activities, then time will be lost and will just run. Therefore, not only do you not get the initial capital profit, but you will also run out. Sayyidina Ali said that when sustenance is not available today, then you can still hope for more tomorrow, but time has passed so it is impossible to hope for tomorrow [24].

The practice in business in North Sumatra Muslim entrepreneurs: a). The concept of freedom in Islam is more directed at cooperation, not competition let alone to kill each other's business. Even if there is competition in business, it means competition in doing good or *fastabiq al-khairat* (competing in virtue). b). Keeping contracts, both business cooperation contracts and employment contracts with workers. "O you who believe, fulfill your promises" (Quran 5:1).

## 4) Responsibility

It is a form of accountability for every action. The principle of accountability according to Sayid Qutb is a balanced responsibility in all its forms and scopes, between body and soul, between people and families, between individuals and society and between one society and another. When the rules of business with Allah are followed, then, God willing, Muslim businessmen will not only be successful in

this world but will also be successful in the hereafter. The Qur'an explains with the word *al-muflihin* (falah people) [25] namely obtaining a perfect happiness. Not only abundant wealth but also can empower other humans.

The responsibility given by the business owner is also shown to the employees in the company. This is in line with what Sonny often said, there are employee rights that need to be considered: a). The right to work were respect for human dignity and worth. b). Regarding the giving of a fair wage, the meaning of a fair wage is a decent wage for a more decent life. c). The right to form associations, this right is important because employees are always in a weak position, so it is necessary to have a union for strength in fighting for employee rights. d) the right to health and security protection [26].

The practice in business in North Sumatra Muslim entrepreneurs: a). Wages must be adjusted to the UMR (regional minimum wage). b). The economic return for lenders must be calculated based on the gain from profits whose amount cannot be ascertained and cannot be determined in advance as in the interest system. c). Islam forbids all allegorical transactions such as *gharar*, bondage systems, and so on.

##### 5) Benevolence

Truth here also includes virtue and honesty. The meaning of truth is the right intention, attitude, and behavior in carrying out various processes, be it the transaction process, the process of obtaining commodities, the product development process, and the profit-making process. In obtaining fortune, it turns out that the Qur'an provides a broad perspective meaning. Amiur Nuruddin said that fortune is physical material that is used to maintain life. While the inner fortune is spiritual which means everything that is useful for the human mind. In terms of knowledge, skills, strength, tenacity, guidance and *taufiq*, belief and faith. In this case that material physical fortune that is mental and spiritual in nature is needed to maintain human life, its essence is fortune given by Allah, the all-given sustenance (al-Razzaq) [27].

On the one hand, humans are servants and on the other hand they are caliphs. Humans as servants have many limitations. Whereas when humans as *caliphs*' humans have freedom. So, these two functions cannot be confronted and cannot be separated. Humanity will be intact when humans manage to balance the two. If the two are separated, humans will experience mental illness and their personality will be divided, anxiety, boredom, and deviant behavior [28].

In applying the attitude of truth in business, Muslim entrepreneurs in North Sumatra continue to carry out the attitudes that have been regulated in Islam and they continue to carry out habits such as: a). Give zakat and alms. b). Give time slack to the debtor and if necessary, reduce the debt burden. c). Accept returns of goods that have been purchased. d). Paying debts before collection comes. e). There is a voluntary attitude between the two parties who make transactions, cooperation, or business agreements. f). There is a friendly, tolerant attitude, both in selling, buying, and collecting debts. g). Honest in every business transaction process. h). Fulfill business agreements or transactions.

## 5. CONCLUSIONS

Business Ethics in Islam is a normative discipline, where certain ethical standards are formulated and then applied which become norms or ethics are also regulated in the Qur'an and the teachings of the Prophet in running a business or business. The effort to realize business ethics to build an Islamic business order is a reconstruction of a new awareness about business. Business, whether as an activity carried out by individuals, organizations,

or companies, is not purely mundane. However, as an activity that is both material and immaterial. A business is valuable, if it fulfils material and spiritual needs in a balanced way, does not contain falsehood, damage and injustice. However, it contains the values of unity, balance, free will, responsibility, truth, virtue, and honesty. So with the three basic principles of business mall practice above, it can be used as a benchmark whether a business is included in an area that is contrary to business ethics or not.

The thought of Islamic business ethics comes to the fore, on the basis that Islam is a perfect religion. It is a collection of rules, teachings, doctrines, and values that can lead humans in their lives to the goal of happiness in life in this world and in the hereafter. In the development of business in North Sumatra, Muslim entrepreneurs have carried out many business activities in accordance with business ethics taught in Islam. This is done to maintain the welfare of businesspeople, workers and consumers. In addition, to seek the pleasure of Allah SWT.

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