A Literature Review on the Effects of Islam on Entrepreneurship in Muslim Countries; With Focus on Iran

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I. INTRODUCTION

Consider the developed countries; one sees so much wealth, so much beauty, high ways that are landscaped, and so many extra ordinary developments. This is something people see everywhere in developed economies. However, this is something not seen in most other places. There are about six billion people in the world. One billion people come from developed countries like North America, Western Europe, Japan, and perhaps four other Asian “tiger s.” But the majority of people are not in that situation. The other five billion come from what is typically called the developing world, or the Third World, and the former Soviet Union countries.

Until a few years ago, most of these countries were really following other systems rather than the capitalist system. That has all changed since the fall of the Berlin Wall. Even Deng Xiaoping in 1978 started marching in a different direction in China when he said, “It doesn’t matter what color a cat is, as long as it catches mice.” In the developing world, we’ve all been trying to get our macroeconomic systems in place, we’ve all been making sure that we have fiscal balance, and we’ve all been making sure that we don’t issue too much currency. We are all trying to get our account balances in order, especially since the fall of the Berlin Wall (De Soto, 2006). Entrepreneurship is a factor that can change the economic equations of any country. And can engage lots of people as employee or self employed. Islam is one of the religions that try to encourage people to be entrepreneur.

This paper first defines the general entrepreneurship from different definitions and Schumpeter’s View of Entrepreneurship then defines entrepreneurs and their common characteristics too. Then will have a brief comparative study on Entrepreneurship vs. Small Business. Later focuses on entrepreneurship in Islam and its relevant topics.

II. DEFINITION OF ENTREPRENEURSHIP

Bob Reiss, successful entrepreneur and author of Low-Risk, High-Reward: Starting and Growing Your Small Business With Minimal Risk, says: "Entrepreneurship is the recognition and pursuit of opportunity without regard to the resources you currently control, with confidence that you can succeed, with the flexibility to change course as necessary, and with the will to rebound from setbacks" (Hupalo, 2007).

Linda Pinson, author of much of the SBA’s material about writing a business plan and creator of business-plan.com says: "I have always thought of an entrepreneur as a person who starts a business to follow a vision, to make money, and to be the master of his/her own soul (both financially and spiritually). Inherent in the venture is the risk of what the future may bring. Therefore, I believe that an essential key to success is that the entrepreneur also be an "educated" risk taker.... "

The concept of entrepreneurship has a wide range of meanings. On the one extreme an entrepreneur is a person of very high aptitude who pioneers change, possessing characteristics found in only a very small fraction of the population. On the other extreme of
definitions, anyone who wants to work for himself or herself is considered to be an entrepreneur (Hupalo, 2007).

Another definition of entrepreneurship is the assumption of risk and responsibility in designing and implementing a business strategy or starting a business (Investor words, 2006).

According to business dictionary, entrepreneurship is the capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward. In economics, entrepreneurship is regarded as a factor of production together with land, labor, natural resources, and capital. Entrepreneurial spirit is characterized by innovation and risk-taking, and an essential component of a nation’s ability to succeed in an ever-changing and more competitive global marketplace (business dictionary, 2009).

III. SCHUMPERTER’S VIEW OF ENTREPRENEURSHIP

Austrian economist Joseph Schumpeter’s definition of entrepreneurship placed an emphasis on innovation, such as:

- new products
- new production methods
- new markets
- new forms of organization

Wealth is created when such innovation results in new demand. From this viewpoint, one can define the function of the entrepreneur as one of combining various input factors in an innovative manner to generate value to the customer with the hope that this value will exceed the cost of the input factors, thus generating superior returns that result in the creation of wealth (entrepreneurship, 2007).

IV. DEFINITION AND CHARACTERISTICS OF AN ENTREPRENEUR

An entrepreneur: somebody who sets up a business or enterprise. Or an entrepreneur typically demonstrates effective application of a number of enterprising attributes, such as creativity, initiative, risk taking, problem solving ability, and autonomy, and will often risk his or her own capital to establish a business (BNET, 2006).

The word entrepreneur originates from the French word, entrepreneur, which means “to undertake.” The Merriam-Webster Dictionary presents the definition of an entrepreneur as one who organizes, manages, and assumes the risks of a business or enterprise (entrepreneurship, 2007).

V. WIKI DICTIONARY DEFINITION FOR: ENTREPRENEUR

- A person who takes the risk of turning an opportunity into profit.
- A person who takes the risk of managing and operating a business or businesses; term often used: “a.” for one who does this for one or more businesses that he or she entirely or largely helps to create; “b.” for one who takes on ownership, or significant ownership, of one or more business franchises.
- A person who creates one or more new nonprofit organizations, or one or more units of such organizations, and often has a key part in managing and operating the new entity or entities. Such a person is sometimes referred to as a “nonprofit entrepreneur” or “not-for-profit entrepreneur”, and occasionally as a “public entrepreneur”.
- A person who is talented or prolific at developing new programs inside existing organizations (BNET, 2006).

VI. CHARACTERISTICS OF AN ENTREPRENEUR

The Department of Labor predicts that the employer in 2010 will be “self.” An Internet poll of 25-44 year olds revealed that 90% of them hoped to own their own businesses. A survey conducted by Ernst & Young found that 75% of influential Americans believe that entrepreneurship will be the defining trend of the 21st century. Some of the factors that have attributed to the rise of the modern day entrepreneurial spirit are access to technology, a global economy and corporate stagnation. Some of common characteristics of entrepreneurs are: (Casto, 2008).

- Responsible
- Hard Worker
- Risk Taker
- Creative
- Flexible
- Follows through with ideas
- Personable
- Optimistic
- Perceptive
- Self-confident
- Determined
- High degree of energy
- Innovative
- Independent
- Ability to anticipate needs
- Effective communicator
- Responsive to criticism
- Able to take the lead
- Learn from mistakes
- Self-directed
VII. Entrepreneurship VS. Small Business

Many people use the terms "entrepreneur" and "small business owner" synonymously. While they may have much in common, there are significant differences between the entrepreneurial venture and the small business. Entrepreneurial ventures differ from small businesses in these ways:

1. Amount of wealth creation - rather than simply generating an income stream that replaces traditional employment, a successful entrepreneurial venture creates substantial wealth, typically in excess of several million dollars of profit.
2. Speed of wealth creation - while a successful small business can generate several million dollars of profit over a lifetime, entrepreneurial wealth creation often is rapid; for example, within 5 years.
3. Risk - the risk of an entrepreneurial venture must be high; otherwise, with the incentive of sure profits many entrepreneurs would be pursuing the idea and the opportunity no longer would exist.
4. Innovation - entrepreneurship often involves substantial innovation beyond what a small business might exhibit. This innovation gives the venture the competitive advantage that results in wealth creation. The innovation may be in the product or service itself, or in the business processes used to deliver it (entrepreneurship, 2007).

VIII. Islam and Entrepreneurship

Islam, currently the world’s second largest religion (Hill, 2008), is described in the Qur’an as the submission to the will of Allah or God (Cullen and Parboteeah, 2008). The origins of Islam can be traced back to the Prophet Muhammad who is seen as the ‘final agent of God’s revelation (Ludwig, 2001: 428).

We propose that Islam views extrinsic aspects of work positively. It is clear that the Islamic work ethic argues that engagement in economic activities is an obligation (Yousef, 2000). Work is thus the source of independence and the means to achieve a fulfilled life. The Qur’an speaks in favor of free trade and legitimate profit so long as it is consistent with Islamic ethics and does not exploit others (Ludwig, 2001). In fact, Islam encourages prosperity through the appropriate use of the resources given by God. Such resources are seen as important to provide for basic survival and physical needs as well as accumulation of wealth (Kriger and Seng, 2005). As such, it is clear that those employees believing in Islam are likely to pursue extrinsic work values as such values are consistent with Islamic teachings. We thus expect that Islamic employees will also view the extrinsic aspect of their work positively as for ‘Muslims, economic life is thus seen as a means to a spiritual end, where prosperity means the living of a virtuous life’ (Kriger and Seng, 2005: 777).

Islamic teachings also suggest a positive relationship between Islam and intrinsic work values. As Islamic adherents approach work, they are likely to view the intrinsic aspects of work (i.e. having an interesting job or a job useful to society, etc.) positively, as ‘work is considered to be a source of independence and a means of fostering personal growth, self-respect, satisfaction, and self-fulfillment’ (Yousef, 2000: 515). Thus the Islamic work ethic encourages adherents to view the intrinsic aspects of work positively. As mentioned earlier, intrinsic aspects relate to openness to change and the pursuit of initial and creativity at work. The Islamic work ethic clearly emphasizes creative work as an important source of accomplishment (Yousef, 2001: Parboteeh, 2009, p.57).

The pursuit of wealth must accompanied by intention, means, management and usage as stipulated by Islam. Entrepreneurship and entrepreneurs have a special place in Islam. The call for Muslim to be in business is complete. Figure 1 summarizes the entire spectrum. Islam propagates business activities; provide the infrastructure; outlines the rules and procedures; and God promises rewards. To complete the model, Islamic history features role models for Muslim to emulate. The Quran and Hadiths provide ample support for the model.

IX. Iran and Entrepreneurship

In Iran some policies have been formulated to support entrepreneurial activities such as:

1. Entrepreneurship education for all ages
2. Different loans for entrepreneurship in different fields
3. Facilitating those who start a new business
4. Some structural changes in government to support entrepreneurs easily
5. Fostering entrepreneurial culture

Important Educational Institutions In Iran For Entrepreneurship

1. Deputy of Planning and Strategic Supervision
2. Parliament
3. High schools
4. Ministry of education
5. Technical and occupational centers
6. Jahade daneshgahi
7. Entrepreneurship faculties and departments
8. Karad (Entrepreneurship education in universities)
9. Scientific parks & Incubators
10. Other universities
11. Scientific parks & Incubators
12. GEM in Iran
X. CHALLENGES FOR ENTREPRENEURSHIP IN IRAN

Some challenges for entrepreneurship in Iranian universities according to the study of Rahmati and others, 2010 are:

- Respecting efficiency rather than effectiveness in evaluating adopted policies
- Non considering the execution and evaluation in policy formation step
- The weakness in policy evaluation system due to the lack of exact and comprehensive statistics and information
- The lack of proper policies in selecting and utilizing education policies appropriate with current national conditions
- The lack of an assigned organization in the field of policymaking and non accompanying it by other institutions
- The weakness of education policies in considering specialized educations and emphasis on general entrepreneurship education
- The lack of a certain policy on defined indicators for various dimensions of entrepreneurship education
- The lack of manpower with knowledge, experience and skill in entrepreneurship and policymaking for entrepreneurship education
- Focus and non assigning necessary authorities to institutions and provinces in executing policies
- Instability in adopted of policies
- Non executing devised policies (Rahmati and et al, 2010).

Posession Of Wealth Is Allowed Based On The Following Principles

The standard definition of money in contemporary economy is a commodity that is generally accepted as a medium of exchange. However, this definition is only partly accepted from the Islamic economic concept. Islam acknowledged the fact that money is a medium of exchange, hence should functions as a measure of value. Yet, Islam strongly dismissed that money is a commodity by itself (Ismail, 2006, p.9).

- Allah , Subhanahu wa ta’ala s.w.t is the absolute owner of wealth
- Allah created wealth in abundance and sufficient for all
- Wealth is created for mankind
- Wealth is entrusted to mankind

XI. SUCCESS FORMULA BY AL-QURTUBI

What motivates Muslim entrepreneurs? Success, however, the meaning of success and the entrepreneur’s journey towards success is unique. Hamat (1992) explained that success as mentioned in the al-Quran is associated with words like falaha, aflaha and the verbs faza fauzan. Wherever those verbs are found in the Quran, the will always be conditions and relationships with other factors that may lead to success or failure (Radiniz, 2007).

- Halal – livelihood that are in accordance to what is being outlined by Allah SWT and syariah.
- Qanaah – be pleased and thankful with one’s earning
- Taufiq-Asking for the blessing of Allah in proportion to one’s expectation
- Sa’adah-Spiritual happiness
- Jannah – Worldly success should act as the bridge to the ultimate success in the life hereafter (paradise).

Success therefore encompasses both the worldly and the hereafter. Mufith may also be interpreted as success. It means to achieve what is desired; happiness in both worlds; prosperity; free from worries, difficulties, or mental anguish. (See interpretation of ayat 104: al-Imran). The paradox of success also offered. Usually, success is akin to ‘receiving’ (attaining), but Islam also propagates ‘giving’ as a rightful pair to the term success. (See interpretation of ayat 130: al-Imran). Imam Al Ghazali in his book Minhaj ‘Abidin, outlined seven steps for success (Radiniz, 2007):

- Knowledge and gnosis (ma’rifat) stage;
- Repentance (taubat) stage;
- Temptation stage;
- Obstacles stage;
- Motivation stage;
- Imperfections stage; and
- Praise and thankful (syukur) stage.

XII. ISLAMIC ENTREPRENEURSHIP

The Islamic society has witnessed vigorous economic activity since the Prophet (PBUH) first came to Medina. To this agrarian community was added a group of experienced traders from Mecca, a great center of inter-regional trade. Monetization came early, and the ban on unequal exchange of similar fungibles seems to have facilitated the process. Muslims started with Byzantine gold dinars and Persian silver dirham, but early on they began to mint their own coins. The state had a monopoly on coinage, and any tampering with their weight or purity was severely punished (Ismail, 2006, p.2).

Besides being holistic in approach, Islamic entrepreneurship dictates that the individual must first be a religious person, then a practitioner (religious
person who also practice what he learn). The benevolent person (insan berhsan) submits only to the Almighty. Through his/her vocation the person is expected to perform his/her duties as an ibadah and entrusted with the role of a responsible leader (khalifah) (Radiniz, 2007).

The concept of entrepreneurship in Islam also bases on co-operation, generosity and benevolence. That is why Islam really encourages 'uqud al-tabarruat or unilateral contract such as loan (af-Qard) in order to promote cooperation and inculcate sense of brotherhood amongst Muslims. At the same time Islam extremely prohibited monopoly, exploitation, fraud or usurious transactions. In other word, every entrepreneur should always preserve the good deeds and avoiding the evil such as being honest, fair, and accurate in every transaction (Ismail, 2006, pp.12-13).

Islamic Entrepreneurship Focus on Eight Principles of Thoughts

1. Entrepreneurship is an integral part of Islamic religion.
2. By virtue of human nature, the Moslem entrepreneurs are ‘khalifah’ and have the responsibilities developed prosperity and sees business as part of ibadah or good deed.
3. Motivation – success in Islam is not merely measured by the end result but also the way and means of achieving them.
4. Ibadah – business activity is part of ibadah or “good deed”
5. Position of Entrepreneurship and business in Islam - Islam encouraged its ummah to venture into business. Prophet Muhammad S.A.W expounded that 9 out 10 source of rizque (reski) can be found in business.
6. Islamic Economic System - Islamic Entrepreneurship should operate within the domain of Islamic Economic system and act as the vehicle towards global acceptance of Islamic Economic System.
7. Guiding Principles of Islamic Entrepreneurship is by the al-Quran and al-Hadith
8. Entrepreneurial Ethics based on exemplary conducts of Prophet Muhammad S.A.W (Radiniz, 2007)

XIII. Islamic Entrepreneurship as Integral Part of the Religion

Islam is a complete way of life. There is no separation between business and religion. Islam has its own entrepreneurship culture and guiding principles based on the Al-Quran and Hadith to guide business operation. By virtue of the human nature, the person must firstly be a Muslim, then an entrepreneur. He has the responsibility to perform ‘ibadah’ and be a ‘khalifah’. Muslim entrepreneur should search for God’s blessings above all other factors. Muslim entrepreneurs perform business not solely for profit, but above all, to fulfill the ‘fardhu kifayah’.

Muslim Entrepreneurship Ethics

- To prevent laziness – entrepreneurship requires hard work
- To eradicate fear – risk taking is necessary
- To search for legitimate ventures
- To avoid forbidden sources of income and property
- To show gratitude and thankfulness of whatever has been acquired
- To grow and develop capital and profit
- To diversify business ventures
- To avoid greediness

XIV. THE ETHICAL BEHAVIOR OF MUSLIM ENTREPRENEURSHIP

- To avoid malicious behavior
- To avoid squandering
- To avoid stinginess
- To pay alms (zakat)
- Trustworthy
- To pray consistently
- Tawakkal
- Patience
- Qan‘ah

XV. EXEMPLARY FOR GOOD MUSLIM ENTREPRENEURS IN ISLAM

- Business is secondary when being called for other form of crusade
- Avoid using influence for self interest
- Afraid of accumulated wealth
- Leadership qualities in all aspects
- Practice moderate way of life

XVI. DISCUSSIONS AND CONCLUSIONS

Entrepreneurs have to have objectives and targets but these are subservient to the ultimate objective of acquiring the blessing of Allah s.w.t. In Islam, to indulge in business is to perform an obligatory duty (fardhu kifayah); unless and until there is an entrepreneur in a community, the entire community is deemed to be sinful! That’s how seriously Islam perceives and encourages entrepreneurship. Profits are merely incidental in the fulfillment of the fardhu kifayah. But that does not imply weakened profit motivating among practitioners. Profits are encouraged in order to prosper the community through donations, taxes, zakah, sadaqah, tithes and the like. With ubudiah (state of servitude before god) and tauhid (oneness of God), risk taking becomes a guided Endeavour; regardless of the
outcome the entrepreneurial Muslim will always be humble and redha (contented with what god has given) (Radiniz, 2007). In contrast to the Western concept of the Economic Man, Islamic entrepreneurship propagates the concept of the Islamic Man. Some summarized characteristics are:

- Most entrepreneurs have the desire to achieve successful business venture.
- The successful path and means for achieving success for Muslim entrepreneurs are unique.
- Success in Islam is not merely measured by the end result, but also the means and ways of achieving them.
- Entrepreneurship is the symbol of business steadfastness and achievement. Entrepreneurial revolution is critical to economic growth. Entrepreneurship may affect our future in many ways:
  - Innovative creation of opportunity
  - Example: Portable phones linked to faxes and laptop will turn cars, train, and airport terminal into offices.
  - Entrepreneurship not only affect our lives through innovation but represent the working future for many of us due to lays off by large organization and shrinking of job opportunities for graduates.
  - Entrepreneurship is synonymous to creation of new venture and small businesses. SMIs have been important contributors to local economic growth (Mohd Jan &Alias, 2009)

Muslims should note that it's time to build on their self-confidence as they have shown the world that their financial and other relevant Islamic systems they have, can withstand the recent financial turmoil. So one way to improve one's self-confidence is to study their strengths and weaknesses and to be surrounded with honest and positive people,"

Some suggestions for enhancing entrepreneurship in Iran are

Some suggestions in Iran for enhancing entrepreneurship according to the study of Rahmati and others, 2010 are mentioned below:

- Forming proper policies to organize entrepreneurship coaches and teachers
- Emphasizing on knowledge and experience in policies to employ education courses personnel
- Respecting and emphasizing on execution and evaluation the policies during development
- Selecting a policymaking institution as the main custody of policymaking in entrepreneurship education
- Establishing a central headquarters to harmonize entrepreneurship centers
- Fascinating policymakers to the position and importance of entrepreneurship in social growth and development
- Attracting policymakers to the systemic relationship between entrepreneurship and other needed supports for entrepreneurship
- Respecting culture – building, awareness and propaganda to execute adopted policies
- Forming measuring policies for learners and audiences of courses and adjusting the courses in terms of competencies and capabilities of learners
- Forming the national document of entrepreneurship education policies
- Forming policies to support graduates
- Designing a system to evaluate the effectiveness of entrepreneurship education
- Designing incentive mechanisms for job creation as an effective entrepreneurship education criterion
- Determining the exact role and position of each institution in policymaking process for entrepreneurship education
- Forming administrative rules to develop entrepreneurship culture for all people along with provided educations
- Reforming baking – official rule to promote and enhance trained entrepreneurs
- Emphasizing on process – orientation in policymaking system for entrepreneurship education
- forming a policy to integrate policies and localize entrepreneurship education materials
- Learners’ and graduates’ polling as a tool for effective policy evaluation
- Designing a local entrepreneurship education paradigm by considering national Thematic segregation of policymaking institutions and determining the role of each institution in terms of a special title
- Governance in policymaking by government and assigning it to local and private sectors
- Policymaking to train entrepreneurship since childhood in families, media and journals
- requirements and circumstances
- Respecting the evaluation of adopted policies in the light of an effective education evaluation system (Rahmati and et al, 2010).

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