Entrepreneurs’ Social Responsibilities From Islamic Perspective: A Study Of Muslim Entrepreneurs In Malaysia

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Abstract

The success of an entrepreneur from an Islamic perspective is not only measured in terms of material success. This is because human needs are not subjected just to the property they own, but encompasses all aspects required by the maqasid al-Shariah - namely religion, intelligence, life, honor as well as physical property. Therefore, an assessment of whether the entrepreneur succeeds or fail is based on the concept of maqasid al-Shariah. This study aims to examine the social responsibility of a Muslim entrepreneur in Malaysia in fulfilling maqasid al-Shariah aspects with regards to their responsibilities to family members, the poor as well as their responsibility towards the Muslim community by providing employment opportunities to society, doing business in accordance with Islamic law and create an economic system based on Islamic’s sharia. This study will focus on the relationship between the achievement of Muslim entrepreneurs in Malaysia and their social responsibility by using Pearson’s correlation test. The study found a significant relationship between the achievement of Muslim entrepreneurs in Malaysia with social responsibility undertaken by them.

1. Introduction

Social responsibility from the western’s perspective refers to an organization's responsibility to maintain and improve the livelihood of the organization’s aligned with their own. According to Keith Davis (1975) and Robert L. Bloomstrom (2002), social responsibility is a mean to increase social welfare. Stephen P Robbins (2002) and Rusinal (1999) view social responsibility as an obligation of a business firm to achieve its long-term goal, and have a positive impact on society as a whole, while at the same time reducing the negative impact on them. Keith Davis and (1979) Robert L. Bloomstrom (2002) considers the scope of responsibility to include the whole community and not just
narrowed down to certain parties only. Its role is to improve the livelihood and yet preserve all their interests. This will result in a better quality of life whilst harmonizing the activities of the organization in line with the society.

From the Islamic perspective, social responsibility is very much similar to the takaful concept that emphasizes on the community’s benefits of which is built and based on relationship characteristics. The benefit gained from these is intended to fulfill the maqasid al-Shari'ah mandates of religion, intelligence, life, honor and dignity as well as property. The term takaful – as written by Muhammad Jamaluddin Mahmud (1992) states that takaful is providing sincere assistance from the rich to the poor, from of a cluster of strong to weak groups, from people who have knowledge to the ignorant. They don’t expect anything in return, but they would like to see progress and change in society. Furthermore, in Islam, takaful is about implementing the teachings found in the allocation of the Quran or the hadith without expecting anything in return. Apart from the Islamic perspective, a Muslim should fulfill the five basic elements known as maqasid al-Shariah. Based on the requirements mentioned, Islamic’s concept of social responsibility is to realize the needs of the community in terms of religion, intelligence, life, honor and dignity as well as property (Hailani Muji Tahir:2000).

According to Abdul Rahman Rosbi (2010), social responsibilities towards Islam includes being obligated to pay Zakat, helping the less fortunate and doing business in accordance with Islamic law; whilst social responsibilities of the mind is the need to love - they will only have a healthy mind and senses if they are to interact with family members and the community. Without common sense, an entrepreneur will not be able to conduct their business wisely, but instead encourage them to revert to violence, terrorism. These loss of respect and love ultimately defers them from fulfilling their social responsibility. Social responsibility towards their own life, on the other hand is to satisfy the needs and safety of self, family and society based on Islamic economic system. An entrepreneur need to realize that all these responsibilities are for the welfare of all and does nothing that would jeopardize himself and society. Social responsibility of an entrepreneur to maintain his dignity respect would then be reflected if the dignity and the descendants of other Muslim entrepreneurs’ are reserved. To be able to execute these social responsibilities would then enable them to honor themselves and be recognized by family and society. The social responsibility towards his wealth is via alms giving and charity donations to ensure that the work he have done in the field of entrepreneurship will be blessed by Allah SWT. Based on the implementation of social entrepreneurs, this study will focus on social responsibility conducted by successful entrepreneurs in Malaysia. This research should be discussed in this conference because entrepreneurs’ social responsibilities are one of many practical steps for the entrepreneurs who are involved in the business field in order to plan a strategic management system in their own business. The focus on the importance of entrepreneurs’ social responsibilities will not only impact positively towards the growth of the economy, but also to the growth of the society as a whole. This research is expected to be able to contribute something positively to the academicians, participants and those who are involved in the strategic management of the organization.

2. Literature Review and Hypotheses

Corporate Social Responsibility (CSR) is a corporate commitment to improve the welfare of the community through its business practices and contributions that can be given back to the community. CSR means the responsible to take into account the interests of clients, employees, shareholders, stakeholders, communities and ecological considerations in all of it business aspects. In addition, the social responsibility to society refers to the involvement of entrepreneurs in contributing their time, money and ideas for community. Social responsibility should be carried out voluntarily. In Islam, the exercise of social responsibility is encouraged - as evidenced in Allah’s words which means :-

*We divide between them the essentials of their lives in this world (Some of us were made rich, some of us were made poor and suffers: And we also raise half of the highest rank of the other half. (Made) so that the those with part of the facility they're glad to work from (help) each other. And the Lord’s blessing (the way of life and the Hereafter) is better than the any materialistic that they merely collect.(Surah Az-Zukhuf:32)*

The above verse explains the importance of social responsibilities to those in need. According to Philip Nacy Cotler and Lee (2005), most successful entrepreneurs in the west such as Andrew Carnegie and Bill Gates have carried out their social responsibility to the community by donating most of their assets to charitable organizations and those in need. Some western companies even have their own foundation to do charity works, and as such will increase their reputation with its main shareholders. According to Philip and Lee (2005), a report from an investment company in
the west revealed that investments that emphasizes social responsibility has grown from $40 million in 1984 to $3 trillion in 2007. The study also demonstrates that the company that performs social responsibility has more profitability, improved sales, while its market value and stock price is higher and better than companies that do not have such policies and structures. Compared with companies that do not carry out social responsibility, research in the west also proved that companies that do not carry out social responsibility are failed and non-expanding companies. Among the social responsibilities that must be executed by Muslim entrepreneurs are as follows.

2.1 Fulfilling the needs of family and the weak

A Muslim entrepreneur have the responsibility to feed the family and help the weak, such as orphans and handicapped people. As per Allah’s words which means :-

\[
\text{And ye shall serve God and shall not associate him with something. And ye shall do your earnest good to parents, close family, orphans, the poor, neighbor – noth near and far. For Allah loves not those who are arrogants with his words. (an-Nisa':36)}
\]

The above verse shows us that an entrepreneur is responsible for his family members. The obligation is apparent in the form of food, beverages, clothing and shelter for his wife and his children according to his capability. Holy Prophet SAW quoted :-

\[
\text{Dear Prophet, Abu Sufyan is surely a very stingy man. He did not provide adequate maintenance for me and my children except what I take from it and he did not know. Prophet said, "Take (from the husband) what is sufficient for you and your children needs in kindness (good and polite)". (Sahih Bukhari)}
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The obligation to provide for the family needs to be fulfilled by the leader of a family as if gives social security.

H1: There is a relationship in fulfilling family needs and helping the poor with the entrepreneur’s achievement.

2.2 Performing the duties of charity

Zakat plays an important role in the effort to solve poverty. If its implemented as a whole, a country will not have poverty and unemployment problems. This has been proven during Caliph Umar bin Abdul Aziz’s reign as it was difficult to find the poor to give to charity (Hailani Muji Tahir:1982). It all begins with the implementation of proper charity institution. Therefore, as an entrepreneur, performing zakat can actually complete the needs of the less able and those in need.

H2: There is a relationship between the obligation to pay zakat to the achievement of entrepreneurs.

2.3 To serve the community

In addition to personal and family needs, striving to gain wealth would also benefit the society. The entrepreneur always strives to deliver value to the community - either directly or indirectly (Asmak Hj. Ab. Rahman:2008). Assistance that can be channeled by the entrepreneurs to society includes helping those who are in need, be it in materialwise or affectionwise. Islam encourages its followers to love one another, help each other and work together towards good deeds and eliminate evil. As long as he has the capability, the entrepreneur should always try to make good deeds for the welfare of society. An entrepreneur is an intermediary provided by Allah to help share his wealth with others. The more he gives to others in sincerity, the more Allah will give him back. As per God’s words which means :-

\[
\text{If you give thanks to Me and I will add a provision to You, But if you disbelieve, then My punishment is painful. (Surah Ibrahim:7)}
\]

An entrepreneur is also responsible for the less fortunate. Fadli Khoirul’s (2011) study found that most missionaries engaged in businesses in Medan do so to generate income to support and meet the needs of their families, the remaining kept for savings, perform religious activities as well as helping the needy and orphans.

H3: There is a relationship between helping orphans and the poor with entrepreneurial achievement.
2.4 Develop the community’s economic strength

It is no doubt that people look up to those who are economically strong. Respect and admiration for this group makes them very influential – be it in political, economic and social. A study by Fadli found that the contribution made by Muslim entrepreneurs in small businesses in the Medan improve the economic field is at 90% whilst the contribution of Muslim entrepreneurs in the SME is a 30%. This proves that Muslim entrepreneurs contributed to the improving economy of Medan (Khairul Fadhli 2011). In general, social responsibility in defending and strengthening the Muslim economy are as follows:

2.4.1 Muslim entrepreneurs as models of net economic activity

A Muslim entrepreneur is a strong impetus to the development and regarded as a warrior to the path of God. Consistent progress in its economy fundamental so that he may perform tasks related to human well-being. A successful Muslim - be in in this world and hereafter - is a Muslim who has a strong economy for oneself and can contribute to society. This group also does not ignore the pillars of religious worship, such as charity, pilgrimage and performing other good deeds. This ritual would be difficult to fulfilled without a strong economy (Khairul Fadhli 2011). Economic activities carried out by strong, religious Muslim entrepreneurs will create a good and respected community – this is because all the noble qualities embedded within him, such as compassion, cooperation, solidarity, honesty and trust will be the basis of the activities practiced (Sobri Salamon :1989). The presence of a successful Muslim entrepreneurs can be a role model in the economic success of the Muslims. The activities carried out by this group are economic activities based on Islamic law and is far from the elements that violates it. The involvement of these groups in the economic field will be an example to the community and other entrepreneurs to run business based on Islam.

The study by Khairul Fadli (2011) found that most missionaries involved with the economic activity in the city could assist in developing the Muslims’ economy. This is because business by a missionaries do not have the elements of usury and are not engage in a speculative economy. In addition, the missionaries in Medan also has the potential to expand their Islamic economic activity and become a model for other entrepreneurs to develop a successful economic activity based on sharia.

H4: There is a relationship between the expanding business activities in accordance with Islamic law with the achievements of entrepreneurs.

2.4.2 Responsibilities of an entrepreneur in providing employment opportunities to the community

The study conducted by Khairul Fadli (2011) found that missionaries in the entrepreneurial world helped to provide employment opportunities to the community. According to his study of 15 missionaries in Medan, a total of 149 people have been employed for the various businesses.

H5: There is a relationship between employment opportunities to people with entrepreneurial achievement

2.4.3 Responsibility to help develop entrepreneurs in the Islamic economic system

The economic crisis of Muslims encountered currently is caused by unequal distribution of income and the lack of work opportunity. All this while the community has been the object of development, and never to be fully involved with a comprehensive development - that there is an imbalance in the face of global economic development. In Islam, it has been that Islamic Ummah as a whole should emphasize the development aspect of both physical and spiritual. Islam isn’t just a religion that focuses purely on religious rituals, it is a religion that has a theoretical framework that guides its followers to observe and adopt as a system of life. The presence of Islamic economic experts in the economic system which upholds the principles of sharia would be incomplete without the driving force in realizing the Islamic system. Entrepreneurs are important assets to implement the shariah-based economic system to the community. To realize the economic system of Islam, Muslim entrepreneurs need to have an in-depth understanding of community’s economy in order to meet the challenges of an ever expanding economy, convincing people through a sharia-based economic activity and solving economic crisis based on true Islamic sharia.

The study conducted by Khairul Fadli (2011), revealed that there are still weaknesses among the missionaries that were involved in developing the Islamic economic system. Many respondents felt that the development of this system
requires the cooperation of various parties including academics, government, entrepreneurs and the community itself. He believes that the more missionaries involved in entrepreneurship will result in a growing public awareness of the importance of Islamic system in their lives.

H6: There is a relationship between the development of shariah-based economic system with the performance of entrepreneurs.

In conclusion entrepreneur’s social responsibilities is an important issue that needs to be emphasized by the entrepreneurs to achieve the goals and blessing of Allah, to be successful in the underlying business as well as to provide benefits to others.

3. Methodology

A field study was conducted on 183 Muslim entrepreneurs in Malaysia. The purpose of this study is to verify the findings of the hypothesis’s theories. An entrepreneur is considered successful if he has some characteristics of successful business including managing the business for more than five years, improvement and achievements in the business reflected by the increase of the workforce, having fixed assets, owning net assets and its share capital increased. In this study, the performance is measured from through nine items that requires the entrepreneurs to answer in a five point scale. Each scale refers to respondent’s answers of being "Strongly disagree" (value 1) to "Strongly agree" (value 5). The items to be assessed from includes revenue gained from managing the businesses, assets ownership, growth of savings, duration of business is more than five years, the increased number of employees, the size of the business market expands, increase business capital, increasing profitability and increased sales of its products and/or services. The Cronbach alpha value of these nine items is 0.9. This means that the question has a high reliability value. The hypothesis was based on non-parametric tests and the analysis used is the Pearson correlation coefficient test. Pearson correlation test was conducted to understand the degree of relationship between the social entrepreneurs achievement with successful entrepreneurs who practice social responsibility in Malaysia. The correlation can indicate the direction and strength of the relationship that exists between the social responsibility of entrepreneurs by Muslims in Malaysia. Therefore, the achievement’s measurement is represented by the success of entrepreneurs who are used as the dependent variable in this hypothesis.

Table 1: General interpretation of the correlation

<table>
<thead>
<tr>
<th>The correlation coefficients</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 0.20</td>
<td>A very weak correlation</td>
</tr>
<tr>
<td>0.20 to 0.40</td>
<td>A weak correlation</td>
</tr>
<tr>
<td>0.41 to 0.70</td>
<td>A moderate correlation</td>
</tr>
<tr>
<td>0.71 to 0.90</td>
<td>A high correlation</td>
</tr>
<tr>
<td>0.91 to 1.00</td>
<td>A Very high correlation</td>
</tr>
</tbody>
</table>

Guilford (1956)

The table above shows the general interpretation of the correlation. Values of correlation coefficients provides an overview of the relationship between the entrepreneur and the achievement of social responsibility by successful entrepreneurs. For example, the correlation that approaches the value of 1.0 indicates there is a very high positive correlation, while a value between 0.01 to 0.03 indicate that there is a positive, but weak correlation. A positive correlation coefficients indicates that there is a direct relationship between independent and dependent variables. However if the correlation coefficients shows a negative value, then the relationship between the dependent and independent variables are known as inverting relationship.

4. Result

Respondents in this study consisted of 130 males and 53 females. Most successful entrepreneurs are those aged 30 years – they make up 80% of the study. At least 12% holds a diploma, 43% possesses a Degree, and those with Master or PHD are at 16%. A total of 78% started their business with a capital of below RM100, 000, 19% opened their business with a capital of RM100, 000 to RM500, 000 and the rest started their business capital above RM500, 000. 60% of successful Muslim entrepreneurs are able to earn less than RM500,000 month while 40% managed to make over RM50,000 per month. 40% of the respondents holds a degree in Islamic education, 21% completed secondary schools only while 18% studied religious study in primary school only.
The study of the relationship between social entrepreneurs and entrepreneurial achievements are as follows:

Hypothesis 1: There is a relationship between the responsibility of providing food, clothing and shelter to families and the achievement of disadvantaged groups with entrepreneurs achievement.

Table 2: The relationship between the responsibility of providing food, clothing and shelter to families with entrepreneurial achievement

<table>
<thead>
<tr>
<th>The relationship between the responsibility of providing food, clothing and shelter to families with entrepreneurial achievement</th>
<th>Entrepreneur achievement</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>*</td>
<td>.186*</td>
<td></td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

Through the first hypothesis analysis (Table 2), coefficient are given in the 0.186. This indicates that the variable of responsibility to provide food, clothing and shelter to a family member had a positive but was very weak in the entrepreneurs’ achievement. Since both ends for this hypothesis is at 0.012, the hypothesis is accepted because of its significant relationship between the two variables. This is because the 0.012 is lesser than the fixed significant level of 0.05 / 2. Therefore, this hypothesis proved that the responsibility of providing food, clothing and shelter have a weak direct relationship. This study supported the study by Asmak Abdul Rahman – who concluded that Muslims are responsible to help the weak need to ensure the well being of the ‘ummah’. He said if members of the conventional economic thinks it is necessary for human development to grow hand in hand with economic development, then the same applies in Islam as it does not prohibit the people to strive for success while at the same time consider the development to achieve maqasid al shari’ah.

Hypotheses 2: There is a relationship between the responsibility of ‘zakat’ to the achievement of entrepreneurs.

Table 3: The relationship between the responsibility of ‘zakat’ to the achievement of entrepreneurs

<table>
<thead>
<tr>
<th>Responsibility of ‘zakat’</th>
<th>Entrepreneur achievement</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>**</td>
<td>.216**</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The second hypothesis (Table 3) is the relationship between the responsibilities of ‘zakat’ with the entrepreneurs achievement, and it gives a correlation value of 0 is accepted because it has a significant relationship between the responsibilities of ‘zakat’ to the achievement of entrepreneurs as the end of the two variables is 0.003. The value is smaller than the specified significance level of 0.05 in two-way correlation test. The finding in turn supports the research conducted by Mohd Ali Mohd Noor (2004) who said that ‘zakat’ awareness among Muslim professionals is high. According to Mohd Noor (2004), the higher the value of faith and knowledge of a Muslim, they more inclined they are to pay ‘zakat’.

Hypothesis 3: There is a relationship between helping the poor and orphaned children with entrepreneurial achievement.

Table 4: The relationship between helping the poor and orphaned children with the achievement of entrepreneurs

<table>
<thead>
<tr>
<th>Help the poor and orphans</th>
<th>Entrepreneur achievement</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>**</td>
<td>.364**</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The third hypothesis (Table 4) analyses the relationship between helping the poor and orphans with entrepreneurial achievement, and the correlation value is at 0.364. This shows that there is again, a positive yet weak relationship. However, this hypothesis is accepted because it has a significant relationship between helping the poor and orphans achievement since the end of the two variables is 0. This study supports the research that has been done by Khoirul Fadli (2011) who found that most missionaries venture into business to generate income, and the revenue is channelled to cater to families and the rest to help the poor and orphans.
Hypothesis 4: There is a relationship between business activities in accordance with Islamic law with the performance of entrepreneurs.

Table 5: The relationship between business activities in accordance with Islamic law with the entrepreneurs achievement.

<table>
<thead>
<tr>
<th>Business activities in accordance with Islamic law</th>
<th>Entrepreneur achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation</td>
</tr>
<tr>
<td></td>
<td>.245**</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).

Analysis of the fourth hypothesis (Table 5) is the relationship between business activities in accordance with Islamic law with the performance of entrepreneurs, and this revealed a correlation value of 0.245. This shows the positive relationship between the two is very weak. However, this hypothesis is accepted because of the significant relationship between the performance of entrepreneurs with business activities in accordance with Islamic law as the value of the end of the two variables is 0.01 and is smaller than the value specified coefficient of 0.05. This study supports the study by Khairul Fadli (2011) who found most of the missionaries who conduct their business in the city of Medan economy according to Islamic law are involve as it doesn’t have the element of usury and corruption. According to him, entrepreneurs such as this will become a role model for other entrepreneurs to expand their activities based on Islamic sharia.

Hypotheses 5: There is a relationship between employment opportunities to people with entrepreneurial achievement.

Table 6: The relationship between employment opportunities to people with entrepreneurial achievement.

<table>
<thead>
<tr>
<th>Employment opportunities to the community</th>
<th>Entrepreneur achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation</td>
</tr>
<tr>
<td></td>
<td>.245**</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).

The fifth hypothesis (Table 6) is the relationship between employment opportunities for people with entrepreneurial achievement, and the correlation value is 0.245. This reflects a positive but weak relationship between the two. However, this hypothesis is accepted because of the significant relationship between providing job opportunities with entrepreneurial achievement and the end of the two variables is 0.01 which is smaller than the value specified coefficient of 0.05. This study also supports the study conducted by Khairul Fadli (2011) who revealed that preachers who participate in the entrepreneurial world in Medan has provided job opportunities to the community.

Hypotheses 6: There is a relationship between the development of the economic system based on Islamic law with the performance of entrepreneurs.

Table 7: The relationship between the development of the economic system based on Islamic law with the performance of entrepreneurs.

<table>
<thead>
<tr>
<th>Develop an economic system based on Islamic law</th>
<th>Entrepreneur achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Correlation</td>
</tr>
<tr>
<td></td>
<td>.200**</td>
</tr>
</tbody>
</table>

**, Correlation is significant at the 0.01 level (2-tailed).

The sixth hypothesis (Table 6) is about the relationship between the development of the economic system based on Islamic Shariah with entrepreneurs achievement, and the given correlation value is at 0.200. This shows a very weak positive relationship between the two. This hypothesis is accepted because the correlation values between the two variables is 0.007 and it is smaller than the specified coefficient of 0.05. This also supports the study by Khairul Fadli (2011) that indicates that missionaries involved in the business to develop the Islamic economic system still exists. According to him, to develop sharia-based economic system requires the cooperation of various parties including academics, government, entrepreneurs and the community itself. Therefore, the involvement of Muslim professionals in the field of entrepreneurship is very important to develop an economic system based on Islam.

5. Conclusion
The hypothesis made by Pearson correlation coefficient found a significant relationship between the entrepreneur and the achievement of social entrepreneurs in Malaysia. Although the relationship proved to be weak, it reflects the commitment of Malaysian entrepreneurs in fulfilling social responsibilities. In Islam, social responsibility are strongly encouraged to draw oneself closer to God and at the same time to fulfill the maqasid al-Shari'ah. When people can feel the effort made by the entrepreneurs, and the responsibilities taken then they could personally feel that they have developed as well. Therefore, from the Islamic perspective, the success factors is not only measured in economic development, but in terms of spiritual and mental development of the Muslim community itself too.

As a conclusion, this studies only focuses on the social responsibilities among successful Muslim entrepreneurs in Malaysia. Thus, for the further research, a comparison between the social responsibilities among Muslim and Non-Muslim entrepreneurs can be carried out. Besides that, a research can focus on the case study about multi-millions companies that operate social responsibilities as one of their strategic management.

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