

Veland Ramadani · Léo-Paul Dana
Shqipe Gërguri-Rashiti · Vanessa Ratten
Editors

Entrepreneurship and Management in an Islamic Context

 Springer

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*To my grandmothers Muazes and Feride, who
taught me the fundamentals of Islam.*

Veland Ramadani

*To my late father Albert and my mother
Clemy, gone with the earthquake of 2011.*

Léo-Paul Dana

*To my dearest husband Berat for his patience,
care and love and my precious daughters
Lina, Aja and Ujana. A special dedication
also goes to my beloved mother Drita Beqiri
who always believed in me and helped my
dreams come true.*

Shqipe Gërguri-Rashiti

*To my mother Kaye Ratten, who I miss every
day and taught me everything I know.*

Vanessa Ratten

“Since Weber, we know that culture and religion are playing a key role in driving human decisions and behaviors for both private and professional lives. The merit of this book is to invite the readers to learn about the interplay of Islamic context with entrepreneurship and management activities. It offers a set of 14 comprehensive chapters covering different perspectives and issues in relation to such interplay.”

Alain Fayolle,
Academy of Management ENT Division
Chair Elect
EM LYON Business School, France

Foreword

I am honored and humbled to write this Foreword for a handbook that presents a comprehensive overview in an emerging area of research offering manifold insights for theory and practice. The oeuvre in front of you reaches across space from Ghana, Jordan, Lebanon to the UAE; across time from early Islam to the present; across categories such as ethnicity, gender, nationalities and age; and across topics from Islamic entrepreneurship, finance, leadership to Management. It also tackles both text and context: from sacred scripture up to profane practice.

While religion matters in entrepreneurship and management practice, its theory and theorization is dominated by a sacralized secular hegemony. Yet, religion is a social fact that matters in and around organizations; and the social sciences explain—not prescribe—reality. Islam specifically is the second largest religion in the world with a growing number of adherents. Religion in general and Islam in particular thus warrants much more critical engagement and analysis through management scholars. Such scholarly pursuits connect work with worship to examine what I call ‘wor(k)ship’, whereby religious people wish to do well while adhering to their faith, rather than compartmentalizing their lives into different spheres.

The false dichotomy between the public and private, the professional and the personal underlies a deep desire to structure and categorize, to identify and delineate boundaries in a complex modernity. These socially constructed boundaries enable and constrain us concurrently. They are double-edged swords. The predominant scholarly pursuit for parsimonious explanations as well as the increase of scholarly specialization has led to jurisdictions within our very own professional communities and the partitioning of the objects of inquiry. This handbook, in contrast, offers an interdisciplinary approach that bridges rather than reinforces artificial boundaries.

Even more so, I believe that, unfortunately, the theoretical partitioning has permeated the very phenomena to an extent that theory does not simply explain, but rather forms reality. Academics may wish to restrain the world through theory and thus fall trap to the attempt to create a world according to their sometimes too simplistic imagination, rather than depicting the richness of reality. The handbook

at hand offers a counterpoint. This may also help bridging what is sometimes called in the Christian faith the Sunday–Monday divide and whose equivalent may be the Friday–Saturday or Thursday–Friday divide for Muslims. The handbook thus offers practitioners a mirror to their religiously shaped intent, rather than to their learnt and potentially unintended practices.

I am grateful to the editors Veland Ramadani, Léo-Paul Dana, Shqipe Gërguri-Rashiti and Vanessa Ratten and the many contributors that they have taken upon themselves to push our knowledge frontier forward—in a realm that (still) faces many challenges. Religion is an integral part of our social and societal spheres, i.e., our soci(et)al context; yet largely absent from our literatures. This work is a significant step to counter that neglect by zooming in on the Islamic context. It remains for me to say to the reader that I wish this to be an illuminating, thought and practice challenging and changing read.

Saïd Business School, University of Oxford
Oxford, UK
March 15, 2016

Ali Aslan Gümüşay

Acknowledgment

We would like to thank the respectable contributors of this volume to the upmost degree. The generosity and dedication shown through their experience, knowledge and research were priceless. Without them, this book would never find its way to academic researchers, students, and entrepreneurs.

To the reviewers, exemplary individuals of academia in the field of entrepreneurship and management, who have pursued their passion to better us all, we also owe a debt of gratitude. Without the respected and appreciated reviewers, this book would not have the same value emphasizing the crucial aspects of the theoretic and practical insights provided by the contributors.

To the renowned lecturer and researcher in the field of Islamic entrepreneurship and management, Ali Aslan Gümüşay, we like to extend a special acknowledgment for his appreciated foreword to the book. His remarkable ability to address readers with his thoughts and views provides justifiable proof of the significance of this pioneering book about entrepreneurship and management in an Islamic context.

As well, we would like to express our sincere gratitude to Sadush Tahiri, a respectable *imam* of the Chair Mosque, in Macedonia, for sharing his knowledge regarding the religious issues, specifically looking at business issues from the Islamic perspective.

To the editor from Springer, Prashanth Mahagaonkar, and his splendid team, we are grateful for their thoughtful suggestions, support, and encouragement that were offered and well received.

Finally, to our families, friends and colleagues, we must express our affectionate thanks. They stood by us since the very first beginning when the idea of this book was launched. Their support and motivation are always irreplaceable and necessary for each of us. We dedicate our gratitude, appreciation, and love for them.

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An Introduction to *Entrepreneurship and Management in an Islamic Context*

**Veland Ramadani, Léo-Paul Dana, Shqipe Gërguri-Rashiti,
and Vanessa Ratten**

With the evolution of international business environment where culture and religion are playing an important role cornering developing relationships (Dana 2009, 2010), Islamic entrepreneurship and management is becoming an essential research field (Ramadani et al. 2015). Islam, as a religion, highlights the importance of being engaged in business activities that improve society as a whole, and many of the limitations placed on Muslim entrepreneurs are meant to reduce activities that can harm the society; Muslims are expected to make a living in accordance with the beliefs of the Qur'an and Shari'ah laws. When Muslims engage in entrepreneurial activities it is believed that they fulfill their religious obligations to please Allah. Islam shapes entrepreneurship at different levels of the economy whilst encouraging and enabling entrepreneurial activities.

The combination of ethical, social, environmental and economic factors in agreement with Islamic Law (Hamid and Sa'ari 2011) are the bedrock of the achievements of business in Islam. All the major functional areas within an organization such as strategy, human resources, finance, and marketing can be shaped and influenced from an Islamic perspective (Ramadani et al. 2014; Raza 1999; Yaakub 2011).

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In general, when looking at the organization as a profitable entity from the Islamic perspective, it is not expected to be only profitable but also it is expected to be in alignment with worldly socio-economic welfare as well as spiritual growth. An entrepreneur usually judges success by the financial gains achieved from the business venture; however, from the Islamic perspective entrepreneurial success is measured not only by personal financial gains but also how well religious goals are achieved which can provide the entrepreneur with rewards in the afterlife (Campante and Yanagizawa-Drott 2013). Muslim entrepreneurs are obliged by religious laws to abstain from engaging in certain economic and financing activities, such as those involving gambling, usury, and speculation. This just proves the sincerity and the purity of promoting entrepreneurship and management from an Islamic perspective.

The book—*Entrepreneurship and Management in an Islamic Context*—consists of 14 chapters. The section below briefly introduces the content of the corresponding chapters.

The main notion elaborated in “Islamic Entrepreneurship and Management: Culture, religion and society” contributed by Vanessa Ratten, Veland Ramadani, Léo-Paul Dana and Shqipe Gërguri-Rashiti, is about identifying Islam’s view of entrepreneurship and management. In addition to recent and relevant literature on the topic mainly for this research the Holy Qur’an verses and the Muhammad’s (S.A.W) Hadith (teachings and traditions) were utilized. More specifically, the authors focus on taqwa, halal and haram, knowledge and entrepreneurs, innovativeness and risk-taking, proper usage of resources, financing and Islamic perspectives on ethics and social responsibility. In addition, the role of religious entrepreneurship and management on the Islamic context is discussed, which focuses on cultural values. This is useful for developing entrepreneurial management from an Islamic perspective and contributes to a better understanding of the role of culture and religion on entrepreneurship activity.

The chapter “Islamic Leadership Models: Lessons from Early Islam” represents a study that focuses on the role Islam plays as a variable in the behavior of entrepreneurs and entrepreneurship practiced within the context of the Islamic faith. This research, which is an extension from previous scholars’ research (Dana 2009, 2010; Davis 2013) by illustrating exemplars on effective leadership within an Islamic context focuses on specific attributes, qualities and characteristics, which provide a background to evaluate effective entrepreneurial behavior. The biggest reinforcement for the expansion of Islam from the borders of China to the Atlantic coast of Spain was meritocracy, honesty, tolerance, personal courage, and compassion. The main outcome of this research is a model for a conceptualization and examination of an Islamic leadership model, which is an enhancement of a previously proposed model, but not fully conceptualized, frameworks of Islamic leadership. This chapter is contributed by Miles K. Davis and John Winn.

George Acheampong in “Micro-Entrepreneurial Motivations in Ghana: Do Muslims Differ” looks into finding the difference between the Muslim entrepreneurs and their entrepreneurial motivations compared with entrepreneurs of other faiths. The main data used for this research is secondary data from the poor

localities in the urban Accra region of Ghana. Through regression analysis, the outcome of this study is that the main motivation for Muslim entrepreneurs compared to those of another faith is less likely to be for profits or self-employment. This particular research adds to the entrepreneurship literature by analyzing the role of religion in determining entrepreneurial motivations in an African country.

The chapter on “The Process of New Venture Creation in the Islamic World: An Organizing Framework”, a contribution of Wafa N. Almobaireek, Ahmed A. Alshumaimeri and Tatiana S. Manolova, looks into the main characteristics and unique aspects of the new venture creation process in the Islamic world. As a foundation for this research Hitt et al. (2011) was used by conceptualizing entrepreneurship as a socially-embedded and context-specific process of resource mobilization and opportunity exploitation, crowning it the creation of a new venture, whose purpose is to create value and generate wealth and other social enhancement benefits. This method gives a way to critically review and integrate conceptual developments, empirical evidence as well as highlight the unique characteristics of the process of new venture creation in an Islamic context. This specific study focuses the assessment on the inputs, the characteristics of the new venture, and the outcomes of the entrepreneurial process. The main purpose of this particular research is to highlight Islamic entrepreneurship through universally and comprehensively recognized framework of the entrepreneurial process and at the same time to specifically highlight and elaborate on the unique features of Islamic entrepreneurship.

Wafica Ali Ghoul in “Ethnic and Migrant Entrepreneurship: The Case of Muslim Lebanese Entrepreneurs in Dearborn” analyzes the hurdles that Muslims from less developed countries migrating to more developed countries in the pursuit of a better life. Particularly as a result of the so-called “Arab Spring” a new wave of migration has been experienced by millions of Muslims moving from their war-torn countries to the west especially to Europe. Since these refugees will take decades to be able to integrate into the new communities and life styles leads to the urgency to further study ethnic entrepreneurship. The primary research data used for this study is the emergence of enterprises by Muslims, who live in a country where they represent a minority particularly the Lebanese migrant entrepreneurs in Dearborn, Michigan. Bearing in mind the similarities between the Lebanese culture and the Syrian culture, this brief synopsis of Lebanese migrant entrepreneurship can provide a model that would help in dealing with the current stream of Syrian migration to the West.

The following chapter “The Foundation of Islamic Knowledge Management Practices” looks into epistemological presence as a crucial part of Islam and its principles not just as a religion but as well as in conduct of and practice of human affairs. Knowledge is seen as a main driving force in embodying science and knowledge for the common good. This chapter is contributed by Muhamadul Bakir Hj. Yaakub and Khatijah Othman.

The chapter written by Vanessa Ratten, Hussain Rammal and Veland Ramadani on “Islamic Finance: Entrepreneurial Management Perspectives” focuses on financial sector practices in Islam that have more of entrepreneurial character in money

management. This should be further researched on how to integrate the Islamic model of management in finance-based practices.

Gadaf Rexhepi and Nadire Ramadani in “Ethics and Social Responsibility in Islamic Finance” primarily focus on the responsibilities of the company not just from the rule of law aspect but also from the Islamic perspective given that these companies need to provide an additional level of regulations based on Islamic law enforcing ethics and social responsibility.

Social entrepreneurship is a fairly new concept and the lack of consensus for the definition means that there is plenty to be researched and to be agreed in this field. However seeing from the perspective of Islam, which again needs more research, the main pillars of good deed are and responsibility to generate prosperity could be very closely linked and analyzed as advanced social entrepreneurial culture providing to be as useful as possible for society. These particular concepts are treated in “Social Entrepreneurship in an Islamic Context”, by Hendrati Dwi Mulyaningsih and Veland Ramadani.

This following chapter, “Youth Entrepreneurship in an Islamic Context”, by Andrew Rixon, Alex Maritz and Rosemary Fisher besides analyzing best practices of entrepreneurship in UAE is it proving to provide very useful recommendations to the UAE youth to start engaging in entrepreneurial affairs through various institutional stakeholders. Successful implementation of these recommendations would have a crucial impact of entrepreneurship development in the UAE.

The chapter “Female Micro-entrepreneurship: The Key to Economic Growth and Development in Islamic Economies” chapter looks into in depth micro finance in Muslim countries and the possibilities to be more inclusive of Muslim women who would be able to engage in the social entrepreneurship sphere and fully develop the potential that is clearly there and needs to be utilized. This chapter is contributed by Alina Zapalska, Jim Stodder and Erik Wingrove-Haugland.

Salime Mehtap, Andrea Caputo, Massimiliano Pellegrini in “Encouraging Female Entrepreneurship in Jordan: Environmental Factors, Obstacles and Challenges”, look more in depth at educated women potentially entering the entrepreneurial world. According to the study their perception is that besides the economic issues as lack of economic stability, gender inequality and the difficulty of maintaining healthy work-life balance. However, what has been proven through the research is that not enough information and opportunities have been relayed to women who would potentially consider to get into the entrepreneurial world, and more needs to be done on this front.

The concluding chapter, “Islamic Entrepreneurship and Management: Future Research Directions” discusses the role of Islam in entrepreneurship and management by focusing on the spiritual, ethical and innovative elements that apply to business practices. The chapter indicates the entrepreneurial nature of Islam as a religion and provides a framework for future research about religious entrepreneurship. This chapter is contributed by Vanessa Ratten, Veland Ramadani, Léo-Paul Dana and Shqipe Gërguri-Rashiti.

In conclusion the editors and the contributors of this book hope that this collection of chapters brings an attractive and significant contribution to the field

of Islamic entrepreneurship and management, above all in terms of revealing the constituents of these fields in specific economies and cultures. While entrepreneurship and management are strategic areas, which have always been attentive and always changing over time, Islamic entrepreneurship and management being at the verge of research is becoming a very “hot” topic for scholars nowadays. Taking into consideration that such a book is not available in the market and no author has treated strictly the above mentioned topics in the perspective of the Islamic context, we trust that this volume shall be very welcomed by regional and international researchers who are interested to know more about entrepreneurship and management matters in the Islamic context and countries.

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Islamic Entrepreneurship and Management: Culture, Religion and Society

Vanessa Ratten, Veland Ramadani, Léo-Paul Dana,
and Shqipe Gerguri-Rashiti

1 Introduction

Entrepreneurship as a business management topic area is important to contemporary and traditional Islamic principles. Islam can be considered an entrepreneurial religion due to its historical development, which originates from merchants and traders (Ramadani et al. 2015). Islamic entrepreneurship combines the religious beliefs of Islam with the business notion of what it means to be an entrepreneur. The combination of traditional entrepreneurship studies focusing on innovation, risk taking and forward thinking need to be integrated into religious beliefs in order to understand the role of Islamic entrepreneurship in society.

Entrepreneurship is important to many societies and cultures as it is affected by historical experience, which influences its development (Dana 2009). Entrepreneurship needs to be considerate of the cultural distinctiveness of Islamic markets, which have been increasing due to the desire of individuals to incorporate religious beliefs into daily activities. Islamic entrepreneurship is characterized by the entrepreneurial religio-spiritual and socio economic/ethical (Gümüşay 2015). This has

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lead to Islamic entrepreneurship being supported by an inter-disciplinary perspective linking religious studies to business management principles. An understanding of the environmental context where Islamic entrepreneurship occurs is useful to help future business development. This means that there are strategies that can be learnt from Islamic entrepreneurship about the role of culture and religion in business. This can help influence better business directions for future entrepreneurs from a religious and secular point of view.

Islamic entrepreneurship differs from other religious forms of entrepreneurship as it usually involves halal products or services (Davis 2013; Hoque et al. 2014). More goods are being certified as halal, which refers to something that is permissible in Islam. The opposite of halal is haram, which means something that is forbidden in Islam. This has meant that as businesses linked to Islam have grown so has Islamic entrepreneurship because it places importance on the ethical and social responsibilities of business ventures (Chowdhury 2008).

Islamic entrepreneurs are defined in this chapter as those who start businesses following Islamic religious guidelines, which incorporate equality and fair trading. The core motivating factor for Islamic entrepreneurs is combining religious beliefs such as social responsibility with business ideas. The Qur'an (20:114) states that the acquisition of knowledge is crucial for Muslims and is a part of their cultural identity. The role of knowledge and learning is a key cultural attribute of the Islamic religious faith because of its links to entrepreneurship and management.

Entrepreneurship is a familiar notion as it is often referred to as the ability to be innovative in a business setting. Many advocate entrepreneurship in all sectors of the economy and society as it involves the origination and ability to grow an idea into a business venture. Islamic entrepreneurship involves new ideas but also eliminates previous business practices to make way for new approaches. This leads to entrepreneurship in Islam becoming a process, which acts as an evolutionary mechanism that reconstructs ideas and creates new ventures. The reforms and modernization in Islam have evolved from entrepreneurship and its ability to build societal wellbeing. Despite the more liberal ideologies of Islam being practiced in parts of the world, there are still traditional Islamic followers who also are interested in entrepreneurship. In order to highlight the implications for social change based on Islamic entrepreneurship we discuss in this chapter the role of religion in business. By focusing on Islamic entrepreneurship, we discuss how traditional and modern approaches to religion are affecting business development policies. The aim of this chapter is to build a forum for the different ways entrepreneurship is practiced in Islam due to the current entrepreneurship research mostly focusing on a religious-neutral perspective of the business development process.

There is a lack of entrepreneurship research from a non-Western perspective particularly that incorporates religious beliefs in business. The western view of entrepreneurship is that the primary role of the entrepreneur is economic and financial activity. This is in contrast to non-western perspectives towards entrepreneurship that incorporate cultural and political views with economic necessity objectives. This research gap is apparent despite entrepreneurship contributing to the well-being of society by linking individuals, communities and economic

activity together. Entrepreneurship has been called a number of things including the engine of growth (Azim 2011), agent of change (Young 1987) and innovators (Schumpeter 1934). This range of words used to describe entrepreneurs comes from their ability to be organizers that act as the factor of production for changing society (Glancey and McQuaid 2000). Broadly defined entrepreneurship involves the innovation and skills people use to conduct business pursuits (Ronstadt 1984). This initiative embedded within entrepreneurship means that it involves a dynamic process developed from the inclusion of risk taking individuals.

The key difference with entrepreneurial management is that it involves a business enterprise aimed at selling products or services. The purpose of this chapter is to discuss the emerging research on Islamic entrepreneurship and management. The chapter focuses on entrepreneurship from an Islamic point of view to understand the role religion has on management. In this chapter, the role of religious entrepreneurship on the Islamic context is discussed, which focuses on cultural values. This is useful for developing entrepreneurial management from an Islamic perspective and contributes to a better understanding of the role of culture and religion on entrepreneurship activity.

As Islam is the world's second largest religion, entrepreneurship from a cultural framework has implications for business managers, academics and policy planners. This chapter will help encourage further research about Islamic entrepreneurship by linking the literature about religious entrepreneurship to Islamic studies. The chapter will be of interest for academics, Islamic scholars and government authorities. This has implications for Islamic entrepreneurship policy and whether religious entrepreneurship is changing. This can offer new directions for theoretical and practical understandings about Islamic entrepreneurship and management practices.

2 Literature Review

The way Muslims conduct entrepreneurship differs depending on whether they are in their home country or living overseas (Hoque et al. 2014). There are different forms of entrepreneurship including Islamic-based enterprises in non-Muslim majority communities (Carneiro-da-Cunha et al. 2015). The role of religion in management studies has been omitted from research despite its important place in society (Tracey et al. 2014). Religious forms of entrepreneurship are important factors in both individual and firm-level entrepreneurship (Carneiro-da-Cunha et al. 2015). This has been in conjunction with the rise of research devoted to understanding Islamic religious business (Sandikci and Jafari 2013). The role of Islamic entrepreneurship in society is crucial to understand the religious initiatives that take place in business. This can enable us to understand how Islam has moved into business and the central role it has in entrepreneurship.

The relationship Islam has to business can be seen in the religious teachings of the religion. Hoque et al. (2014: 130) states "many Muslims still pay no or little

attention to the Islamic guide lines while developing and managing business enterprises". This has led to their being a lack of guidance from an Islamic religious view about how to conduct entrepreneurship. A study by Chowdhury (2008) suggested that Islamic oriented entrepreneurs are influenced by support services from government and non-government organizations. These support services include transformation processes aimed at Islamic entrepreneurial and practical training. This helps build motivations and project preparations for entrepreneurial business ventures. The other important components of the transformation for developing Islamic entrepreneurs are practical training and awareness creation (Hoque et al. 2014).

Chowdhury (2008) proposed that the process of an Islamic entrepreneur involves inputs and goals, which are influenced by support services. The inputs include ideas, thoughts, moral values and ethics. Goals are the survival, prosperity, peace, harmony and growth. The distinguishing feature of Chowdhury's (2008) Islamic entrepreneurship development model is the involvement of religious ideas into the inputs and goals. Islamic entrepreneurship can help the policy makers in Muslim majority countries to further business interests linked to religion and culture. This will help to increase the number of entrepreneurs conducting business from an Islamic perspective.

2.1 Islamic Beliefs

Religion affects individual values in a number of ways including socio-economic behavior (Rietveld and van Burg 2014). Religion has been described as faith orientation because it influences the type of behaviors individuals can do as part of their beliefs (Judge and Douglas 2013). These religious values are also influenced by culture and society that are integrated into an individual's business venture (Nwankwo and Gbadamosi 2013). Religious values are influenced by the specific attributes practiced in a faith and the expected behavior individuals are supposed to engage in. This means that religious entrepreneurship operates at different levels and impacts behavior in a variety of ways from bank loans, employment and access to information (Dana 2009).

The religion of Islam was founded by the prophet Muhammad. The successors who followed him are called caliphs (khalifah). Muhammad was a prophet who founded the Muslim empire. Originally he was a tradesman who then became a leader of the Islamic religion. The religious centre of Islam is Mecca, which modern Muslims make pilgrimages to see. The Qur'an is the holy book of Muslims and contains the God's words. This holy book also symbolizes the principles and traditions of the Islamic religion. Islamic people are not from a particular country but are people who practice this religion despite geographical position. This had meant that the direction of Islamic entrepreneurship has been driven by business need that transcends geographical boundaries.

The religion of Islam has had an impact on entrepreneurial culture. In Islam, the Qur'an (4:135) states that people should be honest and just in their lives. This is important to Islamic entrepreneurs who as part of their religious beliefs need to treat people fairly regardless of their religion (Hoque et al. 2014). Most Muslims speak or understand Arabic as it is the language of the Qur'an or holy book. As part of the Islamic faith, people go to the mosque, which is the religious building. All mosques face Mecca as it is the place Muslims should turn to in prayer. The core belief of Muslims is that there is one God (Allah) that has absolute power.

There is an intrinsic relationship between culture and Islamic values that can be seen in the development of Islamic entrepreneurial ventures. Islamic entrepreneurship is different from traditional entrepreneurship as it depends on religious input to develop businesses for the Muslim community. Trust is an important consideration for Islamic entrepreneurs who need to show that their religion is coherent with their business ideas. This has led to there being a growth in religious orientated products and services centering specifically for the Islamic market and more Islamic and non-Islamic businesses focusing on the role of religion in business.

2.2 Islamic Knowledge

This pursuit of knowledge for Muslims is also stated in other parts of the Qur'an as the way of life. Hoque et al. (2014: 132) highlights how this knowledge is linked to initiative as "when your prayer is over, spread over the earth and seek the bounty of Allah" (Qur'an 62:10). Social welfare is a key aspect of Islamic entrepreneurship as it focuses on profitability in combination with reasonable conduct with society. This is stated in the Qur'an (3:110), which says "you order for right, true and welfare-oriented activities and keep the people away from sin and undesirable tasks". This social justice is also reflected in the morality of Islamic entrepreneurs who respect their religious faith but at the same time are business people.

The ethical values associated with Islam help encourage entrepreneurship (Elfakhani and Ahmed 2013). These include social equity, group financing and community marketing, which are different to other religious associated values. This helps distinguish Islamic entrepreneurship from other forms of religious entrepreneurship due to the norms that influence behavior. There are some conflicting beliefs in Islam such as moral obligations that might detrimentally affect business activity. The role of being moral whilst being altruistic might be hard to comprehend depending on a person's religious values (Ozcan 2012). As being opportunity seeking is part of successful entrepreneurship, developing this capability whilst becoming an entrepreneur can be difficult. Muslims place importance on their religious values such as obeying the Qur'an and staying true to religious readings.

The learning processes of current, past and future Islamic entrepreneurs are useful to understand how religion is incorporated into business activities. The role of religion for Islamic entrepreneurs helps encourage and facilitate the growth of businesses that are components of an individual's culture. Islamic entrepreneurs

need to be increasingly aware of how innovation is changing and affecting consumer demand. As new innovations come into the marketplace it is helpful for Islamic entrepreneurs to think about how they will affect existing business structures.

2.3 Community Spirit

An entrepreneur's cultural background is part of their working life and this is especially the case with Islamic entrepreneurs. The Islamic community a Muslim is part of shapes the relationship between home and work life. Past research about Islamic society indicates that family and extended relationships are important (Jaskiewicz et al. 2015). This means that Islamic principles guide the ability of individuals to engage in entrepreneurship. The respect for family and ancestral norms is a component of Islamic society (Bilge and Aswad 1996). In addition, Islamic laws regulate family relationships and the resulting businesses that are developed. This has meant that Islamic family businesses are more long term orientated than those from other religions (Carneiro-da-Cunha et al. 2015). As family legacy impacts Muslim business growth it is important to consider Islamic entrepreneurship from a multiple generation perspective. This could involve focusing on long term developments from Muslim family businesses that are a result of Islamic religious beliefs.

Family businesses are often considered more orientated towards the long term and this helps to build an understanding of changes in religious practices, which impact entrepreneurship. A way to do this includes focusing on inter-generational wealth transfer of Muslim family businesses. This would help to get a better view about how Muslim families are evolving and changing from societal influences and the external environment. A broad perspective of Islamic entrepreneurship is utilized in this chapter to include business done by and to Muslims following Carneiro-da-Cunha et al.'s (2015) suggestion. This study of Islamic entrepreneurship needs to be understood from the religious values passed down generations but also from changing environmental events that have affected the way of life for Muslims. This includes technological innovations that have affected the way religion is integrated into society. As the internet and online communications have developed there has been more discussion about how to incorporate religious beliefs into business services and products.

2.4 Islamic View of Entrepreneurship and Management

The Islamic view of entrepreneurship and management is that it should be socially acceptable and have an ethical foundation (Kayed and Hassan 2010). This moral approach to entrepreneurship and management in Islam comes from prohibition of

charging interest and being greedy within the religion. The emphasis in Islam is that materialistic gain comes from righteous use of power (Kayed and Hassan 2010). Islamic entrepreneurs incorporate economics into religion by serving business needs together with community duties. Entrepreneurship is important to the economic growth of Islamic countries and societies. Some Islamic countries have a more traditional and religious-based society like Saudi Arabia (Kayed and Hassan 2010). Religion can be viewed as a driver of entrepreneurship as it encourages positive cultural interaction with individual beliefs.

The role of Islamic ethics in business helps motivate entrepreneurs to contribute to society. It is important to facilitate Islamic entrepreneurship and management in order to create a positive attitude towards economic development. There is optimism about the adoption of entrepreneurial management practices in Islamic countries around the world. The intersections of Islam, entrepreneurship and management are interesting due to the increasing interest in religious forms of business. There are a variety of interpretations about Islamic management practices due to the cultural differences (Pan 2015). Islam can be interpreted strictly or based on dynamic environmental factors such as evolving cultural trends that have affected how the religion is practiced. Gol (2009) suggests that Islam can be changed due to secularism and democratization in society.

The traditional views of Islam are still practiced around the world including in Turkey, where there has been a trend towards more religious linkages from government programs (Malik 2003; Zulfu et al. 2015). It is important to understand the outcomes of entrepreneurship projects in Islamic countries and where Islam is practiced. The fostering of Islamic entrepreneurship is part of economic development due to its linkage to employment and job creation. The practice of Islam may impact the entrepreneurial orientation of individuals and their ability to create business ventures. In addition, Islam may also be guided by entrepreneurship and management practices learnt in schools and universities.

2.5 Creation of Business Enterprises in Islam

The creation of business enterprises in Islam has received less attention in entrepreneurship theory and practice and received little attention in entrepreneurship management and innovation analysis and policy. The culturally bound role of Islamic entrepreneurship is important in the competitive economy as resources are driven into new activities. The historical context of Islamic entrepreneurship is typically centered around religion and culture, seeking to focus on the role of management practices. In the past decade, there has been increased recognition that Islamic businesses can benefit from more attention to entrepreneurship.

There are a large number of Islamic businesses in most economies so it is an important goal to analyse and discuss Islamic entrepreneurship. Entrepreneurship is a powerful form of competition as it has a direct consequence in the marketplace. Firms compete by utilizing entrepreneurial practices to capture new business.

Islamic entrepreneurship is commonly seen as innovating for the sake of doing better business. An entrepreneurial agenda in the Islamic context is viewed as the creation of new businesses. An entrepreneurial approach for Islamic management should focus on both creation and destruction to gain a more holistic understanding about global changes in the business environment.

Islamic entrepreneurship and management is fundamentally different from other types of entrepreneurship due to the religious component. Islamic entrepreneurship is not a recent concern as it has been recognized during the historical development and origins of the religion. Islamic entrepreneurship has occurred for a long time period and resulted from the accumulation of new knowledge. The rise of Islamic entrepreneurship can be viewed in terms of shifting cultural views about the role of religion on business. This correlation between sociology and management has been the subject of increased scholarly interest. Sometimes entrepreneurship is religiously biased and exploitable by political commentators. The entrepreneurship challenge for Islam is to learn about how to do new things whilst retaining the religious and cultural underpinnings. Entrepreneurship in Islam is not less innovative than other forms but rather takes a different view. This means that Islamic entrepreneurship needs to focus on innovative management strategies to increase market performance. Islamic entrepreneurship should continue to focus on new ideas that enable better delivery of business services.

There are a number of reasons to focus entrepreneurship policy and scholarship on Islam as it is an important religion with cultural significance. Islamic entrepreneurship needs to be recognized as a novel way to incorporate religion, innovation and creativity into business management. This can be seen in the growth of Islamic entrepreneurship and the motivation of individuals to pursue entrepreneurship whilst maintaining their religious feelings. More emphasis needs to be placed on the importance of entrepreneurship in a religious context especially for Islamic markets. To advance Islamic entrepreneurship both formal and informal institutions need to nurture a friendly and productive economic ecosystem. Formal institutions including mosques and schools can mobilize entrepreneurial attitudes by teaching entrepreneurship education (Kayed and Hassan 2010). Informal religious events including community gatherings can play an important role in promoting and raising awareness of Islamic entrepreneurship. The entrepreneurial environmental needs to adopt more Islamic values, which affect the development of products and services. The institutional environment in Islamic majority countries can foster an entrepreneurial culture by enabling a trial and error approach to new product development.

In Islam, all humans should direct their ibadah (worship) to (1) adoration and worship, (2) obedience and submission and (3) service and subjection (Kayed and Hassan 2010). These beliefs are linked to the community orientation of Islamic society, which impacts business activity. Ummah is the name given to the Muslim community that influences business obligations and society welfare. In addition, Islam is considered a technology friendly and international identity that is community minded (Ponniah 2005). The Islamic financial system with its reluctance to charge interest has been seen as leading to the introduction of religious-based

innovative products (Zineldin 1990). These innovative developments from Islamic products and services are crucial to placing more importance on policy aimed at increasing Islamic entrepreneurship.

3 Policy Implications

Islamic entrepreneurship is the result of continued efforts from government policy makers to encourage business growth. This means that it can take time for the appropriate policies to be implemented to help Islamic entrepreneurs. Appropriate strategies need to be devised to ensure religious principles are included within policy objectives. Due to the global dispersion of Islamic entrepreneurs it is important for policy to be supportive in order to encourage religious beliefs to be integrated into business practices. This can include developing motivational activities aimed at strengthening the positive elements of religious entrepreneurship for Islamic business leaders. It is important that governments around the world not only in Muslim majority countries formulate policies to help religious forms of entrepreneurship. Islamic entrepreneurs can help with this process by suggesting innovative and practice business opportunities. This book will help policy makers develop awareness around Islamic entrepreneurship from an international perspective.

4 Conclusion

Islamic entrepreneurship has emerged as a research domain linking culture to religion and business. The interest in Islamic entrepreneurship comes at a time of increased internationalization but also interest in the role of Islam in politics and business. We define Islamic entrepreneurship in this chapter as the discovery, evaluation and exploitation of opportunities utilizing an Islamic belief system in the business environment. This broad definition helps to see the importance of Islamic entrepreneurship at the intersection of religion and management studies. A diverse array of scholars has been attracted to Islamic entrepreneurship because of the interdisciplinary nature of the topic. The complexity of Islam in different environmental settings makes it difficult to examine. This means that Islamic entrepreneurship requires a combination of perspectives to generate scholarly dialogues. Given the hybrid structure of Islamic entrepreneurship it is a difficult task to fully understand the subject matter. To expand our understanding of Islamic entrepreneurship more attention is needed on the theoretical assumptions of religious entrepreneurship. There is a need for a distinctive approach to Islamic entrepreneurship that can change over time to keep up with contemporary developments. Islamic entrepreneurship will evolve to take into account challenges faced by business as a result of their religious beliefs. There is a need to embrace new

approaches in Islamic entrepreneurship to position it as a recognizable discipline worthy of scholarly and practitioner interest. Islamic entrepreneurship can contribute to other business disciplines through knowledge dissemination and exchange.

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Islamic Leadership Models: Lessons from Early Islam

Miles K. Davis and John Winn

1 Introduction

Few events of history are as commonly misunderstood in the West in general, and the US in particular, as are the Muslim Conquests of the seventh and eighth Century or the “Crusade Periods” of the eleventh and twelfth Centuries. Unfortunately, much of what Americans know about early Islam and the Crusades are skewed by post-9/11 politics or obscured by popular culture such as Ridley Scott’s recent movie, “Kingdom of Heaven” (2005). Typically, Islam and its leaders are portrayed as fanatical religious zealots, violently intolerant of other religions or cultures. Fortunately, these eras are extensively documented by contemporary scholars, Muslim, Christian and Jewish alike (Aslan 2011; Lewis 2008; Obed 2001; Housley 1992). While there were certainly some instances of “conversion by the sword,” (Levy-Rubin 2000) as early as the eighth Century, cities under Muslim rule (i.e., the “Pax Islamica”) hosted theological debates with invited Christian scholars (Griffith 1992). Jews fleeing brutal persecution within Christendom were promoted to high-level administrative posts under Caliphate rulers (Lewis 1987). During the same period, the “House of Wisdom” in Baghdad (under Al-Ma’mūn ibn Harūn 786–833 CE) was the multicultural intellectual center of the World for the study of humanities as well as sciences including mathematics, engineering, astronomy, medicine, cartography, chemistry, and zoology (Al-Khalili 2012; Lyons 2010).

While to completely discount the sanguinary nature of these periods would be naïve, the overwhelming weight of scholarship suggests the vast majority of peoples who converted to Islam did so willingly, if not even enthusiastically. Adolf (2009) noting that “[T]he rapidity of these vast early territorial gains is no less stunning than the low degree of violence Muslims used to achieve them.”

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Schuon (2003) writes that “Islam is often reproached as having propagated its faith by the sword; what is overlooked is that persuasion played a much greater role than war in the expansion of Islam.” It should also be noted that typically, Christians and Jews were not actually forced to convert to Islam, although were required to pay the “jizya,” a type of tax or tribute payable to the local authorities (Nyazee 2000; Schacht 1964).

What have not been adequately critiqued, at least in a contemporary leadership/management context, are successful leadership traits of both the Prophet Muhammad and his early civil and military successors, which arguably can be said to have helped Islam spread throughout the known world and allowed it to rule far flung empires for over 5,000 years. Previous scholarly work has explored how religion influences behavior at both the macro and micro level (Dana 2010). Specific attention has been given to the role Islam plays as a variable in the behavior of entrepreneurs and entrepreneurship as experienced within the context of the Islamic faith (Dana 2009; Ramadani et al. 2015). Dana (2009) and Ramadani et al. (2015) make the case for specific attributes, qualities and characteristics, which provide a context to evaluate effective entrepreneurial behavior.

This article extends the previously mentioned scholars research by drawing on exemplars that would allow further research on what effective leadership within an Islamic context looks like. Meritocracy, honesty, tolerance, personal courage, and compassion for others were essential underpinnings of the expansion of Islam from the borders of China to the Atlantic coast of Spain. A model for a conceptualization and examination of Islamic Leadership has been developed. The model involves a refinement of previously proposed, but not fully conceptualized, frameworks of Islamic Leadership.

2 Leadership Explained

Leadership has been defined in numerous ways, especially in comparison to the normal constructs used to define management. Kotter (2001) offers a comparison of the two as follows:

Kotter (2001) captures the essence of the themes offered by other scholars (Depree 1990; Bass 1990). The constructs around leadership continue to evolve and various theories battle for supremacy, including ideas about charismatic (Conger and Kanungo 1987), transactional (Bass 1990), transformational (Bass 1990), and servant leadership (Greenleaf 2002). However, what is common across the leadership spectrum is to *influence others to take a course of action*, especially one they may not have originally considered (Fig. 1).

Graen et al. (2010) operationalize the conceptualization above by stating: “. . . leadership is defined as informal emergent influence that can be activated by problem situations demanding leader—member cooperative, extra-role action much beyond the ordinary action feasible from formal supervisor and subordinate or coworker and coworker problem situations. . .” This operationalization gets us at the heart at what defines leadership and separates it from management. It is the

	Leadership Is About ... Coping With Change	Management Is About ... Coping With Complexity
What are we setting out to do?	> Establishing Direction Developing a vision and strategies to achieve that vision; setting high but reasonable standards	> Planning and Budgeting Establishing detailed steps and timetables and allocating resources
How do we deliver results?	> Aligning People Communicating direction to influence creation of teams and coalitions that understand vision and strategy	> Organizing and Staffing Establishing a structure to achieve the plan; delegating authority and providing policies and processes
How do we make it happen?	> Motivating, Mentoring, Inspiring Energizing people to develop and overcome barriers to change	> Controlling and Problem Solving Monitoring and organizing
What are the outcomes?	> Producing Change Often to a dramatic degree, such as cultivating new services and new approaches	> Producing Predictability and Order Consistently achieving budgets and targets

Fig. 1 Difference between leadership and management (Source: According to Kotter 2001)

ability to get people to act beyond assigned and defined roles to achieve a common goal. Leadership is activated, not by the title given (e.g., “manager”), but by the ability to move people beyond “problem situations”.

Most scholarly works on leadership theory have focused on Implicit Leadership Theory (ILT) and its associated cognitive effect and focus on followers (Rush et al. 1977; Schyns and Schilling 2011). Various topologies have been developed to explain the “type” of leader and leadership behavior being explored. The core theories used to explain leadership are:

- Trait theories (Zaccaro 2007).
- Behavioral theories (Conger and Kanungo 1987).
- Contingency theories (Kerr et al. 1974).
- Power and influence theories (Edwin and Offerman 1990).

While these various constructs and operationalizations seek to explain what is meant by leadership, what has not been fully explored is how religion in general interacts with leadership behavior, specifically those of the Islamic faith.

3 Islamic Perspective of Leadership

Previous scholarly work has explored how religion influences behavior at both the macro and micro level (Dana 2010). Specific attention has been given to the role Islam plays as a variable in the behavior of entrepreneurs and entrepreneurship as experienced within the context of the Islamic faith (Dana 2009; Ramadani

et al. 2015). The same concepts and principles that would allow one to be seen as a successful entrepreneur through an Islamic lens would also apply to leadership.

From an Islamic perspective leadership must be seen through ethical and moral dimensions. Leadership is not for self-aggrandizement, but to help guide people to a proper way (Davis 2013). “Ye are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah...” (Qur’an 3:110). Another verse from the Qur’an that address the Islamic model of leadership within an ethical and moral sense is: “Let there arise out of you a band of people inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones to attain felicity” (3:104). At its most fundamental, Islamic leadership is to work for the betterment and wellbeing of the community (ummah) through the propagation of all that is good.

It is the mission of an Islamic leader to create a just, non-exploitative environment with a strong emphasis on moral values (Mir 2010). Mir (2010) asserts the Qur’an and Prophet Muhammad provide the model to be followed by Muslim leaders and includes the following five traits: Piety, Humility, Social Responsibility, Self-Development, and Mutual Consultation.

3.1 Islamic Leadership Model

The Islamic model of leadership is rooted in the moral dimensions established by the Qur’an and the leader’s willingness to submit to God’s (Allah’s) will as articulated in the revelations received by the Prophet Muhammad. The Prophet Muhammad is the exemplar for the behavior a leader should follow as the Qur’an states: “And indeed you (Muhammad) stand as an exalted standard of behavior” (68:4). It is from the behavior of the Prophet Muhammad, and the early leaders of Islam, that one can begin to delineate the personal attributes and fundamental principles that compose a basis for examining, and guiding, modern leadership in the Islamic world.

Previous research has established that while personal attributes can influence behaviors, it is the fundamental principles and assumptions the leaders have that shape entire cultures (Liden et al. 2014). Kriger and Seng (2005) offer a model showing how the religious traditions of Judaism, Christianity, Islam, Buddhism and Hinduism shape the worldview, values and implicit leadership models of those who follow those faiths. Table 1 provides an overview of implicit leadership models from the viewpoint of each of the five religions in the model.

Hence, it is reasonable to conclude that the success of the leaders identified in this article came not only from personal characteristics they possessed, but also from the value system that influenced their underlying principles.

Figure 2 provides a framework to examine the personal attributes and fundamental principles held by the leaders profiled in this article.

Islamic leadership must be examined through the prism of submission to Allah (God) as based within the Qur’an and the sayings (hadiths) of the Prophet

Table 1 Faith based implicit leadership model

	Judaism	Christianity	Islam	Buddhism	Hinduism
1. Leader as	Teacher and question-asker	Role model	Servant of God and his creations	Teacher and role model	Role model of the “gods”
2. Exemplars	Abraham	Jesus	Mohammed	The Buddha	Rama/Krishna
3. Leadership through	Meaning-making	Love and peace	Embodying the 99 names of God	Being and example	Example and stories
4. Validity primarily	Testing and perseverance	Faith	Belief	Meditation and investigation of awareness	Awareness and perception
5. Core vision	Oneness	Love	Surrendering to God	Wisdom and compassion	Liberation from duality
6. Revelation through	Ten commandments and the words of the prophets	Example and life of Jesus	The <i>Qur'an</i> through God's messenger, Mohammed	Direct experience	Self-inquiry and practice
7. Core statement	“Hear, oh Israel, the Lord, our God, is One.”	The Lord's prayer	“There is no God, but God.”	Taking refuge in the <i>Buddha</i> , <i>dharma</i> , and <i>sangha</i>	“Thou art that”
8. Source of wisdom for leaders	The Torah (<i>Tanakh</i>)	The old and new testaments	The <i>Qur'an</i>	Investigation of inner self; Pali Canon and <i>Abhidharma</i>	<i>Upanashads</i> and <i>Bhagavad Gita</i>
9. Manifestation of the divine or spirit via	The “Lightning Flash”	The Trinity	The 99 attributes or names of God	Direct awareness	Divine play (<i>lila</i>)
10. Basis for moral leadership	The <i>Mishnah</i> (610 rules for correct behavior)	Moral virtues	<i>Shari'ah</i> (the Law) <i>adab</i> ; remembrance	<i>Cila</i> ; the 10 precepts; mindfulness	4 goals of life (<i>purusharthas</i>): meditation, pleasure, worldly success, liberation from rebirth

Source: Krieger and Seng (2005)

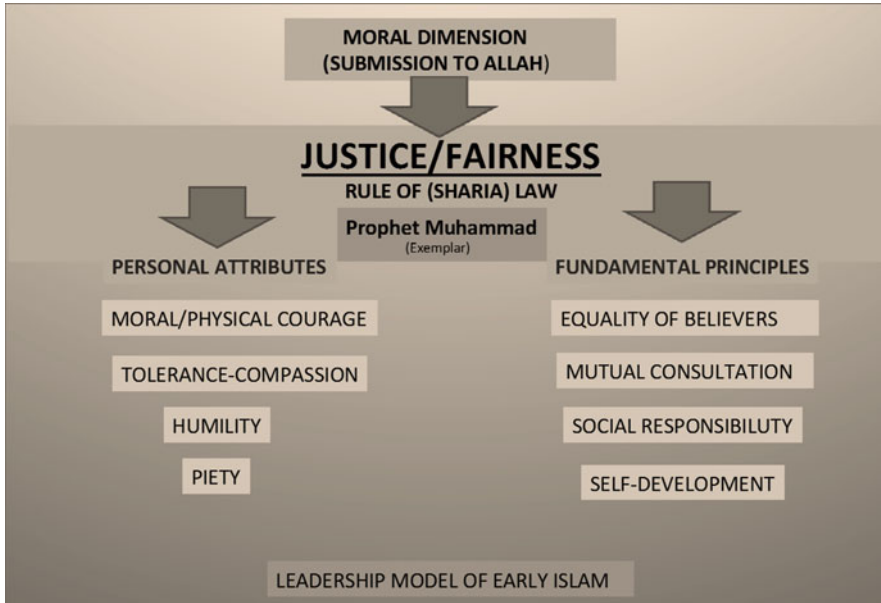


Fig. 2 Islamic leadership model (Source: Authors)

Muhammad. The mission of the leader is to propagate all that is good and defeat all that is evil (Qur’an 3:110). The Islamic leader must work towards a vision of creating a just society, where rule of law is enforced among all believers and non-believers. It does not matter if the Islamic leader is operating at the micro (family), meso (community) or macro (nation) level; the principles outlined in Fig. 2 are still applicable. The leader always is encouraged to consult with others, have a sense of how decisions impact the larger environment and engage in continuous development.

The attributes of the Muslim leader are to serve as a model for others to model. The courage to stand up for what is right is enshrined in both the Qur’an and hadiths.

“O you who believe! Be custodians of justice (as) witnesses to Allah, even if (it is) against yourselves or the parents and the relatives. If he be rich or poor, for Allah (is) nearer to both of them. So (do) not follow the desire lest you deviate. And if you distort or refrain, then indeed, Allah is of what you do All-Aware.” (Qur’an 4:135).

“Whosoever of you sees an evil, let him change it with his hand; and if he is not able to do so, then [let him change it] with his tongue; and if he is not able to do so, then with his heart—and that is the weakest of faith.” (Shahih Muslim).

As are the other attributes an Islamic leader is expected to have: tolerance and compassion (See Qur’an 2:256, 60:8 and 49:13), humility (See Qur’an 25:63, 7:55 and Shahih Bukari 4634), piety (See Qur’an 2:44, 3:125 and 5:2). It is through the leader serving as exemplar for others that the Islamic Leadership Model takes on components of transformational leadership theory (Bass 1990). Transformational

leaders serve as role models; engendering trust, admiration and respect. Burns (1978) argues that transformational leadership causes change in individuals and social systems and when enacted in its authentic form, transformational leadership enhances the motivation, morale and performance of followers. This transformation of the individual and his or her followers is the desired end state of Muslim leaders.

According to Greenleaf (2002) true leadership emerges from the desire to serve others. It is at the point of service that Greenleaf's articulation of "servant leadership" intersects with Burns (1978) conceptualization of the transformational leader. The transformational leader serves as a role model of service, providing an example for others to follow. The leader serves the followers and both are transformed; becoming both followers and leaders.

The following leaders, from early Islamic history, provide examples of the constructs discussed above.

3.2 Umar I (577 CE–644 CE) (Umar ibn Al-Khattāb)

Although Sunni and Shia Muslims differ significantly regarding historical claims to the "caliphate" (i.e., temporal and spiritual authority over all Muslims), following the death of the Prophet Muhammad's immediate successor, Abu Bakr as-Siddiq, Umar ibn Al-Khattāb was recognized as "Caliph" by the Ummah (i.e., Nation or Community of Islam) in 634 CE. Sunni scholarship holds that, as "Protector of the Faith," the caliph must be a male member of the Qurayshi tribe, be knowledgeable in the law, and a competent civil administrator (Bennett 1998).

Based on this criteria Umar ibn Al-Khattāb (577CE–644CE) became the second caliph (i.e., "successor") of the Rashidun period. Subsequently, he conquered two-thirds of the Byzantine Empire, Persia, North Africa and all of the Middle East. Umar I (often referred to in Arabic as Umar "Al-Farooq"—'one who distinguishes between right and wrong') was responsible for collating the Qur'an, created the Muslim calendar, and establishing a great deal of Islamic jurisprudence. History records numerous examples of his truly remarkable and contextually unexpected "servant leadership" (Spears 1996). In 637 (CE), following the peaceful surrender of Jerusalem, the delegation sent by the Christian Bishop Sophronius to meet him at the city gates, did not recognize Umar because he walked into the city in common cotton clothes actually leading a camel ridden by his servant (Gold 2009). According to the Byzantine chronicler, Theophanes, Umar ordered and supervised the cleanup of the location of the Temple of Solomon which had been used as a dung-heap by the Christian rulers to offend the Jews. He also forbade Muslims from expropriating Christian churches and authorized Jewish families to return to live in the city after their expulsion (which had been prohibited by death under the Byzantine authorities) (Montefiore 2011). Several sources recount how Bishop Sophronius presented Umar with the keys to the (Christian) Church of the Holy Sepulchre, which are still safeguarded by a Muslim family to this day (Bahat 1986).

Perhaps Umar is best known for the treaty (or “pact”) that bears his name. Although there are some doubts about the authenticity of the actual treaty (al-Uhda al-‘Umariyya), there is greater authority supporting the fact that Umar’s written assurances (al-‘Uhda al-‘Umariyya) guaranteed the inhabitants of Jerusalem specific rights under Muslim rule. (Brill 2001). These rights specifically included the rights to personal safety, property rights, worship, and display of the cross, as well as freedom from forcible conversion. While life for religious minorities was clearly circumscribed in many ways, communities of Christians and Jews continued to largely govern themselves, albeit under the higher-level supervision of an “emir” (general or prince) and a taxation official called an “amil” (Wieruszowski 1971). Measured by contemporary standards, Umar’s policies regarding conquered cities were extraordinarily progressive, if not magnanimous. The general expectation of most conquered cities for millennia had always been varying degrees of pillage, rape, enslavement, and massacre.

This “Golden” period of Muslim history, known as the “Rashidun” (i.e., “rightly guided”), established a new paradigm for leadership. Umar was keenly aware that his actions must be compatible with both the letter and the spirit of Islam. First and foremost was the concept of equality of all believers and equality before the law. Within these constraints, whatever actions taken must be recognized as “fair,” even among subject populations. For Muslims, the term “conquests” is somewhat misleading if not inaccurate. Umar believed that his actions were actually of an altruistic nature. In Arabic, the word used is “futuh” (“openings”) meaning that nations were “opened” to allow Islam to be shared with all peoples. Under these motivations, acts of extreme violence against those who have laid down their arms and surrendered were not merely counter-productive, such conduct was morally and spiritually wrong, thus forbidden (i.e., “Haraam”) (Muhammad 1961). Additionally, Umar’s personalization of leadership is imbedded in the fact that he forbade the chopping off of hands as punishment for theft (a common practice of the time) because he assumed the personal responsibility for failing to provide adequate employment for his subjects, this negating the need for theft (Mohtsham 2007).

The following speech is attributed to Umar and clearly articulates his model for leadership within an Islamic context:

Allah has for the time being made me your ruler. But I am one of you. No special privileges belong to ruler. I have some responsibilities to discharge, and in this I seek your cooperation. Government is a sacred trust, and it is my endeavor not to betray the trust in any way. For the fulfillment of the trust I have to be a watchman. I have to be strict. I have to enforce discipline. I have to run the administration not on the basis of personal idiosyncrasies; I have to run it in public interest and for promoting the public good (Makiya 2001).

Umar’s short speech encapsulates the five Islamic servant-leader attributes (i.e., Piety, Humility, Social Responsibility, Self-Development, and Mutual Consultation). In other words, Umar declares that his position of authority is transient in nature and may only be justified by his obedience and conformity to well-recognized religious, legal, and fiduciary responsibilities. He portrays himself as nothing more than a servant of Allah and of the other members of the community,

both of Muslim and non-Muslims alike. Umar's leadership example becomes the precedent for all of his successors and the standard by they are judged (Hart 2000).

Given the above it is not hard to understand why Sir William Muir, a nineteenth Century Scottish historian (usually a harsh critic of Islam), was unstinting in his appraisal of Umar:

The choice of his captains and governors was free from favouritism, and [with only a few exceptions singularly fortunate. The various tribes and bodies in the empire, representing interests the most diverse, reposed in his integrity implicit confidence, and his strong arm maintained the discipline of law and empire . . . The more distinguished of the Companions he kept by him at Medina, partly, no doubt, to strengthen his counsels, and partly (as he would say) from unwillingness to lower their dignity by placing them in office subordinate to himself. Whip in hand, he would perambulate the streets and markets of Medina, ready to punish offenders on the spot; and so the proverb,—“Omar's whip is more terrible than another's sword.” But with all this he was tender-hearted, and numberless acts of kindness are recorded of him, such as relieving the wants of the widow and the fatherless (Muir 2013).

3.3 Muawiya ibn Abu Sufyan (602 CE–680 CE)

Accompanying Umar in Jerusalem, as one of his generals, was Muawiya ibn Abu Sufyan. Muawiya I, the founder of the Umayyad dynasty, was born into a clan that fiercely resisted the Prophet Muhammed (Muawiya's mother actually ate the liver of Mohammed's uncle) (Ishaq 1955). Yet, when Mecca surrendered to Muhammad in 630, Muawiya was appointed as the Prophet's personal secretary and then married Muawiya's sister (Ramla bint Abi Sufyan). Umar in turn appointed Muawiya as the Governor of the Province of Syria in 639. At the time, the Muslim armies engaged in nearly continuous warfare with the Byzantines. When his armies became depleted by the plague, Muawiya gained the allegiance of Jacobite forces by marrying the daughter of a local Jacobite clan leader and allowed her to remain a Christian (Rahman 1999). Muawiya, who had grown up with Jewish-Arabs, employed Christians and Jews in his court. Muawiya modernized his armies, established Islam's first Navy, created perhaps the first “police” force in history, and opened the military postal system (“Barid”) to merchants and to the public. Despite the theological controversies (and schisms) of this period, Muawiya is given credit for expanding and stabilizing the Caliphate during a time of constant threats, both internal and from Byzantium (Bewley 2002).

Muawiyah also understood the leadership value of “hilm” (“Al-Hileem”) which in Arabic means modest, forbearing, and lenient. When he addressed the people of Damascus from the minbar (pulpit) in the Mosque in Damascus, he was often seen wearing a patched garment. When he travelled in the marketplaces, he most often rode on a donkey (an expression of peace) without any escort or bodyguards (Bewley 2002). He is quoted as stating “I apply not the lash where my tongue suffices, nor my sword where my whip is enough. But if there be one hair binding me to my fellow men I let it not break. If they pull I loosen, and if they loosen I pull”

(Montefiore 2012). Additionally, Muawiyah is noted for maintaining and strengthening the concept of reciprocity between ruler and subjects. Mu'awiya, speaking in Medina said that while he wished to follow in the footsteps of Abu Bakr and Umar, he was “unable to follow it, and so I have followed a course with you which contains fortune and benefits for you despite some bias, so be pleased with what comes to you from me even if it is little” (Bewley 2002).

Theophanus, the Greek historian described Muawiyah as ‘*primus inter pares*’ (first among equals). Under Muawiyah, political appointments were more often made on the basis of merit or loyalty. This included leadership appointments from the military who were not from his own tribe (Qurayshi) or even Ummayyad (Arabic). Especially in Syria and Armenia, former Byzantine officials retained their positions within the relatively unchanged governmental infrastructure. More than mere “tolerance,” the utilization of Christians and Jews solidified Muslim rule within significantly larger populations of Christian (and Jewish) subjects. The Catholic Saint, John of Damascus, a Syrian scholar monk and mathematician served as “*protosymbullus*” (chief councilor) to Muawiyah (Walsh 1991). It is not hard to imagine that non-Orthodox Christian minorities, including Arians and Nestorians, would have preferred a tolerant Islamic regime to their harsh treatment under Byzantine rule.

3.4 *Saladin (Sultan Ṣalāḥ ad-Dīn Yūsuf ibn Ayyūb)* **(1137/1138 CE–1193 CE)**

Saladin is noted for being the founder of the Ayyubid Dynasty, a Muslim dynastic period centered upon Egypt, but including Mesopotamia, the Hejaz, Yemen, and much of North Africa. Saladin himself was a Sunni Muslim from Kurdish Armenia yet served with distinction as a general under the Shi'a Fatimid Caliph, al-Adid (al-ʿĀḍid li-Dīn Allāh) in Cairo (then “*al-Qāhirah*”). In 1169, Saladin’s military prowess led to his promotion to a vice-regency (“*vizier*”) to the Caliph. The Hollywood Saladin is summarized as the Muslim leader who battles the combined English, French, and German forces, while befriending as his “noble enemy,” Richard the Lionheart (Richard I) of England. While there is some truth in this synopsis, Richard and Saladin never actually met, although did exchange gifts and messages. Montefiore (2012) notes “Saladin was never quite the liberal gentleman, superior in manners to the brutish Franks, portrayed by Western writers in the nineteenth century. But by the standards of medieval empire-builders, he deserves his attractive reputation.”

Upon re-capturing Jerusalem in 1187, and emulating Umar, Saladin liberally allowed ransoming, and even amnesties (as opposed to enslavement and slaughter) to most of the residents. Next he invited exiled Jewish communities from as far as Yemen and Morocco to return to live in the holy city. When his generals urged him to destroy the Christian Church of the Holy Sepulchre, he instead turned it over to the

Greek Orthodox Church. Saladin pointing out there was no advancement in this type of destruction “when the object of their veneration is the place of the Cross and not the outward building? Let us imitate the first Moslem conquerors who respected these churches” (Ezzati 2002). Soon after, Saladin also granted Queen Tamar of Georgia (i.e., “Tamar the Great”) request to restore Georgian Orthodox property in the city and free passage, “with unfurled banners” for Georgian pilgrims (Ciggaar and Teule 2000).

In a unique turn of events, despite Saladin’s restoration of the Dome of the Rock and defeat of Richard the Lionheart, his legacy was largely discounted, if not forgotten among Muslims for the millennium that followed. Andrew Larson notes that Saladin never made a Haj, nor was he known for his piety or fasting. Larson also stated that Saladin was eclipsed by “Mamluk Sultan Baibars, who successfully defeated the Mongol threat in 1260 at the battle of Ain Jalut. As a consequence of this, he became a major Muslim folk-hero and remained such down into the nineteenth century, overshadowing Saladin as a great Muslim warrior” (Smith 2008).

4 Conclusion

The leadership model for early Islamic leaders was based upon a truly revolutionary egalitarian model in which no member was placed above the other with regard to their relationship to the Creator. Leaders within that system were expected to lead other members towards an idealized “societistic” government that stressed the social life of humanity and the ethics and mechanics of human society (Ezzati 2002). The leaders from this early period in Islam, specifically those referenced by the authors, achieved and maintained their authority almost exclusively by serving as living moral examples (Shahid) to others.

By serving as examples to others, Muslim and non-Muslim, the leaders highlighted here set the foundation for an empire that would cover over 10 % of the total land mass of the planet and encompass almost 30 % of the world’s population (Blankinship 1994). An empire built not by the sword, but leadership attributes and foundational beliefs that populations sought to embrace and emulate. The Prophet Muhammad in an articulation of what now would be called “servant leadership” is reported to have said: “Verily, each of you is a shepherd, and each of you is responsible for the well being of his flock” (Sahih Bukhari 6719).

There are implications in this article for present leaders in the Muslim world. While radical organizations like the Islamic State of Iraq and al-Sham (ISIS, ISIL, Daesh, Daish) claim to want to establish an Islamic Caliphate it is evidenced by past history that Islam, and Islamic leaders, did not seek such a State based on violence or the desire to subdue and subjugate populations. The early Islamic leaders profiled here took seriously the Qur’anic proclamations: “Ye are the best of peoples, evolved for mankind, enjoining what is right, forbidding what is wrong, and believing in Allah...” (3:110) and “Let there arise out of you a band of people

inviting to all that is good, enjoining what is right, and forbidding what is wrong: They are the ones to attain felicity.” (3:104). The attributes and foundational principles demonstrated by the Rashidun and Saladin represent a model of leadership for transforming, as well as serving the world, as they did just that and are worthy of further study to provide insights into what are the qualities embodied in transformational and servant leadership. Additionally, the foregoing Islamic leadership model may serve as a guide to Muslim leaders and managers seeking religious context, it should be equally beneficial to non-Muslims seeking to work effectively across multi-cultural boundaries.

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Micro-Entrepreneurial Motivations in Ghana: Do Muslims Differ?

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1 Introduction

Are Muslim entrepreneurs different in their entrepreneurial motivations compared to entrepreneurs of other faiths? The reason for individuals engaging in entrepreneurship has been widely studied with two main motives of profit and employment been put-forth (Segal et al. 2005). In recent years there has been attempts to understand the determinants of these two motivations (Schoof 2006; Dana 2007; Pruett et al. 2009). The findings from these studies show two main factors of psychological and socio-economic determinants. The specific factors that have been investigated include marriage, age, gender, education, ethnicity, sectorial differences, entrepreneurial tasks, market constraints, entrepreneurial traits and psychodynamic factors. Yet, one sociological factor that has received little attention is the religion of the entrepreneur especially in the African context (Audretsch et al. 2007). Religion in general and Islam (the focus of our study) in particular are largely under-researched themes in entrepreneurship and organization studies. Yet, religion is not ‘left at home’; it infuses working life (Essers and Benschop 2009). Dana (2009) from a review of literature from the past century has argued that religion is a significant explanatory variable in the variation in entrepreneurial ethos of various religious groupings and hence should not be neglected when explaining entrepreneurial behaviour. This is especially true considering the great contrast between the profane and vulgar perception of wealth and the holy cosmos of Christianity and Islam (Deutschmann 2001). Consequently, the study seeks to contribute to the literature in this direction. The study focuses on the Islamic religion as it has been positioned as incompatible with modern capitalism (Adas 2006).

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In this study, an attempt is made to answer the above question. Data from an earlier study by (Acheampong and Esposito 2014) on the nature of entrepreneurship in BOP markets in Ghana is utilized to answer the research question. The data was collected from 287 micro-entrepreneurs in poor localities in the Greater Accra region of Ghana. The dependent variables are operationalized as self-employment and profit motives. It is then hypothesized that Muslims, operationalized as a dummy, are different in their motivations compared to those entrepreneurs of other faith. Covariates are also included in the model to deal with any possible endogeneity issues that may arise. The covariates include gender, ethnicity, traits, tasks, psychodynamics, market constraints, age, gender, education and sector of operations. The Blinder–Oaxaca decomposition is also conducted to determine the sources of any differences in motivation between Muslim entrepreneurs and those of other faith.

The study finds that generally Muslim entrepreneurs compared to those of other faith are less likely to engage in entrepreneurship for profits or self-employment in the study area. Specifically, it is found that married Muslims are more likely to be motivated by profits while task oriented non-Muslim entrepreneurs are drawn to the profit motive. On the employment motive, it is found that female and young Muslim entrepreneurs are more likely to engage in entrepreneurship for employment while non-Muslim entrepreneurs are less likely to be constrained by market constraints while enhanced by their traits to engage in entrepreneurship for employment. The Blinder–Oaxaca decomposition reveals that the profit motive of Muslims is constrained by their endowments or characteristics but enhanced by unexplained factors which may be the religion effect. In terms of contributions of this study a few can be noted. First, it needs the call by earlier scholars for the interface between entrepreneurship to be studied (Audretsch et al. 2007) especially the Islamic religion that has been in the spotlight in the past few decades. The findings also show that while the effect maybe negative when the results are disaggregated for sub-samples some positive effects are observed while the decomposition shows that the religion actually offers conditions favourable for engaging in entrepreneurship for profits and employment.

2 Literature Review

Individuals engage in entrepreneurship for different reasons and these are referred to as the entrepreneurial motivations. In this section, the paper focuses on reviewing literature relating the concept of entrepreneurial motivations and their determinants. It will also seek to understand the differences between Muslims and other faiths.

2.1 Entrepreneurial Motivation and Their Determinants

Entrepreneurship has been defined as the assemblage of factors of production in the face of uncertainty to achieve a margin (Acheampong and Esposito 2014). Consequently, entrepreneurial motivations represent those factors that influence a person's decision to engage in entrepreneurial behaviour. Theoretically, entrepreneurial motivation has been defined as the pursuit of opportunities within a particular industry to achieve an objective (Shane et al. 2003). The objectives that the entrepreneur may seek to achieve may include a social good or change, profit and/or employment (Segal et al. 2005). Zimmerer et al. (2008) have proffered three benefits that motivate individuals to engage in entrepreneurship. The first is to reap profits. The aim here is to change the economic circumstances of the entrepreneur. This is especially true for entrepreneurs that come from a background of lack. The second motivator is to control individuals own destiny. This is because some persons achieve satisfaction in being their "own bosses". This is true for people with a high need for achievement or has no opportunities in the mainstream economic activities of their society. Lastly, some individuals also engage in entrepreneurship to create employment for themselves. This is observed in many African countries engage in micro-entrepreneurship to be relevant and support family incomes (Dana 1996, 1997, 2007).

Psychological, sociological, economic and demographic factors have been offered for why people engage in entrepreneurship or otherwise (Dana 2007). In a study conducted in Ghana, Acheampong (2013) suggests that marginality is a major reason why people engage in entrepreneurship. It was found in the study that political and economic marginality as well as a defiant reaction to marginality spurs people on to engage in enterprising behaviour in Ghana. Marginality may lead to entrepreneurial behaviour because the marginalised are starved of economic opportunities and may need to create new ones they can benefit from and entrepreneurship may offer such a route. Acheampong and Esposito (2014) have also shown that trait and psychodynamic factors have an effect on the level of entrepreneurial motivation of an individual. They suggest that individuals with self-confidence, tolerate ambiguity, have a high need for achievement and independence are more likely to engage in entrepreneurship to appropriate its benefits. Also, psychodynamic factors such as current circumstances and past experiences are more likely to motivate people to engage in entrepreneurship.

Another important demographic factor in the adoption of entrepreneurial behaviour is the age of the person (Schoof 2006). The adoption or otherwise of young people is based on the availability of entrepreneurship training programs, ethnic background, lack of employment opportunities and a family background of entrepreneurship (Athayde 2009). Some of the reported barriers to youth entrepreneurship include lack of identifiable role models, poor media representation of small business owners and lack of encouragement from important influencers such as teachers and educational counsellors. In a cross-country study of entrepreneurship among university students in USA, China and Spain Pruett et al. (2009) show that

across cultures, university students share generally similar views on motivations and barriers to entrepreneurship, but with some interesting differences. Further, while cultural and social dimensions explain only a small portion of intentions, psychological self-efficacy (disposition) is an important predictor. Women are more likely to engage in entrepreneurship in Ghana as it serves as a source of complementary family income (Buame et al. 2013). Wilson et al. (2007) have found that that entrepreneurship education is more important to women than to men in increasing self-efficacy and women also need the self-confidence and the expectation of success in order to fully participate in venture creation.

Marriage remains one of the important determinants of whether an individual engages in entrepreneurship or not as well as the motivation or outcomes expected. Parker (2008) has shown that married couples are an especially important group to analyse in the context of entrepreneurship because they make up the majority of business owners in most parts of the world and that individual' choices of business ownership can in principle affect the choices of their spouses in a positive or negative fashion. It has been shown that marriage is the unexplained differential between male and female headed businesses (Jennings and Mcdougald 2007). Other important determinants of entrepreneurial intentions include the educational level of the entrepreneur (Block et al. 2011), the ethnic background of the person (Basu and Altinay 2002), the sector the person wants to operate in (Chen and Elston 2013) as well as the religion of the person (Audretsch et al. 2007).

2.2 Religion and Entrepreneurship: A Focus on Islam

As can be seen in the section above socio-cultural and contextual factors are very significant determinants of the decision to engage in entrepreneurial behaviour. One such important variable is the religion of the individual under investigation especially when this is contrasted with the fact that some of the early works on free market as an economic system was based on religion.¹ Despite religion been very pervasive in the socio-cultural environment, very little is known on its impacts on the employment decisions of individuals more specifically their entrepreneurial decisions (Audretsch et al. 2007). This is especially true especially considering the great contrast between the profane and vulgar perception of wealth and the holy cosmos of Christianity and Islam (Deutschmann 2001). However, the relationship between economic activity and religion has long been the subject of discussion in philosophy and it's only from the sphere of enterprise sociology that this idea may look strange. In this section, let's focus on the affinity between the Islamic religion and entrepreneurial decision-making of Muslims.²

¹See Protestant Ethic and the Spirit of Capitalism.

²See Akbar (1993) for a detailed review of the Islamic faith.

Let's start by considering the country differences between a Muslim-dominant country and a Christian-dominant country by comparing the entrepreneurial ethos in these countries. Farid (2007) in a comparison of entrepreneurship in Egypt and the United States indicate that there are significant differences between the meanings and attachments that people place on money and wealth and this can either heighten or dampen the entrepreneurial ethos in these countries. The differences emanate mostly from the instrumental (money as a means to something else such as it brings freedom and opportunity) and terminal (money as an end such as it symbolizes achievement) values of money (ibid). The meaning for these differences can be result of religious differences between the two countries. Adas (2006, p. 113) notes that "the construction of Islam as incompatible with and antagonistic to capitalism has a long history. Vestiges of such thinking still continue to be reflected in contemporary accounts that depict the encounter between Islamic societies and forces of global capital as a hostile battle, each trying to outdo the other". This construction does not allow for the re-working or re-evaluating of Islamic values in the light of current economic issues. However, empirical evidence from India shows Islamic religion is more favourable to been self-employed than been Hindu controlling for other relevant characteristics (Audretsch et al. 2007) and the reported coefficient is even bigger than for Christianity. The evidence suggested maybe endogenous to locational effects that the authors note (ibid) hence opening opportunities for other researchers from other contexts to present context specific evidence.

Earlier, Akbar (1993) has attempted to address the question of are some religions conducive to entrepreneurship than others? The findings in his study dispel the popular notion that Islam is anti-entrepreneurial. This Akbar notes maybe because most Muslim countries are economically backward and Muslims residing in non-Islamic countries have not provided any evidence to the contrary. The Islamic ideology encourages honest private gain, private ownership of property, economic rationality but discourages social hierarchy, hoarding, speculation and charging interest (Akbar 1993). Kuran (2008) has presented alternative ideas suggesting that Islamic institutions served innovators and entrepreneurs well in the medieval world but was unable to make the transition from personal exchanges to impersonal of recent times. This is because Islamic law failed to stimulate the development of organizational forms conducive to pooling and managing resources on a large scale. More instructively, Ramadani et al. (2015a) notes that Islam expects entrepreneurs to place their activities in the context of *Taqwa*. *Taqwa* is strongly related with the concepts of halal (lawful, permissible), haram (unlawful, not permissible) and mushtabeh (doubted). Muslim entrepreneurs must avoid issues that are haram, reduce mushtabeh and engage in halal in all their business dealings. Essers and Benschop (2009) has found that the intersectionality of gender, ethnicity and Islam within entrepreneurship requires extensive identity work to cope with structural inequalities and create room for agency. Diverse constituencies steer in opposite directions, and business-women highlight different identities in different contexts to maximize their opportunities. The expectation that ties to religious groups would confer an advantage when doing business in an Islamic country has not been

supported but women who abided by Islamic customs were accepted in a typically male-dominated business world (McIntosh and Islam 2010). It has also been noted that Muslim women are allowed to work in various fields, as long as the work is done in an atmosphere of respectable, polite, and they can maintain their religion (Anggadwita et al. 2015). Therefore the main issue is the ability to maintain the female entrepreneurs religion without which the particular enterprise is side-stepped.

3 Research Method

3.1 The Data

The study uses data from a study conducted on the nature of entrepreneurship in bottom pyramid markets by Acheampong and Esposito (2014). The data was collected from the Greater Accra Metropolitan Area (GAMA) in Ghana. The specific suburbs were Nima, Sodom and Gomorah, Madina, Amasaman and Korle-Gorno. Approximately 75 % of the study area is micro-entrepreneurs and these enterprises are in trading/retailing and light manufacturing. The data is cross-section and its collection was conducted between September 2012 and November 2011 in GAMA in Ghana. The study selected the communities for participation in the study based on the Ghana Living Standards Survey (GLSS) 5 (2008) of some of the poorest suburbs and the micro-enterprise activity in Accra. Each suburb was allocated 80 respondents since these suburbs have same characteristics and population. Within the communities systematic sampling was used to selected respondents in these communities. Every fifth micro-entrepreneur in these communities was interviewed. The study gathered a total of 400 responses of which 287 were usable representing a 72 % response rate. The research instrument used for the data collection was developed after an extensive literature review. The data has information on issues like entrepreneurial drives, BOP market challenges, entrepreneurial tasks, nature of the BOP market and the entrepreneurial benefits. The English-based questionnaires were translated and interviews conducted in the local language of the respondent. To ensure the reliability of the constructs an exploratory factor analysis was conducted (see Acheampong and Esposito 2014 for details).

3.2 Operationalisation of Variables

3.2.1 Dependent Variables

Self-Employment The study operationalizes self-employment the statement: “I engage in entrepreneurship to create employment for others and myself”.

Respondents were to select their response on a likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement.

Profits The study operationalizes profit motive with the question: “I engage in entrepreneurship to reap profits”. Respondents were to select their response on a likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement.

3.2.2 Variable of Interest

Muslim Entrepreneurs were asked to state their religion in the data been used. The options available included Christian, Muslim, Traditionalist, Atheist and Other. These options were included in the questionnaire from the GLSS 5 (2008). Since the present study is interested in the Muslim effect and differential a Muslim dummy is created. If an entrepreneur is Muslim he/she is given a code of 1 and 0 if otherwise.

3.2.3 Control Variables

Female Gender of entrepreneur has been shown to have a significant effect on entrepreneurial motivation (Ramadani et al. 2013, 2015b). Consequently, an effort is made to control for this in order not to confound our estimates. Respondents were asked to state their gender. We therefore operationalize the gender variable with a female dummy. Female entrepreneurs were coded as 1 and male entrepreneurs as 0.

Young Respondents were asked to provide their age range. The options were 18–25; 26–35; 36–45; 46–55 years and Above 55 years. The study operationalizes as whether an entrepreneur is young or old. We establish a cut-off point for young entrepreneurs at 35 years old. Entrepreneurs below this age are coded as 1 and otherwise as 0.

Married Respondents were also asked to indicate their marital status. The options were married, single, divorced and widowed. The study then creates a married dummy where married entrepreneurs receive a code of 1 and otherwise 0.

Secondary Respondents also answered a question relating to their highest educational attainment. Response categories were no education, primary education, secondary education and tertiary education. Entrepreneurs that had secondary education and higher were coded as 1 and those below were coded as 0.

Akan Respondents indicated their ethnicity in the survey. The response categories include Akan, Ewe, Ga-Dangme and Northerner. The study creates an Akan dummy where entrepreneurs with Akan ethnicity are coded as 1 and zero for otherwise. Anecdotally in Ghana the Akans are noted from their strong business acumen and are the majority tribe.

Trade and Services Respondents were asked to indicate their industry of operation at the time of survey. The categories included agriculture, trade, services, manufacturing and agro-processing. A trade and services dummy was created. Entrepreneurs that operated in the in trade and services sector are coded as 1 and otherwise as 0.

Entrepreneurial Tasks The tasks performed by entrepreneurs in order to accessing the benefits motivating them into entrepreneurship were controlled for in the study model. We operationalize tasks with six statements: “I provide market efficiency”; “I combine economic factors”; “I process market information”; “I identify market opportunities”; “I take calculated risks” and “I bring innovations to the market”. Respondents were asked to select their response on a likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement. The responses were summed and divided by six to get an average to be used for estimation. These variables come from Wickham (2006) and have been shown to be reliable constructs (Acheampong and Esposito 2014).

Market Constraints The study operationalized market constraints with the statements: “There are few new products and services in the market”; “There is a lack of trust in the market” and “There is a lack of capacity to consume in the market”. Respondents were asked to select their response on a Likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement. The responses were summed and divided by 3 to get an average to be used for estimation. These variables were selected from Prahalad and Hart (2002).

Entrepreneurial Traits The study operationalized entrepreneurial traits with the following statements: “I am innovative”; “I have business skills”; “I have self-confidence”; “I have a high need for achievement”; “I have a need for independence” and “I have a high ambiguity tolerance” (Palich and Ray Bagby 1995). Respondents were asked to select their response on a likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement. The responses were summed and divided by 3 to get an average to be used for estimation.

Psychodynamic Factors The study operationalized psychodynamic factors with the following statements: “I have difficult economic circumstances” and “I have had difficult personal experiences” (Betta et al. 2010). Respondents were asked to select their response on a likert scale from 1 to 5 with 1 as the highest form of disagreement and 5 as the highest form of agreement. The responses were summed and divided by 2 to get an average to be used for estimation.

3.3 Estimation Strategy

To examine the relationship between been a Muslim and entrepreneurial motives, the study specifies an ordinary least squares (OLS) regression model of general form:

$$EM = \beta_0 + \beta_1MUS + \beta_2COV + \varepsilon \quad \text{if}(V = g, m \text{ or } nm)$$

where EM is the entrepreneurial motive and this motive refers self-employment and profit motive of the entrepreneur; MUS is the Muslim dummy; COV is the control variables included in the model, ε is the statistical noise; V is the type of sample been estimated; g is the general sample, m is the Muslim sample and nm is the non-Muslim sample.

The study also attempts to understand the source of the differences in mean entrepreneurial motives between Muslims and non-Muslims. We use the Blinder–Oaxaca decomposition method (Blinder 1973; Oaxaca 1973)³ to estimate these differences. The estimation is specified as follows:

$$EM_n - EM_m = [(X_n - X_m)\beta_n] + [X_m(\beta_n - \beta_m)]$$

where X_j is a row vector of average values of the independent variables and β_j is a vector of coefficient estimates for religion j .

4 Results and Discussion

4.1 Descriptive Analysis

Table 1 shows the summary statistics of the variables used in the study. 29.3 % of the study sample is Muslim. The mean response for self-employment is 3.805 and this is driven by a non-Muslim sample mean of 3.828. The mean response of profits is 4.181 driven by a higher Muslim mean of 4.238. These results suggest that more people engaged in entrepreneurship due to the profit motive than the self-employment motive. This is especially true since there are a rising number of corporate executives starting small businesses while still maintaining their corporate employment (Zimmerer et al. 2008). Also, the study finds that 67 % of the entrepreneurs were female, 57 % were married, 30 % had education above secondary school and 79 % of the entrepreneurs operated in the trade and services sector of the economy.

³As implemented by Benn Jann in Stata.

Table 1 Descriptive results

	Total sample		Muslim sample		Non-Muslim sample	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Self-employment	3.805	1.368	3.750	1.512	3.828	1.307
Profits	4.181	0.917	4.238	1.025	4.158	0.870
Muslim	0.293	0.456	1.000	0.000	0.000	0.000
Female	0.672	0.492	0.643	0.482	0.685	0.497
Young	0.366	0.483	0.333	0.474	0.379	0.486
Married	0.575	0.794	0.583	0.496	0.571	0.889
Secondary	0.303	0.460	0.119	0.326	0.379	0.486
Akan	0.324	0.469	0.000	0.000	0.458	0.499
Trade and services	0.787	0.410	0.833	0.375	0.768	0.423
Entrepreneurial tasks	3.814	0.912	4.054	0.947	3.715	0.880
Market constraints	3.239	0.760	3.271	0.796	3.226	0.747
Entrepreneurial traits	3.991	0.785	4.212	0.827	3.899	0.750
Psychodynamic factors	3.728	0.937	4.075	0.966	3.585	0.887
Observations	287		84		203	

4.2 Regression Analysis

The results of OLS regression are presented in Table 2 above. The level of entrepreneurial motivation in the form of profit and self-employment is modelled as depending on whether an entrepreneur is a Muslim and other covariates. The key finding is that Muslims are less likely to engage in entrepreneurship for profits and employment as compared with those of other faiths. This finding seems to support the claims that Islam has not encouraged the emergence of organizational forms that support the pooling and managing economic resources for personal benefit (Kuran 2008) by dispelling the notion that Muslims and those of other faiths have the similar entrepreneurial motives (Akbar 1993). Other significant variables predicting entrepreneurial motives include marriage, entrepreneurial tasks, entrepreneurial traits, young people, females, and market constraints. For the other significant variables in Column 1, the results are compared to the results in Columns 2 and 3 to establish the driver of their effects. It is first found in the general sample that married entrepreneurs are more likely to engage in entrepreneurship for profits than others. This may be because married people engage in micro-entrepreneurship as a supplement to family income especially female married entrepreneurs (Yusuf and Saffu 2005; Buame et al. 2013). When the findings in Columns 2 and 3 are compared it is observed that the effect observed in the general sample is driven by married Muslim entrepreneurs.

In terms of entrepreneurial tasks it is found that respondents engage in entrepreneurial tasks with aim of gaining a return for their efforts and this finding is driven by non-Muslims as the Muslim sample is seen to be insignificant. The explanation for the general effect may lie in the idea that people rationally expect a return for their efforts and in the thinking of Kirznerian entrepreneurship by

Table 2 Regression estimates

	(1)		(2)		(3)		(4)		(5)		(6)	
	Profits All	Profits Muslim	Profits Muslim	Profits Others	Profits Others	Profits Others	Employment All	Employment Muslim	Employment Muslim	Employment Others	Employment Others	Employment Others
Muslim	-0.195* (0.114)	Omitted	Omitted	Omitted	Omitted	Omitted	-0.422*** (0.159)	Omitted	Omitted	Omitted	Omitted	Omitted
Female	-0.044 (0.104)	-0.022 (0.259)	-0.022 (0.259)	-0.066 (0.100)	-0.066 (0.100)	-0.066 (0.100)	0.109 (0.139)	0.689** (0.314)	0.689** (0.314)	0.689** (0.314)	-0.133 (0.152)	-0.133 (0.152)
Young	-0.019 (0.091)	0.137 (0.185)	0.137 (0.185)	-0.066 (0.105)	-0.066 (0.105)	-0.066 (0.105)	0.261* (0.144)	0.434* (0.245)	0.434* (0.245)	0.434* (0.245)	0.226 (0.168)	0.226 (0.168)
Married	0.067* (0.035)	0.315* (0.175)	0.315* (0.175)	0.027 (0.034)	0.027 (0.034)	0.027 (0.034)	0.024 (0.077)	-0.019 (0.257)	-0.019 (0.257)	-0.019 (0.257)	-0.004 (0.083)	-0.004 (0.083)
Secondary school and above	-0.036 (0.108)	-0.609 (0.375)	-0.609 (0.375)	0.061 (0.103)	0.061 (0.103)	0.061 (0.103)	0.002 (0.165)	-0.359 (0.439)	-0.359 (0.439)	-0.359 (0.439)	0.064 (0.176)	0.064 (0.176)
Akan	0.002 (0.104)	Omitted	Omitted	-0.027 (0.106)	-0.027 (0.106)	-0.027 (0.106)	0.030 (0.164)	Omitted	Omitted	Omitted	-0.035 (0.163)	-0.035 (0.163)
Trade and services	0.035 (0.111)	-0.369 (0.228)	-0.369 (0.228)	0.161 (0.122)	0.161 (0.122)	0.161 (0.122)	-0.008 (0.153)	-0.331 (0.344)	-0.331 (0.344)	-0.331 (0.344)	0.107 (0.173)	0.107 (0.173)
Entrepreneurial tasks	0.260*** (0.091)	0.174 (0.168)	0.174 (0.168)	0.245** (0.103)	0.245** (0.103)	0.245** (0.103)	0.525*** (0.098)	0.652** (0.252)	0.652** (0.252)	0.652** (0.252)	0.447*** (0.108)	0.447*** (0.108)
Market constraints	-0.017 (0.046)	-0.066 (0.108)	-0.066 (0.108)	0.002 (0.052)	0.002 (0.052)	0.002 (0.052)	-0.162** (0.081)	-0.136 (0.160)	-0.136 (0.160)	-0.136 (0.160)	-0.171* (0.099)	-0.171* (0.099)
Entrepreneurial trait	0.496*** (0.096)	0.481** (0.198)	0.481** (0.198)	0.492*** (0.109)	0.492*** (0.109)	0.492*** (0.109)	0.554*** (0.135)	0.296 (0.293)	0.296 (0.293)	0.296 (0.293)	0.634*** (0.146)	0.634*** (0.146)
Psychodynamic factors	0.033 (0.063)	0.023 (0.136)	0.023 (0.136)	0.066 (0.071)	0.066 (0.071)	0.066 (0.071)	0.043 (0.105)	0.150 (0.215)	0.150 (0.215)	0.150 (0.215)	-0.015 (0.121)	-0.015 (0.121)
Constant	1.179*** (0.295)	1.789*** (0.568)	1.789*** (0.568)	1.008*** (0.355)	1.008*** (0.355)	1.008*** (0.355)	-0.114 (0.362)	-0.586 (0.792)	-0.586 (0.792)	-0.586 (0.792)	0.215 (0.417)	0.215 (0.417)
Observations	285	83	83	202	202	202	285	83	83	83	202	202
R-squared	0.384	0.456	0.456	0.392	0.392	0.392	0.382	0.561	0.561	0.561	0.331	0.331

Heteroscedasticity robust standard errors in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

bridging information asymmetry in markets and Schumpeterian entrepreneurship of bringing innovations to markets (Roininen and Ylinenpää 2009). In terms of entrepreneurial traits it is observed that it has a significant effect on the profit motivation of entrepreneurs and the effect is driven by both Muslim and non-Muslim samples as well as confirming earlier studies (see Acheampong and Esposito 2014). In Column 5, it is observed that while the female effect is not significant in the general sample it is significant in the Muslim sample. This goes to support earlier authors that suggest that Muslim women that abide by Islamic customs are not constrained despite the male dominance (McIntosh and Islam 2010) and that women are offered equal opportunities in the faith (Anggadwita et al. 2015). We also find that young people are more likely to engage in entrepreneurship for employment purposes and this effect is driven by the Muslim sample rather than the non-Muslim sample. This link may be because of the high youth unemployment been witnessed in Ghana in recent years (Baah-Boateng 2013) and indicates the benefits of entrepreneurship in reducing unemployment among groups (Abor and Quartey 2010). Also, market constraints reduce non-Muslims decision to engage in entrepreneurship for employment motives while entrepreneurial traits are more likely to enhance their decision to engage in entrepreneurship. Entrepreneurial tasks influenced the decisions of both groups positively.

4.3 Decomposition Analysis

The key finding from the regression analysis indicates that Muslims are less likely to engage in entrepreneurship for profits or employment as compared to those entrepreneurs of other faith. However, the source of this difference remains unknown. Consequently, Blinder–Oaxaca decomposition is used to understand the source of this difference (see results in Table 3). The approach decomposes differences in motivation between Muslims and non-Muslims into a characteristics part (explained), coefficient part (unexplained) and an interaction part (Rand and Tarp 2012). It is observed that the explained part of the model shows that Muslims do not have the endowments to engage in entrepreneurship for either profit or employment. However, from the pure religion effect which is the coefficient effect it is observed that Muslims are at an advantageous position to engage in entrepreneurship for profits and employment than the entrepreneurs of other faith. The

Table 3 Blinder–Oaxaca results

	Employment	Profits
Characteristics	−0.414** (0.199)	−0.350** (0.155)
Coefficients	0.421** (0.164)	0.203* (0.117)
Interaction	0.080 (0.184)	0.071 (0.148)
Observations	285	285

Heteroscedasticity robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

interaction effect is seen to be insignificant. The findings from this analysis suggests that it is the individual endowments of Muslims that holds them back from engaging in entrepreneurship for either profit or employment motives as the unexplained part of the model shows an advantageous effect for Muslims. This finding supports earlier claims that Muslims are more prone to entrepreneurship than Hinduism (Audretsch et al. 2007) and consequently, such thoughts about Islam been incompatible with capitalistic thoughts are unsupported (Adas 2006). When juxtaposed with the findings from the regression analysis then the claims of Ramadani et al. (2015a) that there are different sets expectations from the Muslim entrepreneur and hence different levels of disapproval/approval of certain actions and hence this may explain the differences in estimation direction for different sub-samples of the Islamic religion effect.

5 Conclusion

The study sought to establish if the determinants of entrepreneurial motivations between Muslims and entrepreneurs of other faith were the same. It is concluded that Muslims are less likely to be motivated to engage in entrepreneurship for profit and employment purposes. This relationship can be attributed to the nature of individual endowments of Muslim entrepreneurs as the pure religion effect seems to show that Islam as a religion provides an incentive to Muslim entrepreneurs to engage in entrepreneurship for profit or employment reasons than those entrepreneurs of other faith. Other significant variables predicting entrepreneurial motives include marriage, entrepreneurial tasks, entrepreneurial traits, young people, females, and market constraints. The study employed secondary data collected from micro-entrepreneurs in Accra, Ghana but as has already been noted these effects can sometimes be context driven and hence replications can be conducted in other sectors and localities to test the robustness of this finding. Also, the study has shown that the religion effect has several boundary conditions when linked to entrepreneurship and these boundary conditions need to be studied in greater detail.

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The Process of New Venture Creation in the Islamic World: An Organizing Framework

Wafa N. Almobaireek, Ahmed A. Alshumaimeri, and Tatiana S. Manolova

1 Introduction

This book chapter highlights the major characteristics and unique aspects of the new venture creation process in the Islamic world. As elsewhere around the world, entrepreneurship in Muslim countries¹ can foster individual self-empowerment and serve as an engine of job creation, economic growth, innovation, healthy community development and constant transformation and reinvigoration of economic life (Audretsch 2007; Kelley et al. 2011a). Through the entrepreneurial process, the creative energies of millions of individuals can be harnessed to create value and generate vital social and economic benefits. Not surprisingly, nurturing a culture of entrepreneurship is a critical priority to public policy at the national and supranational level. At the 2012 World Economic Forum in Davos, Switzerland, entrepreneurship and self-employment were identified as a key mechanism to promote employment growth (World Economic Forum 2012a), whereas a recent Global

¹Here and hereafter in the text we use the term *Islam* or *Islamic* in reference to the religion and its subsequent cultural concepts and the term *Muslim* with reference to the followers of the religion of Islam.

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Entrepreneurship Monitor report, focused specifically on entrepreneurial activity in the Middle East and North Africa (MENA) region (International Development Research Centre 2010) urged public policy makers in these Muslim countries to encourage more people to become involved in the business creation process.

The process of new venture creation is a complex and multifaceted phenomenon. Just as the Islamic world is extremely diverse in the level of economic development, natural endowments, and institutional and cultural heritage, so is entrepreneurial activity wide-ranging and multilayered (Ramadani et al. 2015). Research suggests Malaysia, Indonesia and the United Arab Emirates (UAE) are three Muslim countries where entrepreneurship has flourished, while entrepreneurship has languished in other Muslim countries such as Mali, Sierra Leone, Somalia and the Sudan (Zahra and Yavuz 2008). Thus, there is a need to better understand the drivers, processes, and desired outcomes of the process of new venture creation in the Islamic world in order to inform both individual entrepreneurship initiatives and public policy. This is the purpose of the present investigation.

The chapter is structured as follows. We begin with a synopsis of the economic, institutional, and cultural context of the study. Next, we present our overview of the process of new venture creation in the Islamic context, organizing it around Hitt et al. (2011) strategic entrepreneurship framework. We conclude by suggesting some avenues for future research in the domain of new venture creation in the Islamic context and by offering several recommendations to public policy makers for the promotion of entrepreneurship in the Islamic world.

2 The Islamic World and Entrepreneurial Activity

About a quarter of the world population, or over 1.6 billion people, are Muslims, representing an estimated 23 % of the 2009 world population and spread around 200 countries worldwide (Pew Research Center 2009). More than 60 % of the global Muslim population is in Asia and about 20 % is in the Middle East and North Africa. The MENA region, however, has the highest percentage of Muslim-majority countries, with more than half of the 20 countries and territories in the region having populations that are 95 % or more Muslim (Pew Research Center 2009). On the other hand, even though India has the third largest population of Muslims in the world (about 161 million as of 2009), Muslims represent only 13.5 % of the country's total population. In determining the scope of our overview, we use membership in the Organization of Islamic Cooperation as a guide. The Organization of Islamic Cooperation (OIC) was established in 1969 as "the collective voice of the Muslim world" (OIC 2012) and is currently comprised of 57 member states. Table 1 presents an overview of these countries' socio-demographic, economic, and institutional profiles, as well as the current levels of entrepreneurial activity.

As the information in the table illustrates, the Islamic world presents a fascinating collage of contrasts. Per capita GDP, a key indicator of the level of economic

Table 1 Profiles of OIC Member States: level of economic development, institutions, and entrepreneurial activity

Country	Official name	Population ^a	Percent Muslim ^a	Government type ^b	GDP/p.c. (USD) ^a	Stage of economic development ^c	2011–2012 GCI rank ^e	2011 HDI ^f	Entrepreneurial activity ^b			
									TEA	N/B (% TEA)	O/B (% TEA)	Entry density ^d
Afghanistan	Islamic Republic of Afghanistan	30,419,928	99	Islamic republic	1000			0.398				
Albania	Republic of Albania	3,002,859	70	Parliamentary democracy	7800	3	78	0.739				0.84
Algeria	People's Democratic Republic of Algeria	35,406,303	99	Republic	7200	2	87	0.698	16.7	18.0		0.44
Azerbaijan	Republic of Azerbaijan	9,493,600	93.4	Republic	10,200	2	55	0.700				0.93
Bahrain	Kingdom of Bahrain	1,248,348	81.2	Constitutional monarchy	27,300	5	37	0.806				
Bangladesh	People's Republic of Bangladesh	161,083,804	89.5	Parliamentary democracy	1700	1	104	0.500				
Benin	Republic of Benin	9,598,787	24.4	Republic	1500	1	104	0.427				
Brunei-Darussalam	Brunei-Darussalam	408,786	67	Islamic monarchy	49,400	2	28	0.838				
Burkina-Faso	Burkina-Faso	17,275,115	60.5	Parliamentary republic	1500	1	136	0.331				0.08
Cameroon	Republic of Cameroon	20,129,878	20	Republic	2300	1	116	0.482				
Chad	Republic of Chad	10,975,648	53.1	Republic	1900	1	142	0.328				

(continued)

Table 1 (continued)

Country	Official name	Population ^a	Percent Muslim ^a	Government type ^a	GDP/p.c. (USD) ^a	Stage of economic development ^e	2011–2012 GCI rank ^e	2011 HDI ^c	Entrepreneurial activity ^b			
									TEA	N/B (% TEA)	O/B (% TEA)	Entry density ^d
Comoros	Union of The Comoros	737,284	98	Republic	1200			0.433				
Cote d'Ivoire	Republic of Cote d'Ivoire	21,952,093	38.6	Republic	1600	1	129	0.400				
Djibouti	Republic of Djibouti	774,389	94	Republic	2600			0.430				
Egypt	Arab Republic of Egypt	83,688,164	90	Republic	6500	2	94	0.644	7.0	53.0	25.0	
Gabon	Republic of Gabon	1,608,321	<1.0	Republic	16,000			0.684				4.27
Gambia	Republic of the Gambia	1,840,454	90	Republic	2100			0.420				
Guinea	Republic of Guinea	10,884,958	85	Republic	1100			0.344				
Guinea-Bissau	Republic of Guinea-Bissau	1,628,603	50	Republic	1100			0.353				
Guyana	Republic of Guyana	741,908	7.2	Republic	7500	2	109	0.633				
Indonesia	Republic of Indonesia	248,216,193	86.1	Republic	4700	3	46	0.617				0.18
Iran	Islamic Republic of Iran	78,868,711	98	Islamic republic	12,200	2	62	0.707	12.4	38.0	39.0	
Iraq	Republic of Iraq	31,129,225	97	Parliamentary democracy	3900			0.573				
Jordan	Hashemite Kingdom of Jordan	6,508,887	92	Constitutional monarchy	5900	3	71	0.698	10.2	28.0		0.74

Kazakhstan	Republic of Kazakhstan	17,522,010	47	Republic	13,000	2	72	0.745					2.59
Kuwait	State of Kuwait	2,646,314	85	Constitutional emirate	40,700	2	34	0.760					
Kyrgyzstan	Kyrgyz Republic	5,496,737	75	Republic	2400	1	126	0.615					1.26
Lebanon	Republic of Lebanon	4,140,289	59.7	Republic	15,600	4	89	0.739	15.0	18.0			
Lybia	Lybia	6,733,620	97	Transitional government	14,100			0.760					
Malaysia	Malaysia	29,179,952	60.4	Constitutional monarchy	15,600	3	21	0.761	5.0	12.0	41.0		2.55
Maldives	Republic of the Maldives	394,451	99	Republic	8400			0.661					3.09
Mali	Republic of Mali	14,533,511	90	Republic	1300	1	128	0.359					
Mauritania	Islamic Republic of Mauritania	3,359,185	100	Military junta	2200	1	137	0.453					
Morocco	Kingdom of Morocco	32,309,239	99	Constitutional monarchy	5100	3	73	0.582	15.8	25.0			1.28
Mozambique	Republic of Mozambique	23,515,934	17.9	Republic	1100		133	0.322					
Niger	Republic of Niger	17,078,839	80	Republic	800			0.295					0.00
Nigeria	Federal Republic of Nigeria	170,123,740	50	Federal republic	2600	1	127	0.459					0.79

(continued)

Table 1 (continued)

Country	Official name	Population ^a	Percent Muslim ^a	Government type ^a	GDP/p.c. (USD) ^a	Stage of economic development ^e	2011–2012 GCI rank ^e	2011 HDI ^f	Entrepreneurial activity ^b			
									TEA	N/B (% TEA)	O/B (% TEA)	Entry density ^d
Oman	Sultanate of Oman	3,090,150	98	Monarchy	26,200	4	32	0.705				1.67
Pakistan	Islamic Republic of Pakistan	190,291,129	95	Federal republic	2800	1	118	0.504	9.1	41.0	39.0	0.03
Palestine	State of Palestine	4,332,801	84.6	Palestinian National Authority	2900			0.641	10.4	32.0	33.0	
Qatar	State of Qatar	1,951,591	77.5	Emirate	102,700	2	14	0.831				
Saudi Arabia	Kingdom of Saudi Arabia	26,534,504	100	Monarchy	24,000	2	17	0.770	9.4	10.0	75.0	
Senegal	Republic of Senegal	129,669,606	94	Republic	1900	1	111	0.459				0.22
Sierra Leone	Republic of Sierra Leone	5,485,998	60	Constitutional democracy	800			0.336				
Somalia	Republic of Somalia	10,085,638	90.0 ^c	No permanent federal government	600							
Sudan	Republic of the Sudan	34,206,710	88.24 ^c	Federal Republic	3000			0.408				
Suriname	Republic of Suriname	560,157	19.6	Constitutional democracy	9500	3	112	0.680				0.44
Syria	Syrian Arab Republic	22,530,746	80	Republic	5100	2	98	0.632	8.5	37.0		
Tajikistan	Republic of Tajikistan	7,768,385	90	Republic	2000	1	105	0.607				0.48
Togo	Republic of Togo	6,961,049	20	Republic	900			0.435				

Tunisia	Republic of Tunisia	10,732,900	98	Republic	9500	3	40	0.698	6.1	24.0	48.0	1.23
Turkey	Republic of Turkey	79,749,461	99.8	Republican parliamentary democracy	14,600	4	59	0.699	8.6	37.0	47.0	0.87
Turkmenistan	Turkmenistan	5,054,828	89	Presidential republic	7500			0.686				
Uganda	Republic of Uganda	35,873,253	12.1	Republic	1300	1	121	0.446	31.3	50.0	34.0	0.78
United Arab Emirates	State of the United Arab Emirates	5,314,317	96	Federation	48,500	5	27	0.846	13.3	9.0		
Uzbekistan	Republic of Uzbekistan	28,394,180	88	Republic	3300			0.641				0.78
Yemen	Republic of Yemen	24,771,809	93.0 ^e	Republic	2500	1	138	0.462	24.0	35.0		

Sources

^aThe World Factbook (CIA 2012)

^bGlobal Entrepreneurship Monitor, 2010 (Kelley et al. 2011a, b) and GEM-MENA Regional Report, 2009 (IDRC 2010); TEA total entrepreneurship activity; *N/B* necessity-based; *O/B* opportunity-based

^cWorld Distribution of Muslim Population, 2009 (Pew Research Center 2009)

^dThe World Bank Group Entrepreneurship Snapshots, 2010 (World Bank 2010); *Entry Density* newly registered limited liability firms per 1000 working-age people (those ages 15–64) in 2009

^e2011–2012 Global Competitiveness Report (World Economic Forum 2012b); *I* factor-driven; *2* transition from factor to efficiency-driven; *3* efficiency-driven; *4* transition from efficiency to innovation-driven; *5* innovation-driven

^fHuman Development Index (UNDP 2011)

development, ranges from \$600 (Somalia) all the way up to \$102,700 (Qatar). In other words, some of the poorest and some of the richest countries in the world are part of the Islamic world. According to the World Economic Forum's methodology for classifying economies into stages of development,² (World Economic Forum 2012b), 28 of the OIC member states were classified as either factor-driven or in transition to an efficiency-driven stage of development, 7 economies were classified as efficiency-driven, and five were classified as either in transition from efficiency to innovation-driven economies (Turkey, Lebanon, and Oman), or innovation-driven (Bahrain and the United Arab Emirates).³ The highest ranked Muslim country in the 2012–2012 Global Competitiveness rankings was Qatar (14th out of 142 countries included in the report),⁴ and four more Muslim countries were ranked among the top 30 most competitive economies in the world (Saudi Arabia [17], Malaysia [21], the UAE [27], and Brunei-Darussalam [28]). The lowest ranked Muslim country was Chad (142nd, the least competitive economy among those included in the study).

In terms of institutional influences, although governance is shaped to a large extent by the Islamic tradition, institutional arrangements vary widely. Seven countries are declared Islamic states (Afghanistan, Bahrain, Iran, Mauritania, Oman, Pakistan, and Yemen) and the primary basis for government in these countries is Islamic religious law (Rehman and Askari 2010). Twelve countries have declared Islam as the state religion (Algeria, Bangladesh, Egypt, Iraq, Kuwait, Libya, Malaysia, Maldives, Morocco, Qatar, Tunisia, United Arab Emirates). Economic, political, and legal institutions have been additionally imprinted by different, and often successive, colonial legacies. Some of the states are former British colonies (for example, Iraq, Afghanistan, or Pakistan); some are former French colonies (for example, Algeria, Tunisia, or Morocco); while some countries were at some point in time part of the Arabian Caliphates or the Ottoman Empire (for example Syria, Egypt, or Palestine). In more recent history, the republics of Azerbaijan, Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan and the Kyrgyz Republic were all part of the former Soviet Union, and are currently transitioning from a centrally planned to a market-based economy.

Culturally, the Islamic world is similarly diverse and represents a kaleidoscope of ethnic and tribal identities. Even within the countries which constitute the Arab Middle East, the most ethnically and religiously homogenous part of the Islamic world, there are multiple ethnic groups besides Arabs and sometimes sizeable

²The five stages are: factor-driven, transition from factor-driven to efficiency-driven, efficiency-driven, transition from efficiency-driven to innovation-driven, and innovation-driven (World Economic Forum 2012b).

³Forty of the 57 OIC member-countries were included in the 2011–2012 Global Competitiveness Report (World Economic Forum 2012b).

⁴Qatar is ranked as a more competitive economy than economies at a higher stage of development because the 12 dimensions of competitiveness are weighed differently depending on an economy's stage of development. Details on the ranking methodology are provided in the Global Competitiveness Report (World Economic Forum 2012b).

Jewish or Christian minorities (Zahra 2011). Islam itself is divided into two major sects, Sunni Muslims and Shia Muslims, with multiple schools of jurisprudence within both (Pew Research Center 2009). Reliable statistical information on entrepreneurial activities across all Muslim countries is not readily available. Two authoritative sources of data are the World Bank Group's Entrepreneurship Snapshots (World Bank 2010) and the Global Entrepreneurship Monitor (GEM). The World Bank's study tracks formal company registrations, whereas GEM tracks early stage entrepreneurial activity, including entrepreneurial initiatives in the informal economy (Acs et al. 2008). According to the GEM-MENA 2009 Report (IDRC 2010), based on information from 13 predominantly Muslim MENA countries, between 4.7 % (in Saudi Arabia) and 24 % (in Yemen) of the population aged 18–64 in these countries is involved in an early stage entrepreneurial activity. The World Bank data suggest, however, that early stage entrepreneurial activity does not necessarily translate into formal company registrations (Acs et al. 2008). In fact, the 2004–2009 average entry density, or the number of newly registered limited liability firms as a percent of the country's working age population, was 0.63 in the MENA region, the second lowest in the world and only higher than the entry density in Sub-Saharan Africa (World Economic Forum 2012c). A variety of reasons accounts for the low level of formal company registrations, most importantly the relatively high barriers to doing business, particularly for smaller firms; (2) cultural norms in which entrepreneurial activity is seen by young graduates as not as attractive as a government job; (3) the very low participation of women in the labor force and in entrepreneurial activity (OECD 2011; World Economic Forum 2012c).

As the short preceding overview suggests, Muslim countries around the world exhibit extreme heterogeneity in levels of economic development, institutional arrangements, cultural legacies, and entrepreneurial dynamics (see Dana 2010 for explanatory examples of how entrepreneurial attitudes are formed or discouraged and how entrepreneurial practices are shaped by different Muslim cultural milieus). Painting a cohesive unitary portrait of the process of new venture creation in the Islamic world is, therefore, a daunting task. Hence, we turn next to the entrepreneurship literature for theoretical guidance in our exploration.

3 The Process of New Venture Creation in an Islamic Context: An Organizing Framework

Currently, there is a lack of agreement on what constitutes entrepreneurship. Some scholars view entrepreneurship as a process of new venture creation (Gartner 1985). Others conceptualize it as the process of opportunity recognition, opportunity creation, and opportunity exploitation (Alvarez and Barney 2010; Shane and Venkataraman 2000) or, more broadly, as “a dynamic interaction of entrepreneurial attitudes, entrepreneurial activity, and entrepreneurial aspiration that vary across

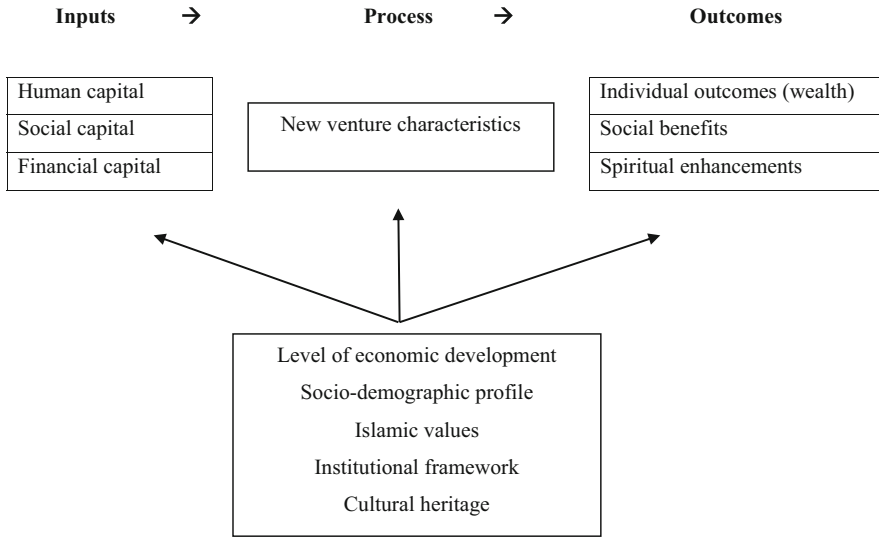


Fig. 1 New venture creation in an Islamic context: an organizing framework. Adapted from Hitt et al. (2011)

stages of economic development” (Acs and Szerb 2009: 17). Still others define entrepreneurship, or strategic entrepreneurship, even more broadly as a social process of mobilizing and orchestrating resources, creating value and generating wealth and other benefits (Hitt et al. 2011). Hitt et al. (2011) developed a multilevel input-process-output strategic entrepreneurship model, incorporating environmental, organizational, and individual foci into the dynamic process of simultaneous opportunity-and-advantage-seeking behaviors. These authors argued that, when used effectively, these behaviors create value for societies, organizations, and individuals.

To organize our argument, we follow Hitt et al. (2011) and take a mid-range theoretical lens, conceptualizing entrepreneurship as a socially-embedded and context-specific process of resource mobilization and opportunity exploitation, culminating in the creation of a new venture, whose purpose is to create value and generate wealth and other social enhancement benefits. This approach provides a broad and theoretically-robust framework that allows us to critically review and integrate conceptual developments and empirical evidence and highlight the unique characteristics of the process of new venture creation in an Islamic context. We construct our exploration in three parts, focusing on the inputs, the characteristics of the new venture, and the outcomes of the entrepreneurial process. Figure 1 presents our organizing framework.

3.1 Inputs

We focus on three types of resources vital for new venture creation: human capital, social capital, and financial capital (Cooper et al. 1994; Ireland et al. 2003), in the

specific context of the Islamic world. Human and social capital are the “building blocks”, or the initial resource endowments embedded in the entrepreneur that mold the character and leave a long-lasting imprint on the strategic orientation of the new venture (Brush et al. 2001). Financial capital, on the other hand, is fungible, in that it can be converted into any type of tradable resource the new venture needs. Thus, it offers strategic flexibility to the new venture in constructing an adequate resource base. In addition, an adequate capitalization provides a safety cushion which buffers against the liabilities of newness and smallness (Cooper et al. 1994) and allows owners to engage in product development and pursue market opportunities (Van Auken 2004). Financial capital input levels, therefore, are strong determinants of a new venture’s survival prospects (Cooper et al. 1994) and growth (Wilklund and Shepherd 2003).

3.1.1 Human Capital

Human capital refers to the intangible resources embedded in individuals (Becker 1962). These intangible resources include the stock of competencies, knowledge, skills, expertise, and connections that individuals gain through education and experience (Becker 1993). Investments in human capital, in turn, are activities, such as schooling, on-the-job training, medical care, or acquiring information about the economic system, which influence future real income (Becker 1962: 9; Novos and Waldman 1997; Schultz 1961). All of these investments improve the physical and mental abilities of people and thereby raise their real income prospects while yielding a return over a long period of time. Empirical research in the domain of entrepreneurship generally indicates that entrepreneurs with higher levels of human capital are more capable and willing to start and manage innovative and high-growth businesses (Acs and Szerb 2009; Brush et al. 2001; Cooper et al. 1994; Davidsson and Honig 2003).

As can be expected from the heterogeneity in the Islamic world, the level of human capital development likewise varies widely. Overall, however, Muslim countries at all stages of economic development can invest more in their national human capital. According to the United Nations Development Programme’s 2011 Human Development Index (UNDP 2011), which measures three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living, only four Muslim countries (the United Arab Emirates, Brunei, Qatar, and Bahrain) were classified as countries with very high human development (see Table 1). Fourteen countries had high human development, 14 more had medium human development, while 24 countries had low level of human development.⁵

Of particular concern is the low number of years of schooling across all categories of countries. Even the highest ranking Muslim country, the United Arab Emirates (2011 worldwide rank: 30), reported a mean of 9.3 years of

⁵Somalia was not covered in the UNDP’s (2011) Human Development Report.

schooling as of 2011 (UNDP 2011), compared to over 12 years of schooling in other countries with very high levels of development of human capital, such as Norway, the United States, New Zealand, or Germany. The problems in human capital development are aggravated by the low emphasis on research and innovation and the low research orientation of universities in both business and the technical skills (Zahra 2011). Apparently, revamping and modernizing the educational system (and the university system, in particular) in the Muslim world and improving its focus on new business creation and technology commercialization is needed in order to support high-potential entrepreneurial initiatives (Zahra 2011; Zahra and Yavuz 2008). This is a particularly relevant issue for the Muslim countries at the innovation-driven stage of development or those that are right now making the transition from an efficiency-driven to an innovation-driven stage of development.

At the other end of the spectrum, poor Muslim countries at the factor-driven stage of development face overwhelming challenges in their human capital development. The 2011 mean number of years of schooling for these countries ranged between 1.3 (Burkina Faso) and 4.9 (Pakistan), e.g., barely any schooling resulting in high levels of illiteracy. Indeed, illiteracy is a major problem in many Muslim countries. According to the 2005 United Nations' Department of Economic and Social Affairs data (United Nations 2005), the 2000–2004 illiteracy rate stood at, for example, 49.7 % among men and 68.6 % among women (Bangladesh), 81.5 and 91.9 % (Burkina Faso), 59.4 and 87.3 % (Chad), 46.6 and 71.5 % (Pakistan), 30.5 and 71.5 % (Yemen). Human development problems are exacerbated by the extremely low life expectancy in Sub-Saharan Africa, as low as 47.8 years (Sierra Leone). Many scholars and public policy experts have advocated a bottom-up solution to alleviate these severe social problems through individual entrepreneurial initiatives and self-empowerment aided by micro-finance lending (Khavul 2010). In other words, while in countries at relatively more advanced stages of economic development human capital can serve as an input into high-potential entrepreneurial activity, at relatively low levels of economic development, the opposite is true, i.e., entrepreneurial activity can serve as a powerful mechanism of individual empowerment and human capital development through improving the quality of life.

Another important aspect of the role of human capital in the entrepreneurial process is the burgeoning young population, particularly in the Arab Middle East. The rapid population growth is such that youths under the age of 24 now make up 50–65 % of the population of the Middle East and the mean age across the MENA region is 25 years (Herrera 2009). This challenge is coupled with the persistent high levels of youth unemployment (15–24 years), which averages 25 % across the region (compared to 17 % in the OECD) and reaches 30 % in countries like Saudi Arabia and Tunisia (World Economic Forum 2012c). The cost of youth exclusion, stemming from the depletion of their human and social capital has been estimated to reach as high as \$53 billion in Egypt alone (Chaaban 2008). In the next 10–15 years, some 100 million jobs must be created in the MENA economies to absorb the emerging workforce (Kabbani and Kothari 2005).

Unfortunately, the age distribution of the population, in and of itself, directly affects the aggregate level of new venture activity in a country. More specifically, countries whose populations are excessively skewed toward young cohorts may experience low levels of entrepreneurial activity, because young people lack the necessary experience or financial resources in order to start a new business (Lévesque and Minniti 2011). Research on youth employment suggests that potentially 20% of the youth population in the MENA region could become self-employed or start a micro enterprise if they are well prepared for this career option (ILO 2010). Not surprisingly, the 2009 GEM MENA Regional Report (IDRC 2010) encouraged governments in the region to develop and implement age-appropriate modules or classes in entrepreneurship at all levels of the education system.

Last, but not least, an important aspect of human capital mobilization in the Islamic world is the encouragement of a fuller participation of women in the entrepreneurial process (Dechant and Al Lamky 2005; McElwee and Al-Riyami 2003; McIntosh and Islam 2010). According to GEM's 2010 Women's Report (Kelley et al. 2011b), the MENA countries, in particular, contain the lowest proportion of women entrepreneurs and no country in the region reports that more than a third of the entrepreneurs are female. Notably, other Muslim countries, such as Malaysia, report a balanced representation of men and women nascent entrepreneurs (Kelley et al. 2011b) and countries with a sizeable Muslim population, such as Macedonia, also report shares of women entrepreneurs in line with average global trends (Ramadani et al. 2013). The low participation of MENA women in the entrepreneurial process can be attributed to the strict gender roles upheld by the conservative Muslim societies in the Middle East. Women in these societies are expected to be first and foremost wives, mothers, and homemakers, while men are expected to provide for and protect their families (McIntosh and Islam 2010). Women are also considered the repositories of their families' honor (*izzat*), so their conduct at all times needs to be above reproach (Roomi and Parrott 2008). In addition, the relatively recent phenomenon of women's entrepreneurship has not provided enough role models of successful women-entrepreneurs in order to reinforce the pursuit of entrepreneurial initiatives as a legitimate and desirable career path. Prospective women entrepreneurs are further discouraged by the numerous obstacles women business-owners face, such as dealing with bureaucracy and paperwork, balancing work and family life, gaining access to capital, entering men-dominated business networks, working with male employees, or being taken seriously as a business owner (Alturki and Braswell 2010).

The low participation of women in entrepreneurial activities limits the growth potential of the Muslim countries in the MENA region because a significant share of talent is not put to economic use (World Economic Forum 2012c). This is unfortunate, as women's entrepreneurship can substantially alleviate unemployment among women in the MENA countries. Because gender segregation is practiced at various degrees across the region, employment at a woman-owned and/or or woman-managed business may be the preferred (or the only) option for qualified women who would otherwise remain outside the labor market.

3.1.2 Social Capital

Social capital, defined as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or a social unit” (Nahapiet and Ghoshal 1998: 243), determines the strength of institutional endorsement and emotional support for the entrepreneurial initiative. In addition, the social network in which entrepreneurs are embedded influences their ability to access scarce resources needed to operate (Stuart et al. 1999) and find niches in opportunity structures (Aldrich and Carter 2004). Overall, social networks are a critical source of resources and support, which alleviates the liabilities of newness and smallness (Stinchcombe 1965) and allows entrepreneurs to engage in the pursuit of growth opportunities. Students of social networks further differentiate between strong and weak social ties (Granovetter 1973). People linked through strong ties, or close and frequent interactions (e.g., family and friends), are easier to access, more willing to be helpful, and more likely to be trusted. Weak ties (or “friends of friends”), characterized as distant and infrequent interactions, in turn, can be instrumental as sources of novel information and ideas as well as providing access to new resources.

In an emerging or developing economy, such as most of the economies in the Muslim world, where material and financial resources are scarce and the institutional environment is unstable and often openly hostile, it is plausible that social networks are even more important for the success of entrepreneurial initiatives. Personal connections provide moral support and encouragement, and allow entrepreneurs to access hard-to-find resources, navigate through obscure regulations, and deal with unsympathetic and sometimes opportunistic government officials. Not surprisingly, the role of personal connections (*blat* in Russian; *guan-xi* in Chinese), has been extensively studied in the context of transition economies such as China or Russia (Batjargal 2003; Peng and Heath 1996; Puffer and McCarthy 2001; Xin and Pearce 1996), and developing economies such as Ghana (Acquaah 2007).

In the Islamic world, strong ties, originating from family, kinship, or tribal affiliations are similarly a powerful source of trust, moral and financial support and the creation of opportunity (Dana and Dana 2008; Nadvi 1999; Zahra and Yavuz 2008). Family, in particular, lies at the core of Muslim society, in political, economic, social, and religious terms. From a young age, Muslims become aware of the networks they are embedded in and their own positioning in them; because participation in these networks of family and religion is mandatory and unquestioned, they form the cultural matrix for business and management (Weir and Hutchings 2005).

Personal connections are known as “*wasta*” in Arabic. Hutchings and Weir (2006: 143) define *wasta* as “social networks of interpersonal connections rooted in family and kinship ties and implicating the exercise of power, influence, and information sharing through social and politico-business networks”. An individual can be said to have “good *wasta*” if he or she is well-networked, and also seen as trustworthy (Weir and Hutchings 2005). However, the role of *wasta* in business life

has also given rise and prominence to a class of intermediaries who make it their profession to befriend and provide access to people of power and influence.

Wasta is often associated with favoritism, or the preferential treatment of relatives, friends, neighbors, or other acquaintances. In a recent study of the role of *wasta* for entrepreneurial activities in Jordan, Loewe et al. (2008) found that many Jordanian business people continued using *wasta* for four reasons: first, because they did not see any alternatives for achieving their goals; second, people went on using their *wasta* as long as everybody else did the same; third, many Jordanians associated the use of *wasta* with cherished values such as solidarity or loyalty, i.e., they believed that the use of *wasta* was part of their culture, and fourth, Jordan's administrative and political system lacks transparency and accountability on all levels. A recent quasi-experimental study involving 421 Egyptian undergraduate students (Mohamed and Mohamad 2011) reported that the respondents perceived those who used *wasta* to obtain a job as less competent and less moral; still, participants from lower socioeconomic groups evaluated *wasta* users more positively than more affluent respondents.

In sum, while the practice of *wasta* can open doors, reinforce trust, and grease the wheels of the entrepreneurial enterprise, it can also lead to unproductive use of entrepreneurs' time as entrepreneurs need to choose between investing their time in building social contacts or in developing a better product/service for the market. The degree to which social capital in the Islamic world can be used productively or unproductively depends to a large extent on the transparency of government regulations, the degree of arbitrariness of enforcement and the overall institutional development of an economy. According to Transparency International's (2011) Corruption Perceptions Index (Transparency International 2011), most Muslim countries had mid-range rankings in terms of the level of perceived corruption, with the UAE perceived as least corrupt and the Central-Asian ex-Soviet Union republics, Afghanistan, Iraq, Sudan, and Somalia perceived as the most corrupt.⁶

3.1.3 Financial Capital

Financial capital provides the lifeblood for any entrepreneurial venture. As proposed by the financial growth cycle (Berger and Udell 1998), different sources of finance become more or less important when companies become larger, older, and more financially transparent. New and small firms, which are highly uncertain and lack a track record, will heavily rely on inside finance (coming from personal sources, family, and friends) and trade credit. Importantly, at the initial stages of new venture development, capital is raised from multiple sources through "bootstrapping" techniques, such as use of credit cards, delaying of tax payments,

⁶Transparency International's Corruption Perception Index ranges from 0 (most corrupt) to 10 (least corrupt). The 2011 rankings were as follows: UAE: 6.8; Iraq: 1.8; Turkmenistan: 1.6; Uzbekistan: 1.6; Sudan: 1.6; Afghanistan: 1.5; Somalia: 1.

sharing of equipment and employees with other businesses, or leasing (Van Auken 2004). As the company grows in size and develops valuable assets, thus increasing its borrowing capacity, which can serve as collateral (Vos et al. 2007), bank financing also becomes available. Once a company reaches a certain size threshold and develops a track record of past performance, thus reducing adverse selection risks through informational transparency, it can add the public equity and debt markets as additional sources of growth financing. This influx of financial resources provides adequate capitalization which buffers against the higher risks and costs associated with growth.

Access to financial capital in the Islamic world is strongly influenced by the respective countries' level of economic development, availability of financial resources, as well as the overall influence of Islamic principles of financing, the most important of which is the strict prohibition on giving or receiving any fixed, predetermined rate of return on financial transactions, more popularly known as the ban on interest (*riba*). Instead, Islamic financing offers a variety of investment and profit sharing vehicles that are relevant for the support of entrepreneurial initiatives (Aggarwal and Yousef 2000; Özcan and Çokgezen 2006). Farid (2007) discusses four major ways in which individuals and Islamic financial institutions can fund an entrepreneurial venture, namely: when moneylenders/investors can share as active partners (*Musharakah*) by providing capital and labor; as non-active partners (*Mudarabah*), by providing capital while the other partners provide labor; a cost-plus financing or sale with markups (*Murabaha*); and a lease or hire (*Ijara*), when a moneylender/investor acts as a buyer of capital assets required by a venture and then acts as a lessor of the asset, retaining ownership, while the new venture has an option to buy (for an in-depth analysis of the Islamic principles of financing, see also Ramadani et al. 2015). All of these investment mechanisms can be used to effectively finance a start-up business, particularly in situations where investors and entrepreneurs are willing to share profits, losses, risk, and liabilities. Still, it should be noted that an estimated 72 % of people living in Muslim-majority countries do not use formal financial services (Honohon 2007). Businesses started by women, in particular, prefer to finance internally, tapping into family and friends' funds (Alturki and Braswell 2010).

At the macro level, the availability of financing to support entrepreneurship is extremely skewed. At one extreme, the oil-rich Gulf economies generate abundant cash inflows and their sovereign wealth funds, with a market value estimated at \$1.2 trillion at the end of 2008 (Setzer and Ziembra 2009), have financed entrepreneurial enterprises (and other business initiatives) around the world for many years. For example, the Qatar Investment Authority (QIA) has been an active investor and developer in English real estate, including the development of the Olympic Village Project, whereas the Abu Dhabi Investment Authority (ADIA) has taken a 15 % stake in the London Gatwick airport and a stake in Hyatt Hotels (www.swfinstitute.org/swi-news). The Gulf countries have also created various funds to assist entrepreneurial initiatives, such as the Fund for the Development of Youth Projects ("Sharakah") in Oman, the Centennial Fund in Saudi Arabia, and the Al Tomooh Finance Scheme for Small National Business in the UAE. Overall, the Gulf

countries rank high in their financial market development in the 2011–2012 Global Competitiveness Report (World Economic Forum 2012b): Bahrain, Saudi Arabia, and Qatar are ranked 14th, 16th, and 19th, respectively; Oman is ranked 30th and the UAE are ranked 33rd; with only Kuwait lagging behind [59th]. In sum, the cash-rich Gulf economies have both financial resources and financial market institutions available to support entrepreneurial initiatives.

At the other extreme, many Muslim countries are cash-poor and have been traditional recipients of international aid, as well as beneficiaries of micro-financing initiatives. Some provisions of Islamic finance structures, such as the *Zakat* funds (funds established by Islamic banks to collect and manage the levies required for income redistribution and helping the needy) can be successfully used for alleviating poverty through microfinance (Amal 2011). A recent global survey (Karim et al. 2008) revealed that Islamic microfinance has a total estimated global outreach of only 380,000 customers and accounts for only an estimated 0.5 % of total microfinance outreach. The supply of Islamic microfinance is very concentrated in a few countries, with the top three countries (Indonesia, Bangladesh, and Afghanistan) accounting for 80 % of global outreach. Apparently, Islamic microfinance schemes can be used more extensively in order to help self-sufficiency and alleviate poverty in the poor Muslim countries.

In sum, the availability and quality of critical inputs into the entrepreneurial process—human, social, and financial capital, vary considerably across the Islamic world. They are strongly influenced by the level of institutional sophistication, and cultural heritage. The economic and institutional environment also shapes to a large extent the scope and character of entrepreneurial initiatives in the Islamic world, as will be discussed next.

3.2 *New Venture Characteristics*

The stage of a country's economic development determines to a large extent the scope of entrepreneurial activity in an economy, as well as the nature of feasible entrepreneurial initiatives. As mentioned earlier, economies can be classified into five stages of economic development, namely factor-driven, in transition from factor-driven to efficiency-driven, efficiency-driven, in transition from efficiency-driven to innovation-driven, and innovation-driven. In the first stage, companies compete on the basis of price and sell basic products or commodities with low productivity reflected in low prices. As a country becomes more competitive, and moves into the efficiency-driven stage of development, companies must begin to develop more efficient production processes and increase product quality because wages have risen and they cannot increase prices. Finally, as countries move into the innovation-driven stage, wages will have risen so much that countries are able to sustain those higher wages and the associated standard of living only if their businesses are able to compete with new and unique products. At this stage,

companies compete by producing new and different goods and services using the most sophisticated production processes and innovating new ones.⁷

In terms of scope, the entrepreneurial activity in an economy follows a curvilinear, “U”-shaped relationship with GDP/p.c. At low levels of per capita GDP, the entrepreneurial sector provides job opportunities and potential for the creation of new markets (Audretsch 2007; Minniti 2010). As per capita income increases, the emergence of new technologies and economies of scale allows larger and more established firms to satisfy the increasing demand of growing markets and increases their relative role in the economy while the role of smaller and newer firms decline (Acs and Szerb 2009). Finally, in the third stage, the role played by the entrepreneurial sector in countries with higher GDP increases again, as more individuals have the resources to go into business in an economic environment that may present high-potential opportunities (Minniti 2010; Wennekers et al. 2005).

Thus, in terms of the nature of entrepreneurial initiatives, at lower levels of economic development, entrepreneurship is predominantly necessity-driven. Necessity-based entrepreneurship occurs when individuals participate in entrepreneurial activities because all other employment options are either absent or unsatisfactory (Acs 2006). At higher levels of economic development, technological and institutional sophistication gives rise to opportunity entrepreneurs, e.g., those who are driven by the achievement of success through exploiting an opportunity for some form of gain, often believed to be economic (Kelley et al. 2011a, b). Opportunity-driven entrepreneurship is more desirable, because it is more likely to be technology or innovation-based and high-growth oriented and thus contribute to economic growth and development. As the level of economic development of the country increases, the ratio of necessity-to-opportunity entrepreneurship goes down.

Data from the Global Entrepreneurship Monitor (Table 1) provides evidence for these arguments. Indeed, the levels of early stage entrepreneurial activity in the Islamic world appear to be highest in countries at lower levels of economic development (e.g., with lower GDP/p.c.). These high levels of entrepreneurial activity are coupled with high levels of necessity-based entrepreneurship and low levels of formal company registrations (e.g., high levels of informal economic activity). Thus, Uganda reports 31.3 % of the population ages 15–64 is engaged in entrepreneurial activity, of which 50 % is necessity-based, and there only 0.72 limited liability companies per 1000 working-age people. In contrast, Malaysia, a country at the efficiency-driven stage of development, reports 5 % total entrepreneurship activity, but only 12 % of this activity is necessity-driven, and there are 2.55 limited liability companies per 1000 working-age individuals. Further, entrepreneurial activity in the United Arab Emirates (an innovation-driven economy) is relatively high (at 13.3 %), as expected, and only 9 % of this activity is driven by necessity.

⁷The discussion of the stages of economic development follows the 2011–2012 Global Competitiveness Report (World Economic Forum 2012b: 8–9).

In addition to levels of economic development, institutional arrangements and cultural legacies also significantly imprint individual entrepreneurial propensity and the new venture creation process. In a recent overview of the barriers to entrepreneurship in the Muslim countries, Zahra and Yavuz (2008) identified several institutional barriers to the promotion of entrepreneurship, such as the inadequate protection of property rights, the inefficient bureaucratic systems and institutional corruption. Other researchers have pointed out the egalitarian inheritance system and the lack of a concept of legal personhood for corporations as a reason why entrepreneurial enterprises in the Islamic world have tended to stay small and short-lived (Kuran 2008).

Zahra and Yavuz (2008), Dana (2009, 2010) and Ramadani et al. (2015) also focus on the role of religious values and social mores for the social acceptance of entrepreneurs. Muslims can be characterized as conservative, acquiescent to group norms and policies enacted by authorities, self-transcendent (as opposed to self-enhancing), benevolent (e.g., concerned with maintaining a high social status and esteem in the community), and universalist (e.g., expected to redistribute some of their wealth to the poor in the community). These values and social norms help explain why Muslims attribute greater status to working for respected and well-established organizations rather than engaging in uncertain, risky, and failure-prone entrepreneurial activities. They also suggest entrepreneurial activities in the Islamic world have a larger, social value component, as will be discussed next.

3.3 *Outcomes*

In Hitt et al.'s (2011) model of strategic entrepreneurship, the outcomes of the process include competitive success, financial and socioemotional wealth and happiness for the owners/entrepreneurs, innovation at the firm level, and social value through the creation of new jobs and enhanced market valuations. In addition, the emerging field of social entrepreneurship is specifically concerned with addressing social needs, such as helping the underprivileged, improving human life or protecting the natural environment. Social entrepreneurship is exercised when some person or persons (1) aim either exclusively or in some prominent way to create social value of some kind, and pursue that goal through some combination of (2) recognizing and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources (Peredo and McLean 2006). In fact, some theorists have argued that entrepreneurs can successfully exploit market imperfections to obtain entrepreneurial rents and simultaneously improve local and global social and environmental conditions, thus enabling sustainable entrepreneurship (Cohen and Winn 2007).

Entrepreneurship in the Islamic world is understood to be a spiritual as well as an economic activity (Ramadani et al. 2015). Discussing economic Islamicity,

Rehman and Askari (2010: 4) note: “Unlike most other major religions, Islam is a rule-based system explicitly affording detailed rules and guidelines for crafting a successful and just economic system, good governance, respect for human rights, freedom of choice and protection under a specified code of law, and the code by which to manage external relations (with non-Muslims). . . . Islam, while advocating freedom of choice and freedom of religious practice, gives its followers much more detailed rules of conduct than Christianity, including a legal code, and the details for governance by the state and for management of economic and social affairs”.

According to Kayed and Hassan (2010: 379), “[M]uslims who consider entrepreneurship a religious and economic duty intend to generate *halal* (lawful) income to meet their financial obligations and to contribute to the *falah* (well-being) of the Muslim *ummah* (nation) in this life and hereafter”. Thus, Islamic entrepreneurship has a strong moral dimension, in that Islam regulates profit accumulation by prohibiting dishonesty, greed, exploitation and monopoly. In addition, Islamic entrepreneurship is a means by which Muslim entrepreneurs extend help to those in need (Kayed 2006). In that sense, Islamic entrepreneurship has a spiritual component and is directed both at generating profits and enhancing social welfare. Kayed (2006) developed a model of Islamic entrepreneurship and tested it in the context of Saudi entrepreneurs. He found that Saudi entrepreneurs saw no conflict between being a faithful Muslim and running a successful business, but felt torn between their traditional value systems and the advent of modernity.

The traditional Islamic *waqf* system is a good example of infusing economic activities with a social value component. According to Kuran’s (2001: 842) definition, “A *waqf* is an unincorporated trust established under Islamic law by a living man or woman for the provision of a designated social service in perpetuity. Its activities are financed by revenue-bearing assets that have been rendered forever inalienable.” In other words, a *waqf* is an “Islamic trust” or a “pious foundation”. In return for providing a public good, *waqf* founders were offered tax and other benefits, and enjoyed high social status as well as satisfaction of having performed a social service. Starting in the eighth century A.D., the *waqf* system served as a primary provider of public goods and a helpful instrument for solving numerous social problems. Today, it is still used as an instrument for financing mosques, schools, libraries, research centers, cooperative housing, or monuments (Kuran 2001; Salarzahi et al. 2010). For example, the King Saud University’s *waqf*, an important source of finance for the school, amounts to about 950 million Saudi Riyals. Although traditionally the *waqf* system was restricted to fixed assets, nowadays cash *waqfs* allow Muslim entrepreneurs to give specific funds in cash as loan to applicants who in turn use the money to provide social services for the vulnerable strata (Cizakca 1995; c.f. Salarzahi et al. 2010).

An added benefit of social entrepreneurship in the Islamic world is that it provides an important avenue for socialization and self-realization of women. For example, Saudi women have participated since the 1960’s in charitable organizations, generally under the aegis of princesses, and their activities have won social

acceptance because they require skills considered typically female, such as generosity and devotion to others (Le Renard 2008). As a case in point, the King Abdul-Aziz Women's Charity Society, Burayda, run by local women and backed by Nura bint Muhammad bin Saud, performs all traditional charity services, plus micro-credit schemes, parenting training to prevent child abuse, family counseling for men by men, conflict resolution with *qadis* (judges), lectures on endogamy, drugs, hereditary diseases, pre-marriage blood tests, mental health, training the parents of handicapped children, family therapy, environmental and water issues, shelters and the legal position on family violence, and finally outreach in the villages around Burayda (Montagu 2010).

In sum, the process of new venture creation in an Islamic context has traditionally embodied a strong social responsibility and spiritual enhancement component. The combination of financial and altruistic goals allows Muslim entrepreneurs to generate both individual wealth and social value and is an important source of personal satisfaction. Social entrepreneurship initiatives, in particular, can provide Muslim women with a legitimate and socially acceptable path towards a more active participation in economic, social, and political life.

4 Implications and Conclusions

Our organizing framework has important implications for theory and public policy. The most obvious implication for research, as the data in Table 1 illustrate, is that we need to know more about the process of new venture creation in the Islamic world. GEM has data on 16 Muslim countries and the World Bank Entrepreneurship Snapshots database includes 23 Muslim countries. Only seven countries have complete records. Apparently, further research is well warranted so we have a better understanding of the context, drivers, process, and outcomes of new venture creation in the Islamic world.

In particular, some critical interactions of economic, institutional, and individual-level effects need to be examined in more depth. For example, what is the differential effect of institutional pressures by gender and age cohort? What are the mechanisms through which social capital is acquired, structured, and utilized by men and women entrepreneurs and does it vary with the level of economic and institutional development of a country and/or with entrepreneurs' age, level of education, or social position? How do Islamic financing schemes compare to traditional angel and venture capital financing in the West and at what level of a country's economic development are they most appropriate? Exploring the confluence of individual and institutional level effects will generate valuable insights on the dynamics, opportunities, and constraints for entrepreneurship in the Islamic world.

Public policy makers in Muslim countries at all stages of economic development can do more to create a national framework in support of entrepreneurship. Key components of this framework would include transparent and business-friendly

institutions, strategic investment in human development and entrepreneurial training targeted specifically towards women and youth, and availability of entrepreneurial financing commensurate with the country's level of economic development (e.g., micro-financing schemes; profit-sharing financing arrangements, as well as growth financing for high-potential growth-oriented new ventures).

In conclusion, the proposed organizing framework integrates extant theoretical work and empirical evidence to present the multifaceted and multilayered phenomenon of new venture creation in an Islamic context. Our study serves a dual purpose. First, by applying a universally acknowledged and well respected framework of the entrepreneurial process, it places Islamic entrepreneurship in the broader conversation of the global entrepreneurship phenomenon. Second, it simultaneously highlights and elaborates on the unique features of Islamic entrepreneurship. Thus, it presents the phenomenon of Islamic entrepreneurship in the duality of the universal and the specific.

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Ethnic and Migrant Entrepreneurship: The Case of Muslim Lebanese Entrepreneurs in Dearborn

Wafica Ali Ghoul

1 Introduction

Shuklev and Ramadani (2012) define an entrepreneur as an individual who shifts resources into more productive economic sectors. Stiles et al. (2007) note that ethnicity refers to four characteristics which are race, nationality, language and religion. Yinger (1985: 27) considers an ethnic group as a segment of a larger society whose members have a common origin and share a common culture, and who participate in shared activities in which the common origin and culture are significant ingredients. Various definitions exist in the literature for ethnic entrepreneurship. According to Brundin et al. (2009) ethnic entrepreneurship requires the ability to seize opportunities for improving the well-being of the ethnic group, as well as other people who are prepared to fit into the structures created by the ethnic entrepreneurs despite the difficulties experienced. Butler and Greene (2000: 267) define ethnic entrepreneurship as the formation of enterprises by an individual who benefits from some type of instrumental support provided by his/her ethnic community. Ramadani et al. (2014) point out that ethnic entrepreneurship is a process of identifying opportunities in the market, undertaking innovative, unsafe and dangerous activities by individuals who are not members of the majority population in a given country, to ensure prosperity for themselves, family and whole society.

There are immigrants all over the West who do not have legal work and residence permits, if they have access to capital they may start a business, otherwise they usually keep a low profile, and work in the informal ethnic economy. Various factors contribute to the emergence of ethnic enterprises, entrepreneurship is

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affected by religious beliefs according to Weber (1930) and many researchers such as Dana (2010) and Ghoul (2010), and in addition it is facilitated when large ethnic groups live in geographically concentrated areas as stated by Clark and Drinkwater (2000).

As a sign of the rising importance of immigrant entrepreneurship some countries such as Canada, the USA and Australia have a special visa which grants a permanent residence permit to potential entrepreneurs who have the capital and the skills to start a business. Our main subject of interest is the Lebanese migrant entrepreneur, a person who lives in a foreign country or among a minority group, and for one reason or another chooses self-employment through creating a business. Our focus is on the city of Dearborn, Michigan in the USA having lived in that city for about two decades.

2 Review of the Ethnic Entrepreneurship Literature

Brundin et al. (2009) note that businesses in the third-world are owned and run by disadvantaged members of the population who are resource-deprived with no access to capital above all, often unskilled and even lacking in the most basic managerial skills which forces them to operate in the informal and unregulated sector of the economy. It is our opinion that this is the type of people who choose to leave their homeland in pursuit of “greener pastures”. Ganzaroli et al. (2013) note the fact that the field of study of ethnic entrepreneurship was born in the USA at the beginning of the 70’s. Its emergence was triggered by two main reasons, one is the huge influx to the USA of immigrants who come from different ethnicities in the last two centuries, and the other reason is their observed successes in undertaking entrepreneurial activities. Wilson and Portes (1980) introduced the idea of enclave economy where enclave ethnic entrepreneurs play the role of ‘middleman minorities’ with respect to larger firms in the central economy. Stiles et al. (2007) note that ethnic groups align themselves into enclaves that have spatial, social, and economic consequences, adding that the members of an ethnic group tend to live and work in physical proximity to each other.

Baklanov et al. (2014) point out that the current process of globalization is not only about increasing cross-border flows of capital, goods and services, but also about people moving from far-flung areas to other places in search of a better life. Light et al. (2013) note the current trend of the formation of international business centers through trading Diasporas around the world which has effectively resulted in a bottom-up globalization process. These centers serve as commercial and financial connection points between immigrant business communities and their countries of origin. In addition, Baklanov et al. (2014) cited various studies which highlight the fact that immigrant businesses cluster in immigrant dense areas where immigrants enjoy better business opportunities than counterparts from the majority population due to easier communication, co-ethnic trust, resource

mobilization, in-group solidarity all of which help in coping with the pressure from the new environment.

3 Religion and Entrepreneurship in the Literature

There is currently a surge in interest in studying the impact of religion on entrepreneurship, which is a branch of ethnic entrepreneurship. [Ramadani et al. \(2014\)](#) point out that in recent years ethnic groups have been increasingly choosing self-employment. This includes Muslim immigrants who frequently establish small enterprises to get around the difficulties of assimilating with their newly adopted non-Muslim countries. For instance Ireland's Central Statistics Office (CSO) national census survey reports that business ownership is highly prevalent among Ireland's Muslim community which was approximately 19% in 2006 ([Cooney et al. 2011](#)).

The perceptions of the Islamic religion and its impact on entrepreneurial behaviors were analyzed by [Davis \(2013\)](#) from the perspective of those directly involved with the respective religious belief and entrepreneurial behavior. Islam as a religion urges all Muslims to be active and hardworking and encourages the correct use of the resources given by God, which are skills needed for starting a business ([Ramadani et al. 2015](#); [Zulfiu et al. 2015](#)). The accountability in the hereafter as well as in this life presents a guideline for the behavior of Muslim entrepreneurs according to [Hassan and Hippler \(2014\)](#).

[Faizal et al. \(2013\)](#) note the fact that Islam has its own entrepreneurship characteristic and guiding principles based on the Qur'an and the Hadith which provide guidelines for operating enterprises. The authors reference two verses in the Holy Qur'an, Al-Jumu'ah (Friday) 62:10 "Then, when the prayer is finished, scatter in the land and seek God's bounty, and remember God frequently; haply you will prosper" and Al-Mulk (the Dominion) 67:15 "It is He Who made the earth manageable for you, so traverse ye through its tracts and enjoy of the sustenance which He furnishes: but unto Him is the resurrection".

[Basu and Altinay \(2002\)](#) argue that "some aspects of culture like family tradition seem to have a greater impact on entrepreneurship than others like religion", however, [Ghoul \(2011\)](#) argues that Islam has a greater impact than family traditions. Islam encourages people to work hard, take risks, and be independent; free trade and making a reasonable profit are viewed favorably in the Holy Qur'an ([Ali 1983](#)). To emphasize this fact [Ghoul \(2015\)](#) references the Holy Qur'an Surat Al-Nisa (The Women) verse 4:33 "O believers, consume not your goods between you in vanity, except there be trading, by your agreeing together". In addition cooperation among Muslims is promoted; the Holy Qur'an encourages social interdependence in Surat al-Maidah (The Table) Verse 5:2 "Help ye one another in righteousness and piety, but help ye not one another in sin and rancor: fear Allah: for Allah is strict in punishment".

Basu and Altinay (2002) argue that the “culture as manifested by religion, does not exert as important an influence, as might be expected, on entrepreneurial behavior”; their study concludes that Muslim-owned businesses seem just as likely to borrow from banks as non-Muslims and that they are also willing to make other concessions like serving alcohol if necessitated by their business and employing their wives in the business if required. Some Muslim entrepreneurs might rationalize breaking some religious rules although they usually consult with a Shari’ah scholar who may issue a “fatwa” (religious decree) that serving alcohol to non-Muslims is tolerated if there is no other way to make a living, the same is true with borrowing from conventional banks, based on the concept of “darura”, i.e., necessity. As far as women’s work Ghoul (2015) points out that one cannot find instances in the Qur’an or in Hadith (Prophet Muhammad’s sayings, peace be upon him) that women are banned from working in public areas or offices.

Anggadwita et al. (2015) discussed female entrepreneurship from an Islamic perspective and pointed out that Islam values and respects entrepreneurship as a noble profession in which Allah has permitted the sale and purchase and forbidden usury (Al-Baqarah, The Cow 2:275). The authors note that in Islam the success of a business entity depends on a combination of ethics, social, environmental and economics according to Islamic religious laws. Stiles et al. (2007) discussed the impact of ethnic-religious identification on buyer-seller behavior by studying two ethnic enclaves, Catholic Hispanics and Muslim Arabs, within a US metropolitan area namely the city of Paterson, New Jersey. Their study found that ethnic firms are dependent on co-ethnic business in their enclave, tend to rely more upon the ethnic enclave for labor inputs than for other resources, and that start-up firms rely more on intra-enclave economic exchange than do more mature ethnic firms. Ethnic identification that comes primarily from a religion, either Catholic or Muslim, common to each enclave gave rise to a perceived advantage of intra-enclave trade. However, their study notes that as the venture matures there is an observed reduction in the dependence on religious organizations for services.

Involvement in religious institutions and family religiosity are viewed as factors that influence the nature of entrepreneurial behavior as manifested by the number of start-ups within ethnic groups (Stiles et al. 2007). Religious centers represent a magnet for new immigrants by offering a variety of social support services which motivate the new arrivals to start ventures whose captive audience are usually people in the ethnic community. The people left behind back home usually play the role played by the western credit agency, it suffices to call someone in the same village to investigate a person’s financial reputation and ethical credibility whether a merchant or a potential employee.

4 Ethnic Enterprises and Push factors

Dana and Dana (2007) opine that marginal groups have a sense of separateness from their host society and start enterprises as an adaptive mechanism. Rettab (2001) opines that self-employment is triggered by supply and demand mismatches as evidenced by unemployment, under-employment, or dissatisfaction at employment. He argues that founding a business improves the immigrant's personal and social position, and subsequently social integration. Eventually some of these enterprises expand into the broader market. Some researchers argue that push factors are more dominant than pull factors in the case of immigrant entrepreneurs. Push factors include limited access to meaningful employment opportunities in the job market due to racial or religious discrimination, lack of proficiency in the foreign language, the shortage of relevant skills and having foreign-earned degrees and expertise which are not recognized by the host country.

5 Ethnic Enterprises and Pull Factors

Some of the immigrants may start an enterprise not out of necessity but rather to seize a viable business opportunity. It is worth pointing out that an adopted country's business policies and attitudes towards enterprise-formation and risk-taking can have a crucial impact on the entrepreneurial tendencies of migrant opportunity entrepreneurs, particularly if they come from a country that suffers from serious barriers against enterprise creation, which is true for Lebanon.

6 Advantages of Ethnic Enterprises

Light et al. (2013) discussed ethnic minority entrepreneurs in the international carpet trade by focusing on Persian carpet traders in Hamburg Free Harbor. The authors point out that new migrant groups do not typically establish strong business ties immediately upon arrival; additionally their study found that multicultural and multi-linguistic competencies are the key to the success of new immigrant groups in business.

Essers (2009) points out that ethnicity divides cities into communities of people who share a common culture, origin and/or common destiny, however some migrants may interact with the dominant ethnic group in the host country, and thus they end up constructing their ethnic identities from two cultural contexts. It is this author's opinion that this occasionally results in an identity crisis where an individual does not completely fit in either culture.

Dana and Morris (2011) argue that venture creation has an impact on the amount and rate of assimilation by the entrepreneur of the culture and norms of the host

country. The same source adds that in some cases, ethnic groups integrate into host societies, into which they have immigrated but in most cases they do not, this happens when groups with unlike spheres of values coexist and results is a pluralistic society. Bonacich (1973) notes that the development of the ethnic economy slows down assimilation by increasing segregation due to strengthening solidarity within the ethnic community and consequently attracts hostility from the larger host society. In the case of Dearborn, this author has met white Americans who would never set foot in Dearborn for fear of facing hostility since they consider it to be an Arab city that harbors terrorism and anti-American sentiments.

According to Baklanov et al. (2014) migrant entrepreneurs are usually “heavily infused with cultural-ethnic elements” which affect the products they produce, their management style, their hiring practices, their relationship with other businesses, and their international dealings. Bonacich (1973) notes that immigrants work longer hours, save more money, and invest in businesses requiring little initial investment and maximizing short-term cash-flow, such as intermediation and brokering; they tend to develop tight relationships in their own ethnic group rather than getting embedded in the host society.

Rath (2011) lists a few unique advantages of ethnic enterprises:

1. Rejuvenating neglected crafts and trades.
2. Gradually participating more in the provision of higher value-added services.
3. Creating an important bridge to global markets in many cities.
4. Ethnic enterprises typically employ migrants, this facilitates their integration [and speeds up assimilation].
5. Enabling migrants to become active agents of their own destiny.
6. Increasing the social cohesion of ethnic communities.
7. Revitalizing streets and neighborhoods through innovation of social and cultural life.

7 Challenges that Face Ethnic Entrepreneurs

Cooney et al. (2011) discussed the challenges ethnic entrepreneurs encounter in establishing and running their businesses in the host marketplace; challenges include “access to capital, mainstream network connections, over-dependence on ethnic business network, exclusive focus on ethnic customers, concentration on marginal economic success, lack of managerial experience and formal business training, lack of familiarity with institutional and legal environment, spatial concentration of ethnic enterprises in urban environments, and societal hostility”. Volery (2008) argues that sometimes the community is too small to develop the necessary demand for ethnic goods, and that the large sums of money sent home to families and relatives and thus not available for start-up capital usually hinder business creation. Silva et al. (2010) discussed the financial capability of minority ethnic business owners in Scotland and argued that ethnic minority businesses perceive that they are being discriminated against by mainstream lenders. The

authors opine that this may be the product of a lack of understanding of the workings of the financial system in the UK, which may push the minority business owner into informal financial relationships that could be harmful to them in the long-run.

De Vries and Dana (2012) reported that the New Zealand ethnic immigrant women entrepreneurs faced the classic challenges of work-based stress, financial pressure and limited access to capital and displayed many of the attributes of migrant peoples, such as discrimination, social, language and acceptance challenges. According to Ramadani et al. (2014) ethnic businesses suffer from a high rate of failure, their study points out that among ethnic businesses that fail every year, over 50% are 5 years old. In contrast Haq (2015) studied the small and medium enterprises started by the South Asian ethnic minority in the UK, the author notes that ethnic entrepreneurs have been playing an increasingly important role in the UK economy with ethnic minority groups owning 10% of small businesses, these businesses outperform their mainstream counterparts, are more profitable and more likely to export.

8 Migration and Diversity of Mankind in the Holy Qur'an

Muslims are encouraged in the Holy Qur'an to emigrate in pursuit of justice and better living conditions; Surat Al-Nisaa (The Women) verse 4:100 "And he who *emigrate* (from his home) in the cause of God will find on earth many dwelling places and plenty to live by; and whosoever leaves his home as an **emigrant** unto God and His Messenger, and then death overtakes him, his reward is then surely incumbent upon God; surely God is All-forgiving, most merciful". Surat Al-Nahl (The Bees) verse 16:41 "And those that *emigrated* in God's cause after they were wronged—We shall surely lodge them in this world in a goodly lodging, and the wage of the world to come is greater, did they but know; even such men as are patient, and put their trust in their Lord". Al-Nisa (The Women) 4:97 "Verily! As for those whom the angels take (in death), while they are still wronging themselves (as they stayed among the disbelievers even though emigration was obligatory for them), the angels will say to them 'in what conditions were you?' They reply, 'We were weak and oppressed on the earth.' They (the angels) say, 'Was not God's earth spacious enough for you to emigrate therein?' Such men will find their abode in hell- what an evil destination!"

In a related concept, the Holy Qur'an emphasizes that God purposely made mankind into various nations in order to promote diversity; several verses call for different nations to get to know one another. Al-Hojorat (The Dwellings) 49:13 "O mankind, we have created you from a male and a female, and made you nations and tribes, that you may know one another. Verily the most honorable of you with God is that (believer) is the pious (God fearing). Verily, God is All-knowing, All-aware". The Al-Maeda (The Table) 5:54 "And if God had willed, He would have made you one nation; but that He may test you in what He has given you. So

compete in good deeds. The return of you (all) is to God; then He will inform you about that in which you used to differ". Al-Nahl (The Bee) 16:93 "And had God willed, He could have made you one nation; but He sends astray whom He wills, and guides whom He wills. But you shall certainly be called to account for what you used to do".

9 Lebanese Migration and Entrepreneurship

Stel (2013) discussed the Lebanese Diaspora and entrepreneurship outside Lebanon; she notes that Lebanon has been notorious as an entrepreneurial nation throughout history since the legendary Phoenician traders. She adds that business people and private sector incubators generally saw Lebanese people as particularly entrepreneurial, feeling that their specific history and cultural values are inherently disposed towards entrepreneurship. Historically Lebanon is one of the "world's most emigration-prone countries", Stel cites statistics that in 2007 approximately forty six percent of Lebanese households had at least one emigrant among its close kin, which represents a significant source of remittances that equaled 24.4 % of Lebanon's GDP.

Roessingh and Darwish (2012) discussed self-employment among the Lebanese minority group in the Cayo district of Belize. They note that most of the first generation immigrants were illiterate. The same source reports that for the first immigrants nationality was less important than identification with and loyalty to their village, the region of Lebanon that they came from, and their extended family. The Lebanese immigrants arrived to Belize with almost no money and most of them became small merchants and self-employed irrespective of their professions in Lebanon because few other jobs were open for them. Peddlers travelled from place to place, from house to house in remote villages and engaged in peddling small articles from door to door. They slowly accumulated enough capital to open their own small shops. Lebanese immigrants all over the world typically rely upon peddling as a stepping stone in their entrepreneurial journey. The authors note that hard work, an entrepreneurial drive and the desire to support their families helped Lebanese immigrants become the major merchant force in the Cayo District.

10 Muslim Lebanese Entrepreneurs in Dearborn, Michigan, USA

In this section we discuss Muslim Lebanese entrepreneurship in Dearborn, Michigan in the USA as a case study. It is worth pointing out that Christian Lebanese emigrants usually live in other parts of Michigan or other states and they assimilate much faster than their Muslim compatriots. Wang et al. (2002) discussed Chinese

enclaves in foreign countries. To borrow their words, Dearborn as an immigrant community and an ethnic enclave has served as Lebanese migrants' initial destination in the USA, it helps in easing their adjustment, provides a source of social networks, a base for ethnic solidarity, and a means for their livelihood. Many of the residents share the same religion of Islam, the same Arabic language, and many come from the same part of Lebanon, namely Southern Lebanon. Stiles et al. (2007) point out that economic and sociological studies of immigrant populations in the USA suggest that financial reasons are the main motivation for migration to the USA. This certainly applies to the case of Lebanese migration to the USA although escaping Israeli hostilities was a major factor as well.

In the 50's and 60's of the Twentieth Century a wave of Lebanese migrants went to the USA to avoid the wrath of the Arab-Israeli conflicts. Many of them were less educated; some had high-school certificates from Lebanon which did not impress the USA employers who typically undervalue foreign qualifications because they are not acquainted with the foreign education systems and labor markets. Three types of factors induce ethnic entrepreneurship according to Dana (1997); these are cultural factors, the host society environment; and the ethnic community in the host country. In the case of Lebanese entrepreneurs in Dearborn this author argues that the second factor is the strongest, since people are forced to start a business when employment opportunities are scarce.

Most of the Lebanese migrants to the USA had no mastery of the English language; some entered the labor market immediately in low skill jobs such as the assembly line in the auto-manufacturing industry and received low compensation. The next wave of Lebanese migrants consisted of young people who went to the USA in pursuit of university degrees, however with the civil war reaching its peak in the late Seventies they chose to stay in the USA and obtained citizenship through marriage or employment. Some were employed and still had their own business which they run from their home or after working hours. Lebanese migrants usually encounter difficulties in getting jobs in the mainstream labor market which pushes them into working for other Lebanese migrants and they may survive for years without having any contact with the outside world, namely the dominant group.

Starting a business in a new country does not happen easily as noted by Clark and Drinkwater (2000) who state individuals who lack foreign language skills and recent immigrants are less likely than other members of ethnic minorities to be self-employed. Lebanese migrants are generally necessity entrepreneurs; they tend to favor business ownership since it is not easy for newcomers to get employment in mainstream companies, particularly if they are not highly educated or not fluent in English. Business ownership helps them to achieve social inclusion as well as economic self-sufficiency. Additionally it gives them more control over their earnings in contrast with working for others where taxes are withheld regularly which leaves less money to be sent back home.

Lebanese migrants who are reasonably fluent in English and who have access to capital typically start businesses which target their products and services towards the Lebanese community which they rely upon as a very important source of

employees, suppliers and customers, as well as for establishing business contacts, obtaining funds, business advice and moral support. These businesses serve the Lebanese community with little competition from the “dominant group”. Co-ethnic or family labor is usually available cheaper than the USA average cost with some business owners not paying employees’ social security taxes, however most importantly Dearborn provides a virtually guaranteed consumption market although there is competition from numerous similar Lebanese businesses.

Lebanese migrant entrepreneurs depend upon and utilize ethnic and religious social connections that are usually observed in migrant communities and are considered to be unique competitive advantages. It is this author’s opinion that Lebanese migrants usually establish businesses in the ethnic enclave out of business necessity rather than due to identification with their ethnicity, this conclusion was reached by the observation that as soon as their financial status improves a good number of Lebanese migrants move their home away from Dearborn. They typically import goods from Lebanon to sell in Dearborn, thus making use of their compatriots’ nostalgia and catering to their yearning for goods produced back home and their desire to buy Shari’ah compliant goods. At a later stage they create factories to produce some of these goods locally in order to save on costs such as tariffs and transportation, an example is dairy products and preserves.

10.1 Types of Lebanese Ventures in Dearborn

Dearborn, Michigan in the USA has a large number of Lebanese Americans and other Arab migrants, thus a long list of service industries has emerged that includes immigration consultants who help with filling the legal paperwork, law offices, translation services, medical centers, tax preparation, accountants, immigration attorneys, book publishing, and family counseling. It is important to mention educational centers for teaching the new immigrants the English language; in parallel there are after-school religious centers which teach Arabic as a second language to Muslim children, as well as educating them about Islam and how to recite the Holy Qur’an.

Lebanese migrants generally focus on family-owned businesses which have a low barrier to entry such as ethnic grocery stores, convenience stores, bakeries, halal meat butchers, restaurants, hairdressing, daycare centers, customized tailoring, gas stations, travel agents, and event planners. Other ventures include catering, party halls, ethnic clothing importers, and real estate and mortgage brokers. In general there is no relationship between academic qualifications and the businesses started by Lebanese migrants; for instance due to language issues it is very difficult for foreign-trained Lebanese medical doctors in their forties or older to sit for the Medical Board certification exams which are required in the USA, thus some end up giving up medicine altogether in most cases and starting an enterprise which could be distantly related to healthcare such as selling medical devices. The same can be said for people who are trained in law or teaching, both of which are country-

specific professional credentials which practically become worthless when the professional moves to the USA. One specific example of creativity is that of a young Lebanese individual who was trained in computer science in Russia, migrated to the USA during the civil war and started an import–export business to ship hardware and software to the Middle East. Naturally the businesses started by the later generations of migrants’ offspring can be much more versatile in terms of orientation and sophistication.

10.2 Impact of the Host Country

The USA is generally viewed as the land of opportunity however one does not expect an immigrant who just “got off the boat” so to speak to “learn the ropes” immediately and to start making contacts with the small business administration especially if his/her legal status might not be completely in order initially.

10.3 Pull Versus Push Factors for Lebanese Entrepreneurs

Some studies argue that there are group-specific influences which cause some ethnic groups to choose self-employment irrespective of discrimination (Clark and Drinkwater 2000). These authors argue that on an individual level once a person leaves his/her country, especially early in life such as in the twenties, the individual may become free of some cultural constraints and may follow his/her instinct. For instance the Lebanese culture favors professions such as medicine, law, engineering, high ranks in the army, and top management corporate positions, all of which are viewed as very prestigious. In contrast, trade and service industries are viewed as inferior even if one is the founder of such a business. However, once abroad many Lebanese migrants become free of cultural constraints, they may start out by washing dishes in restaurants, or as cashiers in gas stations and grocery stores. Some will usually take such positions while pursuing a university degree, although a considerable number drops out of school now that they are free of cultural pressures and stigmas. Once they accumulate some money they start a business; those who do finish university studies if lucky get positions with a large corporation but may start a business on the side because of being eager to accumulate money in order to help the family back home or to have something to “show off” with upon returning back home, even if just for a quick visit.

10.4 Strengths and Weaknesses of Lebanese Migrant Enterprises

Ethnic enterprises help the Lebanese migrants improve their social and economic status, after some time a few move to a better and less segregated neighborhood such as Dearborn Heights, which sometimes facilitates assimilation into mainstream society especially for their offspring. Interestingly Lebanese businesses in Dearborn are not limited by geographic boundaries, in fact they serve a large market that includes Arabs and Muslims in neighboring states who live within up to 5 driving hours, they also cater to those all over the states through shipping companies that ship ethnic goods such as sweets, halal meat and food, spices, etc.

Issues which face Lebanese migrant entrepreneurs in general include a scarcity of customized training programs and a lack of participation when these do exist. There is no formal source of information in Arabic about the requirements of starting a business. Initially the new enterprise is hindered by the lack of business contacts and a reluctance to join professional business organizations since migrants generally try to keep a low profile and stay “below the radar screen” in order to escape discrimination, suspicion of terrorism and money laundering and hostility, these are avoided for the most part by embedding the business in the Muslim community in Dearborn exclusively. Other issues include immigrant policies and invisible barriers which may prohibit giving visas to potential migrants who have special skills that are needed for some ethnic businesses such as chefs. Access to finance which is a major issue for indigenous business owners has an extra complication for Lebanese Muslim entrepreneurs due to the usual scarcity of Shari’ah-compliant financial products. Consequently the typical reliance on funding from personal and family savings which does not allow for expansion and limits the benefit of economies of scale. In Dearborn there are no Islamic banks or Islamic microfinance facilities as far as we know.

11 Conclusion

Dana (2007) suggests that immigrant ventures can produce significant societal outcomes such as economic growth, vitality, and stability in poor neighborhoods, additionally they deter criminal and gang activities. According to Ramadani et al. (2014) ethnic businesses reduce the social exclusion and increase the living standards of ethnic groups, which can often be among the most disadvantaged groups in society. In contrast Volery (2008) worries that a heavy dependence on the ethnic network can slow the assimilation process which in turn limits the growth rate and directional path of the venture. The Western countries today have an urgent need to reassess policies and programs that are currently in place in order to promote ethnic entrepreneurship that could develop local economies and serve to integrate migrants. Thandi and Dini (2010) opine that wealth creation in the

European economy may be enhanced if supported by policies that recognize the increasing size of the migrant population that brings with it ethnic entrepreneurs who could contribute towards overcoming the perceived relative shortage of entrepreneurship in the EU. The same source claims that government initiatives are needed to support and encourage ethnic entrepreneurship in the EU through increasing migratory flows which are essential for meeting the future needs of the EU labor market due to the anticipated decline in the working-age population. Finally, since the Lebanese culture is very similar to the Syrian culture we hope that this brief overview of Lebanese migrant entrepreneurship in Dearborn has provided an example that helps in dealing with the current tide of Syrian migration to the West which is escalating due to the ongoing tragic Syrian crisis.

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The Foundation of Islamic Knowledge Management Practices

Muhamadul Bakir Hj Yaakub and Khatijah Othman

1 Introduction

This chapter is an attempt to address ‘The Fundamental Theory of Knowledge Management’ from an Islamic point of view. Its main objective is to draw the notion of a ‘Islamic Worldview’ of knowledge, especially in terms of understanding its nature in the veracity of the knowledge origin. It is also a step forward in conceptualizing ‘Islamic Knowledge Management’ (IKM) as an answer to the uncertainty of contemporary knowledge development, management, and utilization especially for Muslim user and application. In this chapter, new techniques, and processing tools in harness knowledge will be explored and discovered. It also provide particular strategy and sharing method that assist Muslim to improve their vicegerency role and humanistic relationship as what Islamic teaching highlighted.

Indeed, knowledge should be realized comprehensively. Thus, with the assumption that once knowledge been recognized and managed appropriately, then it is possible to look at the knowledge behaviors, functions and process of development in the form of a scientific realm. Hypothetically, if there were no single theory formulated to identify the nature of knowledge, knowledge becomes difficult to manage and likewise to achieved its goals. In this regard, IKM as an Islamic system is intended for a particular area of application in which its objective based on ‘knowledge intensive processing action’ (KIPA). It depends on human expert

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intervention in order to establish a comprehensive and integrated personal knowledge, organizational learning culture, leadership commitments, and management style. It supports knowledge worker in improving performance in the processing flow, marketing strategies, systems analysis, operational cost reduction and so on.

Apparently, knowledge development, classification, and management very much influenced by its users. The way how a society conceptualizes their knowledge is determined, by the way, how they understand and manage the knowledge. Explicit classification will lead to a way of utilization. For this reason, any success achieved by a person was an output of his knowledge understanding and knowledge growth within himself. As a human, a person might be influenced by a situation, limitation, and constraint. It might be internally or externally. Both could lead him/her to persuade either the body of knowledge or the functional usage of knowledge in making his/her individual success i.e., as user-centric based values.

In this notion, the issue of knowledge is very crucial within human existence. Continuous efforts have been made to articulate the foundation of knowledge growth and functioning by the prominent scholars all over the world. Indeed, enormous literatures have been written, and various studies conducted on this matter. It also followed by conclusions drew, as well as affluence of advice and recommendation on how to work with knowledge suggested. However, effective methods and approaches still far away to be obtained.

As symbolized by Drucker (1992), known as the Father of Management, the source of wealth is something specifically referred to as human knowledge. If knowledge is applied to tasks that are naturally known, it is called productivity. If knowledge is applied to tasks that are new and different, it is called innovation. With knowledge, those two goals can be achieved through well organization and implementation. Burton (1999: 1) expressed the same concern about the present global situation and development. Apparently, both wealth and power not only related to the ownership of tangible resources but covers both the intangible and intellectual resources called knowledge capital with the advent of knowledge management (KM). In this context, we observed that a successful organization is the one that is successful in creating and sharing its information resources. It is the one with the ability in leading the organization systematically and right strategies.

Thus, KM as it initially construed, focuses on the acquisition of knowledge before it is structured, preserved and disseminated for the purposes of knowledge utilization within an organization. It focuses was base in the context of Case-Based Reasoning (CBR) method as applied by Kusriani et al. (2010) in describing the process of diagnosis analysis or reasoning for a particular decision. In other words, KM is a system develop specifically for a strategic process in managing intellectual capital as a valuable assets. Through this process, a new improvement emerges within performance characteristics and add value through enabling a knowledge worker to act more intelligently (Gupta et al. 2000).

This view leads to recognizing knowledge as an asset and sparks curiosity in trying to answer the following questions:

1. What is IKM stand for? Why IKM is needed? How is its functioning in making knowledge works?
2. How does it differ from KM practices?

By answering those leading questions, we will be able to determine the foundation of IKM practices. It might become an alternative choice within the organizational operation in striving for creativity, innovative and effectiveness in managing valuable knowledge assets.

However, the above case of KM is not comparable with the current status of Islamic knowledge management (IKM). It does not yet explicitly constructed and conceptualized; neither is it having well-known theories for specific application practices. Thus, the basis of IKM discipline appears to be somewhat vague though there are attempts to pre-define IKM success criteria. Hence, what appears to be missing here is a set of fundamental foundation of IKM as a basis application and practices.

2 Working with Knowledge

The significance role of knowledge increasingly becomes a primary business asset within the contemporary globalized networking. The basis for individual and organizational success centered on working with knowledge and knowledge workers, where its performance is heavily reliant on knowledge work in mobilizing the knowledge workers. Peter Drucker, mentioned that the source of wealth is something specifically referred to as human knowledge. For the application of knowledge to tasks that already known called as productivity. On the other hand, if knowledge imposed on the tasks that are new and different, we call it innovation. In this regard, Drucker successfully enhanced the concept of ‘knowledge implementation’ and ‘knowledge change’ thus both concepts have been virtualized in real organizational practice and fully recognized worldwide for its importance and practicality contribution.

2.1 Common Perception Toward Knowledge

According to Movizzo (1995), knowledge is increasingly seen as a primary business asset. While Thomas and Lawrence (2000) emphasized, that knowledge should be considered as data or information. According to Dana et al. (2005, 2001), knowledge is the combination of information, ideas, experience, intuition, skills and lessons learned that produces added value for the business. However, it is more or less related to both, and the differences between those two terms are usually within a degree of applicability. Though, it is significant to emphasize that data, information, and knowledge are academically not interchangeable concepts.

Unfortunately so, due to many reasons and different circumstances, the terms ‘knowledge’, ‘sciences’ and ‘information’ have been used synonymously or interchangeably in many contexts. They might refer to a particular understanding (theoretical or practical) or skill acquired by a person through experience or education and so on. According to Brown and Duguid (2002: 18) the extent of all information is to be well disseminated. It should be shareable among the people in the communities itself, or organizations. They are the one who ultimately decide its meaning and the reason of it matters. This lead to the term ‘information’ that represents many meanings to become indifferent to “knowledge” as a concept and knowledge used to identify the fact and figure of information.

For example, knowing the ‘law of clean air’ as a gifted system that everybody has to take care of knowledge. Compare this to the person who becomes aware of “clean air” system only after being informed by someone. In this notion, Goldman (2006) made a reference to knowledge as lucid information. It gained through the process of reason applied to reality or a satisfactory evaluation of one’s perceptions that a draw conclusion about the world. Due to this, Townley (2001) pointed out that research and scholarship are tangible assets of an academic institution. The problem, however, lies in indicating such assets as tacit and has to be made explicit before it can be evaluated, enhanced and shared. Explicit knowledge is an articulated knowledge, i.e., knowledge that has been formalized by way of speech, text, visual graphics and compiled data. While tacit knowledge includes the intuition, perspectives, beliefs and values that people form as a result of their experiences. In this context, Barclay and Murray (1998) buttressed that these scenario permeates enterprises on using a meaningful knowledge for the business transaction purposes.

2.2 Types and Classification of Knowledge

Knowledge, sciences, and information are some examples that always being regards as common terms. In daily conversation, Ramadani and Gërguri (2011) observed that terms like innovation, invention, creativity and science are often used interchangeably. And certainly, for academicians, researchers and policymakers there are important distinctions between these terms and these distinctions give each term a unique, specific meaning. In this association, the terms ‘knowledge’, ‘sciences’ and ‘information’ have been used synonymously or interchangeably in many contexts. They might refer to a particular understanding, either theoretical, practical or skill acquired by a person through experience or educational processes. There is no agreed definition that can represent those three terminologies in one single accurate word. In this relation, the sources of knowledge creation and types might be the reason for defining multiplicity.

Indeed, the term ‘information’ has many meanings. It has various connotations starting from everyday usage up to the technical settings, in which it defined as closely related to the notions of having data of something and its contextual representation. In this sense, it is indifferent to ‘knowledge’ as a concept referring

to the ability in exploring and identifying the fact and figure of information. For instance, knowing the law of ‘clean air’ as a gifted system that everybody has to take care of and compare this to a person who becomes aware of ‘clean air’ after being informed by someone, is different. In other words, Goldman (2006) regard knowledge as lucid information. It gained through the process of reason applied to reality or a satisfactory evaluation of one’s perceptions that lead to the use of reasoning in objective manner.

Here, we have to consider the fact that the meanings of words, sentences, and texts can change with time or cultural and even emotional conditions, i.e., space and span. According to Vamos (1990), the consequence of this fact is that a true logical proposition in one relationship can be false in another. Obviously, the issue of criteria that determines what constitutes knowledge is indeed crucial. For that reason, the term used here is defined as a general concept that refers to a wise understanding of factual information. Classical theories of knowledge, however, would only recognize two categories of knowledge: True or false.

In this respect, Polanyi (1967) and Nonaka (1994) draw an explicated two dimensions of knowledge in the organization. The first one is tacit and the second one is explicit. However, Li and Gao (2003: 8) argue that Nonaka’s understanding of tacit knowledge differs from Polanyi’s concept and criticize their synonymous use in literature. They stress that both terms referred to two different observations in two fundamentally different cultural contexts. Polanyi studied European scientists while Nonaka studied factory workers in Japan. An essential description of both types of knowledge highlighted as follows:

1. The concept of tacit knowledge credited with a key role in organizational performance. It is at the same time one of the most blurred concepts in management literature (Busch et al. 2001). The element of tacit knowledge rooted in action, experience, and involvement in a particular context. Its application involves cognitive that exist within an individual’s mental models and viewpoints. From the cognitive perspective, personal knowledge is simply the content of human long-term memory. It is the existence of a silent dimension of knowledge which cannot be articulated. However, an action encompasses some technical and operational aspects which are explicit in nature (produced through communicating certain information and knowledge). For this reason, an explicit experience is obtained with a concrete understanding of what to do, how to do and why should do. It achievement involves skill ability in applying knowledge in according to contextual need and situation (Agency Effectiveness Handbook 2012). An example of tacit knowledge is knowledge in approaching a specific customer for a particular product at a suitable time, place, and strategies.
2. The dimension of explicit knowledge is the physical form of articulation and codification carrying some communicative specification in which it will lead to the possibility of future utilization. Owner’s manual accompanying the purchase of electronic product is a good example of this case. The manual contains knowledge on the appropriate operation of the product.

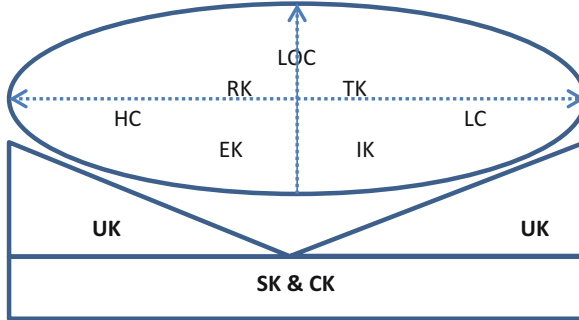


Fig. 1 Dimensional classification of knowledge (with modifications from European Foundation for the Improvement of Living and Working Conditions 2004; Kogut and Zander 1992; Li and Gao 2003). *SK* Source of Knowledge; *CK* Creator of Knowledge; *UK* User of Knowledge; *EK* Explicit Knowledge; *IK* Informational Knowledge; *RK* Revealed Knowledge; *TK* Tacit Knowledge; *LOC* Level of Codifiability; *HC* High Codifiability; *LC* Low Codifiability

Implicit and tacit knowledge both are describing two separate things at different levels of modifiability towards a dimensional character of non-explicit knowledge (Kogut and Zander 1992). The dimension spans between the poles of explicit and tacit knowledge. Following Li and Gao, implicit knowledge lies somewhere in between this modifiability. To expand further the understanding of this classification, we may view and compare the concept of classifying knowledge within a broader affiliation of the knowledge aspect as presented in Fig. 1.

Figure 1 describes all knowledge originated from specific sources (*SK*), in which it also relates to a particular creator (*CK*) who produces various types of knowledge for specific needs and functions. Tacit knowledge (*TK*) for instance, appeared or structured in the mind of a person due to his/her personal reason, experience, or engagement that occurred before. This form of knowledge then transformed to become an informational knowledge (*IK*). In this regard, Polanyi (1967) described *TK* as something that we deal with unconsciously and most of the time we are not aware of its existence. Revealed knowledge (*RK*) on the other hand, is referred to the source of a particular information, where its came from and how it be? Consequently, this type of knowledge is regarded as given by God through a revelation process, even though it is dealing with human affair or solving the human problem. A “scientific knowledge” conversely, is referred to an operational representation of knowledge utilization output. From the above discussion, we can conclude that knowledge from the conventional perspective does not exist in itself.

2.3 Islamic Perception Toward Knowledge

The issue of knowledge is very fundamental to Islamic teaching and practice. However, as a philosophical term, it is an old discipline. In general, it can be

understood as the source of economy, power, prosperity, and so on. Unfortunately, the understanding of knowledge remained theoretical and abstract. The application of knowledge also remained structurally as in according to the traditional sense in comparison to modern practices, that lead us today to discover some ways in which knowledge should be realized, managed and applied. Obviously, the issue of criteria that determines what constitutes knowledge is indeed crucial. For that reason, the term used here is defined as a general concept that refers to the act of understanding any factual information wisely for any consideration of its truthfulness or falsehood.

2.4 *Islam and Knowledge*

Islam by its nature considered as a religion of knowledge. The notion of Islam itself means a ‘manner of full submission’ to God the Creator. The concept of total submission is a significant reference to begin discussion on the Islamic conceptualization of knowledge management or known as Islamic Knowledge Management (IKM). Its first supposition is strongly related to and assimilated with the notion of ‘ilm (knowledge). It is the basis of belief system as mentioned in the Quran and Hadith as the fundamental principle of conducts and practices and known as the Islamic Religious Knowledge (IRK) among the academia.

In Islam, the definition of knowledge is not confined to only epistemological concerns but also includes ethical truthfulness and other dimensions of objectivities. Muslim regards knowledge as God-given to Mankind. It is so, as guidance for achieving every theoretical endeavor, and to elaborate its finding in accordance with the Islamic paradigm. It is also intrinsically related to the fundamental concept of ‘*taklif*’ (obligation) as prescribed in the Quran and the Prophetic traditions. This understanding is vital in structuring Muslim worldview toward all aspects of individual belief, societal behavior, and cultural domain.

Prophet Muhammad (peace be upon him) encouraged the acquisition of knowledge by saying “Verily, the men of knowledge are the inheritors of the prophets.” Indeed, the value of a person is the value of his knowledge. The Prophet also placed great emphasis on learning, when he stated in a well-known hadith that, “One who goes out to search for knowledge is to the cause of Allah till he returns”. The Quran also ordered human beings to read as a mechanism for seeking knowledge. It should be done in the Name of Lord, the Creator, the Most Generous who has taught by the pen, and has taught man that which he knew not. The command that stated in the above verse is not just a matter of collecting knowledge and information. But, it also instruct man to organize, plan and manage properly the given knowledge (Muhamadul 2011: 365).

For this reason, the status of knowledge in Islam is not just simply represents a particular cultural values and productions. Neither it represents an empty wisdom of an individual’s experiences in looking at things or taking an action. Indeed, every single way of a person living style based on a body of knowledge. It growth together

with him/her throughout the life. It will determine his/her attitude towards his/her surroundings lives in and out. In fact, it will determine his/her attitude towards his self '*anfus*' and the universe '*afaq*'. In general, besides setting norms to which his thoughts and actions must conform. All sort of beliefs, ideals and values-sacred or secular-spring from the worldview that emerges from the fund of knowledge at the disposal of a community. It is to say that knowledge is the root of culture and culture is the fruit of knowledge. Indeed, culture is like the knowledge on which it grounded. Its value can be judged by the type of individuals it produces and of the society it establishes. It is not enough to Man born physically without emotion, meaningful value and spirit. One is made human through a cultural birth, through the inculcation of knowledge along with the belief, ideals and values it carries with it. The primary fact about Man is that he is not only a social but a cultural being. It is a culture that gives meaning to what the Quran 2:29 calls the divine trusteeship (*amanah*) as vicegerent (*khilafah*) and makes man worthy of the exalted position as moral agents of God on earth.

Empirically, knowledge is a means of attaining virtue, which lead to gaining power over one's self. So, it is a tool for gaining power over nature '*afaq*' and harnessing its stupendous forces in the service of Man. However it is not the same knowledge that leads to self-conquest and the conquest of nature. Knowledge of what is morally right for man and knowledge of what is materially useful for him are two different kinds of knowledge. The former is the prerogative of religion. In Islam, it is the product of revelation. The latter is the privilege of science, and the product of inductive human intellect, as Iqbal (1986a, b) is convinced, is made self-conscious by the recurrent appeal of the Quran to reason and experience. Since the knowledge of what is materially useful is as essential to Man as the knowledge of what is morally right, he needs both science and religion for steering through life in this world. What he needs is not science without religion, but science structured by religion. Conversely, what he requires is not religion without science and philosophy, but religion given intellectual content, wherever possible, by science as well as philosophy, without doing violence to its spiritual framework.

2.5 *Types and Classification of Knowledge in Islam*

Based on the Quranic text (96:1–5), human beings in principle are ordered to perform personal reading as a mechanism for seeking knowledge. It should be done in the Name of Lord, the Creator, the Most Generous who has taught by the Pen and has taught man that which he knew not. The command in the above verse is not just an order to mankind to collect general knowledge or data and information that for the worldly matter. But, it is not even limited and specifically for acquiring Islamic revealed knowledge (IRK). In fact, it is directing man and woman to pursue, organize and manage properly all sort of knowledge that they obtained through reading and searching. This concept of knowledge classification and structures illustrated in Fig. 2.

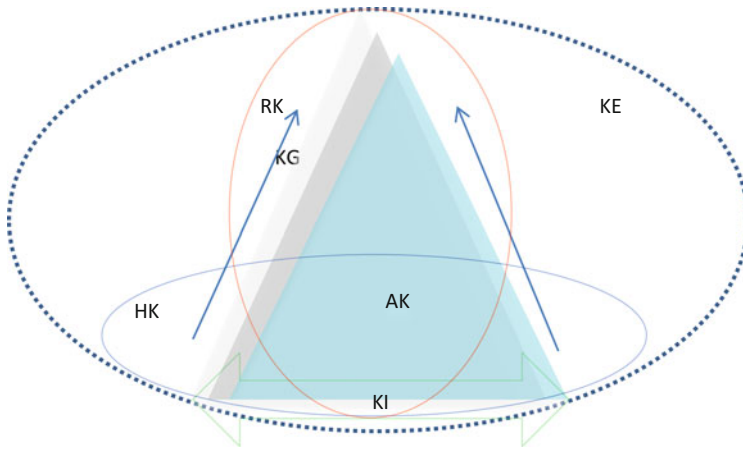


Fig. 2 Islamic conceptualization of knowledge classification. *KE* Knowledge Existence; *KG* Knowledge Growth; *RK* Revelation Knowledge; *AK* Acquired Knowledge; *HK* Human Knowledge; *KI* Knowledge Investigation

Figure 2 describes that Muslims believe that knowledge originates from God and then transferred to Mankind through various channels such as revelation, sense perception, reason and intuition as affirmed by Muslim epistemologists. According to Al-Attas (1980) in turn implies that both inductions from observation and deductive reasoning are valid methods of knowledge acquisition. In other words, knowledge is an existing phenomenon that Man has to explore and investigate. Once the knowledge acquired by a person, it becomes information to him, in which it becomes a science after it is applied by him and taught to others. According to the Quran, 2:29–33, Man in his position as God’s vicegerent on earth, he has to fulfill his task in investigating knowledge. He has to develop a method of its application too because, the Almighty God created all those knowledge for him to be used and applied. Although some of the Quranic verses in this regard might refer to Islamic revealed knowledge in a particular context. However, its meanings will remain general to open for future exploration and finding.

For this reason, the output of an Islamic educational process will lead a learner to be a well-informed person who acts in accordance with the principles available at hand. This conception of education regards knowledge not merely as the information acquisition process, but also the capacity of how the explanation and analysis were done. It is referred to the ability in connecting these processes of knowledge acquisition to the command of God, to be an ethical being in carrying out the duty of a vicegerent on earth. With this view, it is creating a mental impact that it can serve as a step for the construction of a framework for an Islamic Knowledge Management Theory (IKMT) within an individual learner of knowledge.

Indeed, how humans view knowledge, its management and function, is a question imposed in the foundation of any ethical system. Some common views deny the existence of any purpose of knowledge other than those which create its role

function in usage and application. Due to this behavior, they become different from other beings. These opinions view Mankind as an evolving animal physically and mentally.

To summarize, the sense of knowledge from the Islamic perspective is the state of knowing the fact through the real nature of knowledge. Indeed, this sort of knowing shall be based on proofs, justifications and evidences in which they should not be in conflict to any of the Quranic verses. So it is not just only the thought and ideas because both are not the actual knowledge. In this affiliation, Muslim scholars affirmed that the highest source of knowledge in Islam is as presented by the Holy Quranic. The second followed by prophetic explanations, then observational wit and sensation of the senses as a form of prosperous mind assisted with trial or investigation.

Islam regards knowledge as a means of attaining virtue in this world and eternal life (Quran, 41:53) and harnessing its nature to the service of man. However, this is not the same knowledge that leads humanly individual self-conquest. What is morally right for a man and what is materially useful for him are also including as knowledge. It contains the prerogative of religion, the revelation, inductive intellect as mentioned by Iqbal (1986a, b). This Islamic knowledge is self-conscious to the human being by the Quranic reasoning and justification. What is materially useful is similarly essential to what is morally right. Man needs both science and religion to pay his accountability as vicegerent in this world. Indeed, what man's need is science but comprehensively structured by religion. In a different sense, religion indeed provides fulfillment towards science and philosophy.

From the above analysis, apparently Islam considers knowledge as absolute truth. While searching knowledge is regarded as a natural process of obtaining the truthfulness of knowledge. God the Almighty gives all knowledge. Nevertheless, any knowledge without proper management will become dangerously use and maybe will lead towards meaningless ends. For this reason, it is important to realize that an understanding of the formation of knowledge added with how people and organizations utilize it is very fundamental to working with knowledge and mobilizing knowledge workers.

3 Accelerating Toward Islamic Knowledge Management

As discussed earlier, due to many reasons and different circumstances, the terms 'knowledge', 'sciences', 'data', and 'information' have been used synonymously or interchangeably in many contexts. Consequently, the terms become subjective rather than universal. KM, on the other hand, is constrained by its overly rational, static and bound by its contextual application. As observed by Malhotra (2000) the prevailing KM paradigm limits itself by its emphasis on convergence and consensus-oriented processing of information. Strategy experts have underscored that the focus on organizational KM should shift from 'prediction of future' [that

cannot computed] to ‘anticipation of surprise’. Such a system may be enabled by leveraging the divergent interpretations of information based upon the existence meaning. By underscoring the need for synergy between innovation and creativity, the knowledge worker indeed needs to advance his/her abilities and capabilities with new technologies and strategies.

3.1 Knowledge Management as a System

What is knowledge management? As an introductory step to answer this important question, it is useful to distinguish first between raw information and knowledge. Raw information may be considered as widely available in users’ hand, but only some users will be able to convert the information into relevant knowledge and to apply this knowledge to achieve their aims objectively. Michael (1994) regards these processes as KM strategies.

In this context, KM can be considered as a natural phenomenon in working with knowledge. For this reason, it is not a new issue in human history and practice. Consequently, there are various terminologies and definitions for it, starting from the broad process of locating, organizing and transferring, up to the information usage in sharing and networking. However, in one aspect, KM is regarded as similar to ‘information management formulation’ where the notion of the systematic strategy of collecting, documenting and distributing knowledge whether explicit or tacit are included. As stated by Osman (1998), *‘knowledge disorganized is life disorganized’*. In this sense, KM is not a new idea. It is an essential element in a long strategy toward progress and success.

Before highlighting the foundation of IKM as an extension to KM system, it is worth to discuss briefly the current understanding of both systems mentioned from the perspective of scientific management practices (SMP). Finally, the discussion on the Islamic views of the KM will be based on the analysis of the modern concept of management and its understanding. In general, management according to Henri Fayol (1937) is a process of doing things. It composed of a structure of its principles, rules, methods, and procedures gained from past experiences and practices (Daniel 2009). Thus, from the perspective of management, there are certain criteria and procedures to be followed in order to achieve the organization’s objective. Fayol has also listed numbers of principles in management such as division of work, authority, discipline and others. In other words, the essential components of organizational management are presented in Fig. 3.

Figure 3 draws the inter-connection of those componential elements in the management practices. The functionality of these elements will only be achieved structurally and efficiently with the support of KM within the organization activities. Take principles and policies (P) for example, it is representing the heart of the organizational structure. It should be developed through comprehensive knowledge and shared throughout the organizational community. Managers (M) on the other hand, should be in good understanding with the organizational culture prior to his

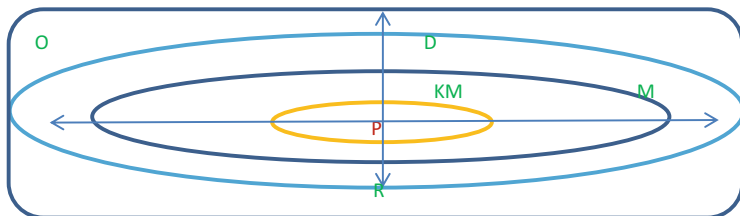


Fig. 3 The basic components of scientific management practices (SMP) (adopted from Fayol's concept of management as elaborated by Daniel 2009). *M* (representing *horizontal arrow*) Management; *KM* (representing *middle circle*) Knowledge Management; *O* Organization Structure; *P* (representing *small circle*) Principles and Policies; *D* (representing *biggest circle*) Division of Works; *R* (representing *vertical arrow*) Regulations, Approaches and Strategies

implementation of the organizational principles and policies. Hence, an organization without a proper KM system structurally function is regard as arbitrary. It will expose to various dangers and illness at any moment, especially in the context of increasing complexity, diversity, and rapid changes characteristics of today's environmental situation that cannot be neglected. As reminded by Bejari et al. (2012) that laxity and lack of attention toward this supporting element can eliminate an organization from definite competition. Davenport and Prusak (1998) remarked that establishing KM system is an easy process since human qualities of knowledge such as experiences, intuition and beliefs are the most valuable assets. At the same time it is the most difficult to manage and maximize.

The above figure also shows that KM is an important determination factor for individual success and better organizational performance. KM has been used to transforms an individual to be a knowledge-based user and helps an organization in gaining its competitive advantage. In this regard it proves that the effective use of workflow through systematic sharing procedure and knowledge, leading towards organizational improvement, responsiveness, innovation, competency, and efficiency. In this relation, Ramadani et al. (2013) reckoned that the responsiveness of innovations can be explained from several aspects as such customers' perspectives, business aspects, the employees and the whole economy. It brings better product quality and services, sustainable growth and development, realization of greater profit, higher salaries and it indeed brings prosperity for all.

3.2 *The Foundation of Knowledge Management Practices*

In the context of knowledge function, the knowledge workers (either manager or his staff) have to know the nature of their working knowledge. This type of understanding is particularly essential as by knowing this nature, all workers will know what kinds of tools that are needed for knowledge processing and application. The adequacy of knowledge will determine the quality of output product. For this reason, Dale (1981: 5) stress on the importance of managers knowing the right

Table 1 The two fundamental foundations of KM practices

No.	Foundation	Description
1.	Preciseness of working knowledge	To become a knowledge-based organization, its organizational information should be managed precisely and accurately by effectively exploit its values
2.	Effectiveness mobilization of knowledge workers	To become a knowledge-based organization, peoples' competencies, skills, talents, thoughts, ideas, intuitions, commitments, motivations, and imaginations should be mobilized effectively and functionally. This can be achieved by focusing on human expertise for business advantages and working in knowledge-based system

tools in generating the knowledge for the purpose of productivity. According to him *'managers in knowledge organization acutely sense that the major basis for economic growth and profitability lies in developing future managers who know how to guide the organization in the acquisition and use of knowledge'*. By doing so, it establishes the basis for achieving simultaneous 'freezing' and 'unfreezing' knowledge function. This practice will lead to the effectiveness of decision-making because doing the right thing is supposed to increased the efficiencies (doing thing right).

From the above discussion, we deduced that Drucker (1995) claimed that KM is like a key differentiator between organizations. It is not about managing or organizing books or journals in the form of knowledge storage and circulation. Even though, each of these activities in some way can be part of KM spectrum and processes. In fact, one the most important role function of KM is to transform knowledge to become an asset to the organization that adopts KM system. Hence, the foundation of KM practices can be easily perceived. According to Havari (1994), KM brings the notion to enhance knowledge through organizational sound practices of information management and organizational learning. It functions to deliver value to the business. In other words, the figure above also shows the relationship between basic components of management practices that are in need of systematic KM structure and function. In this respect also, the role function of KM system is indicating to more than managing information flows. In fact, it rests on two fundamental foundations as depicted in Table 1.

For this reason, to appreciate the challenges of KM, we need to understand what knowledge is and how it gets transmitted. Davis and Collins (1996: 110) suggests that a useful way to deliberate the movement of knowledge within an organization is observing the enrichment of information with insights into its context. As a result, we can say that approaches to KM collaborate in the growth and development of 'structured knowledge' (Hildreth and Kimble 2002).

3.3 *The Functional Characteristic of Knowledge Management Practices*

In principle, the interest and awareness of KM's functional behaviors in contemporary human development have gained ground in several aspects of individual achievement, societal stability and maturity throughout the history of mankind, in which KM has been observed as having a definite role in the context of spatial modeling of life and stochastic reservoir modeling human life activities. Increasingly, these models go beyond the focus of a single data type and integrate numerous pieces of multi-disciplinary data each with their complexity and often only fully understood by discipline specialists. For instance, the KM process base is usually used as a project specific vehicle for documentation, collaboration and creation of a quality assurance and quality control audit trail. As Michael (1998) and also King (2005) suggest that the central distinct role for any KM system is to serve as the primary repository for project documentation and application of any information. For this reason, the functions of KM can be observed in many ways. However, there are three important conditional functions of constructing any KM modeling; they are:

- Identification of body knowledge, its categorization and types-knowledge should be searched and developed. The first task of KM is searching and identifying information that can help users get their jobs done, achieves their life objectives and activities.
- Simplification of knowledge description and application. Collection of information will be meaningless without proper management methodologies in simplifying all types of knowledge for complete understanding and easy application on the real ground of usage practicalities.
- Utilization of knowledge resources and its functional impact upon user's satisfaction should be the concern of any KM modeling and application. It can only be achieved by fulfilling user needs and tranquilities. In principle, the aim of knowledge discovery is for its users. In fact, people use information because it can help them solve their problems, i.e., not keep them in trouble.

In other words, what these pillars are intended to represent here is that KM is able to enhance knowledge and also disseminate it to users, in which it leads them to become successful people. This model of the conditional function for KM is illustrated in Fig. 4.

Figure 4 above describes the application of KM operational function in helping users to become knowledge workers in achieving development goals and success. This achievement usually measured through processing activities improvement and quality of productivities. Each of the elements represents a sub-process of KM practices. It will occurs when two or more individuals exchange knowledge, in order to move closer towards each other in the meaning they ascribe their success to knowledge function in making the events become workout and successful. In other

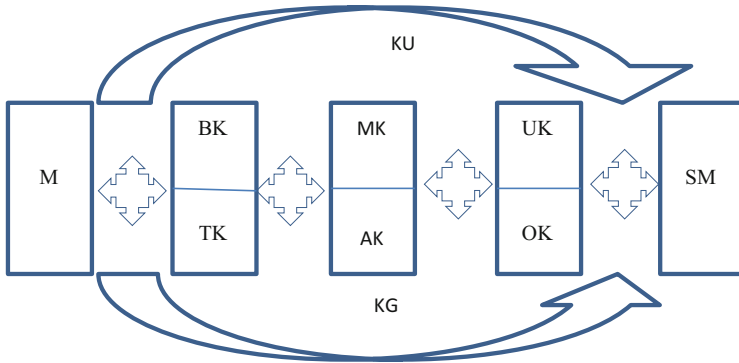


Fig. 4 KM functional model. *M* Man; *BK* Body Knowledge; *TK* Type; *MK* Methodology; *AK* Application; *UK* Users; *OK* Output; *KG* Knowledge Growth; *KU* Knowledge Understanding; *SM* Successful Manager

words, KM can be used as a tool to store, retrieve, disseminate and manage information related to user needs.

KM as discussed here is an important determination factor for individual success and also for the improvement of organizational performance, regardless whether this term has been used explicitly or not, it indeed transforms an individual to be a KU, it helps organizations to gain competitive advantage and efficient in work through systematic sharing procedure and workflow in which it lead to organizational improvement, responsiveness, innovation, competency, and efficiency. According to Marzanah et al. (2010), the identification of this factor will be very meaningful, especially with the ability of transforming tacit knowledge and competencies to become knowledge assets.

Based on this structural function of KM, an attention will be given specifically to it, especially in dealing with organizational or social crisis, such as educational structure, human capital development and business orientation program. For instance, a tourism industry which is of social, cultural and economic importance for an individual, governments and also private agencies; need to pay special attention to the KM system and function. This type of attention will be accomplished through proper understanding of KM methodological framework, and applications, especially in determining the objectives and strategies of such related activities. In fact, it is considerably an importance component of social development and civilization profound. For this reason, most institutions and organizations look at KM as a necessity and make use of all their capacities and facilities to get to their intended interests and privileges.

3.4 The Foundation of Islamic Knowledge Management Practices

After the discussion on knowledge and the foundation of knowledge management, now we come to the point to discuss the necessary foundation of Islamic Knowledge Management (IKM). In Islam, all knowledge is regarded as Allah's gifts to the knowledge worker. Muslim believes that Allah's knowledge is infinite in which His knowledge encompasses the entirety whatever on the earth and the universe and whatever in between them [Al-Quran, Al-Isra': 85]. This applies to both the worldly life and the eternal life. That is the reason; His Divine Names is the All-Knowing, the One, who knows everything. He, the Almighty says: "*Verily, He, only He, is the All-Hearer, the All-Knower*" [Al-Quran, Tahrim: 3]. In this notion, there are other names for the Almighty Allah, who reflect His attributes as such Al-Khabeer (the All-Aware), Al-Hakeem (the Wise), Ash-Shaheed (the Witness), and Al-Muhsiy (the Reckoner). To summarize; His Knowledge encompasses generalities and minor details. Indeed, the human only have been given a portion of knowledge by the Almighty Allah. They have to manage that knowledge properly to create an impact upon their development and prosperous, economically and also spiritually. Thus, knowledge management in Islam is very much related to the concept of 'belief' and the 'Oneness of God'.

Hence, as knowledge in Islam is intimately related to religion; knowledge, for this reason, is regard as part of faith. In this connection, it become compulsory for Muslims to pursue knowledge, to cultivate the various branches of knowledge and then to construct a suitable model of knowledge management in helping mankind to become efficient users of knowledge. Islam, in this respect, looks toward IKM's construction and usage as its important vision and mission to support human development and survival as vicegerents of God on earth. Therefore, the nature of IKM as a system of knowledge works and function should be bound by its intellectual wisdom, spiritual strength, mental ability, and even socio-cultural conditions of scientific creativity.

In other words, knowledge is an existing phenomenon that man has to explore and investigate. Once the knowledge is known to a person, it is gradually transformed to become a science in his hand. The status of this knowledge is considered ready for application and taught to others. A Muslim as God's vicegerent on earth has to fulfill his task in seeking knowledge and developing its method of application. In this regard, we have to realize that some of the Quranic verses addressing the term knowledge in according to the general sense and connotation. The output of an Islamic educational process will lead the learner to be a well-informed person who acts in accordance with the principles available at hand. This conception of knowledge regards education as a connection to these processes to the command of God, to be an ethical being in carrying out the duty of a vicegerent on earth. Hence, this view is hoped can serve as a step towards the construction of a framework for an Islamic Knowledge Management Theory (IKMT).

Indeed, how human views knowledge, its management and role function, is a pre-conditional question imposed in the foundation of any civilization. Sometimes there exists the unseen knowledge other than seen which create its role function in usage and application. This fact leads to the formation of certain types of human behavior and fails to realize that they are different from other beings to another. In other words, this opinion views mankind as an evolving creation physically and mentally through the influence of surrounding environment. They have to adapt themselves with the context of situation and adopt it to their priorities and conditions.

Obviously from the above discussion, KM has been defined as a systematic process of enhancing the knowledge application throughout the organization with reasonable practices of a learning process and management information system available. Its function is for delivering value to the organizational growth. It is also describing the differences between those essential components of a systematic KM structure and function. In this respect, the role function of KM system indicates to more than managing information flows, data collections, knowledge organization, and wisdom.

IKM, on the other hand, is considered as an extension of KM practice and having an in-depth value of knowledge of the seen and unseen world; which covers the reality and truth. It is define as a systematic process and tools in identifying knowledge for the purposes of cultivating its branches in according to its conditional context of the situation in helping mankind to become effective users of knowledge. Islam in this regard looks toward IKM’s construction and application as important vision and mission for human development and survival as vicegerents of God, in which it should be bound by its intellectual wisdom, spiritual strength, mental ability, and even socio-cultural conditions of scientific creativity. From the above definition, obviously IKM carrying some holistic principles in dealing with knowledge such as specific realization, optimistic view upon knowledge existence, its boundaries, categories, and types (Muhamadul 2011). These principles lead IKM practitioners to deal with knowledge as part and parcel of their life activities and routine. The relationship between knowledge, KM and IKM as discussed above can be revealed in knowledge management building pyramid as shown in Fig. 5 below:

The term ‘pyramid’, as used here, was also known variously in KM discussion such as the ‘wisdom hierarchy’, ‘knowledge pyramid’ and so on. The details of

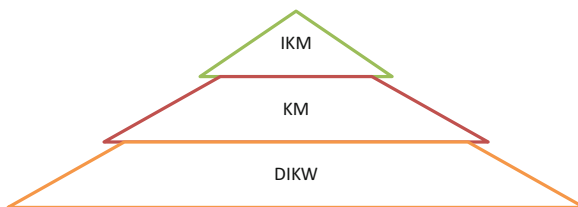


Fig. 5 The Islamic knowledge management building pyramid [modification from Jennifer (2007)]. *DIKW* Data, Information, Knowledge, and Wisdom; *KM* Knowledge Management; *IKM* Islamic Knowledge Management

these discussions can be found in Jennifer (2007). In fact, it also been referred by Zins (2007) for some classification of KM. In other words, the figure above shows the relationship chain and the functional hierarchical foundation of IKM. According to Jennifer (2007), the term knowledge pyramid has been used for several years to illustrate the hierarchical relationships between data, information, knowledge, and wisdom. This paper posits that the knowledge pyramid is too basic and fails to represent reality and presents a revised knowledge-KM pyramid. One key difference is that the revised IKM pyramid presented in the figure above includes KM as an extraction of reality with a focus on starting point in organizing knowledge. The model also posits that newer initiatives of knowledge intelligence and works always striving in achieving the absolute wisdom in dealing and working with knowledge. From this realization and understanding, IKM is regard as essential componential development of knowledge at work, in which it is standing on three fundamental foundations as detail out in the next section.

3.5 Three Dimensional Foundation of Islamic Knowledge Management

Drawing on the above discussion, the proposed model of IKM takes a strategic view of individual and organizational information searching processes and knowledge development activities. As we know that the process of human capital development and organizational progress should start with adequate knowledge construction structure or knowledge management strategies (KMS). In chaos theory, quantum leaps in development happen by introducing a singularity. In this regard, Gleick (1987) observe that chaos is a science of the ‘global nature of systems’, and so it can be observed crosses many disciplinary lines; from ecology to medicine, electronics, and the economy. It is a theory, method, set of beliefs, and the way of conducting scientific research.

Therefore, IKM should be considered as a strategic theory intended for particular areas of application and objectives based on “knowledge intensive processing action”, in which it depends on some human expert intervention in order to establish a comprehensive and integrated knowledge application, culture, commitments and management practices, in particular for the purposes of human development and survival as vicegerents of God. Unfortunately, this fact is seldom been discussed academically and comprehensively even within Islamic discourse. For example, those who are having such knowledge, in the Quran, the Almighty Allah mentioned them with the word ‘*ulu al-albab*’ (referring to the one which can integrates those knowledge with the sharpness of their ‘*aqil*’ to remember Allah more (*zikr*) then can increase their level of *Taqwa* to Allah)¹.

¹Refer al-Quran, (3:191).

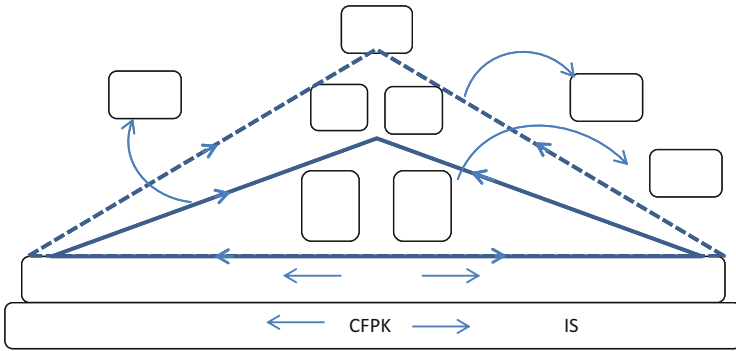


Fig. 6 Three dimensional foundation of IKM [adopted from Boynton (1996) and Ibnu Qayyim (1998)]. *CFPK* Core Foundational Basis and Principles of Knowledge; *KPL* Knowledge Purification Level; *KDP* Knowledge Development Pyramid; *SDP* Spiritual Development Pyramid; *CKS* Classifications and Types of Knowledge and Sciences; *HP* Heart Purification; *WP* Worship Purification; *RK* Revealed Knowledge; *EK* Explicit Knowledge; *TK* Tacit Knowledge; *IK* Informational Knowledge; *KC* Knowledge Concentration; *KD* Knowledge Diffusion; *IP* Inter-personal; *IS* Inter-social

From this verse, we conclude that Islam regards ‘education and knowledge’ as part of necessities for the human being to seek, similar to food, water, and shelter. The following figure describes the type of knowledge Muslim have to search, acquire and develop for him/herself. Accompanying with rapid development and expansion of knowledge; a deeper foundation of IKM is needed for the global Muslim individual, community, and inter-organizational networking. Due to the intricacy of today’s modern world, here we will try to put forward the fundamental principles for the practices of Islamic Knowledge Management (IKM). The conceptual structure of these bases is known as a three-dimensional foundation of IKM as shown in the following Fig. 6.

Figure 6 shows that an individual Muslim should have enough stock of CFPK. After that he/she has to organize and manage CFPK in accordance to Islamic principle and methods to enable him/her in utilizing those knowledge and sciences in stock effectively. KPL is representing the index level of achievement and development been obtained by an individual in their effort and struggle in searching, learning and purifying the knowledge and sciences throughout his/her life spend. Any achievement and development of knowledge without any behavioral purification regarded as zero knowledge. In addition, RK and TK are representing a type of knowledge compartmental in knowledge classification. While, the term purification used here is to denote to the broad and holistic meaning of engaging and working with knowledge. If a person, for example, obtains any knowledge but with zero impact on his/her inner self, this means that knowledge was not yet purified by him/her or the level of purification is remain at the bottom. The ultimate goal of this purification process is to achieve the higher level of recognition of the absolute truth. SDP and KDP, on the other hand, can be measured

Table 2 The description of three-dimensional foundation of IKM

No.	Dimensional	Description
1.	Knowledge Diffusion (KD)	KD is a very fundamental basis of IKM practices especially in establishing knowledge base organization. Its members will rest with complete access to knowledge in their organizational operation and productivities
2.	Knowledge Concentration (KC)	KC is a dimension in dealing knowledge. Its is focusing on specific knowledge flows with active involvement in the process of creation, sharing, and distributing knowledge, or retrieval or even on building core competencies and understanding strategic to know-how
3.	Knowledge Purification (KPL)	KPL is a dimension where an IKM user continuously evaluating all knowledge involved in the processing activities. This dimension is very fundamental due to the Prophet (Peace be upon him) reminder in relation to the knowledge that we acquired will be answerable on the Day of Judgment. For this reason, Muslim has to purify their knowledge as a pre-condition to the purification of their soul. Almighty God, describe the most successful person in purifying his/her knowledge as the forerunners who are the ones brought near to the Almighty God (Q, 59:10–11)

through contextual applicability of knowledge. CKS should also in accordance to knowledge compartment of worldly classification. While their development and purification should be integrated, not in partial and good cohesion.

In general, we can elaborate on the concept of three dimensional foundation of IKM with the following description in Table 2.

The figure above also describes the three level of purification. In fact, the Qur’an made these three distinctions of the strength of belief as stated in verses 102:5; 102:7; and 69:51. In general, we can outline the description the three levels of knowledge purification as shown in following Table 3.

From the above discussion, we realize that the nature of IKM practices is based on the continuous engagement with knowledge, improving knowledge workers understanding and measuring knowledge impact to reach the level of knowledge function. These three bases of IKM practices enhance the efficiency of knowledge workers; support lives activities going forward naturally with stability, excellent, productivity, and creativity. These foundations represent not only based on success determination factors for a person but also for an organizational community. The finding showed that the basis of success centered around working with knowledge and knowledge workers, where its performance is heavily reliant on knowledge work in mobilizing the knowledge workers. For that reason, the question of what, why and how about KM practices was discussed and elaborated comprehensively in this study. The output of the study showed that the contemporary knowledge is increasingly becoming complicated and sophisticated in which it require an excellent support from a comprehensive and progressive KM practices. This finding also in line with the recommendation of Peter Drucker and also Bejari et al. (2012) in

Table 3 The three level of knowledge purification

No.	Level	Description
1.	Engagement with knowledge	The ‘engagement’ level is the first stage of working with knowledge. It is occurs through embark with reading as commanded by The Almighty God in His first revelation of the Koranic verses. From this process, a person will achieve the self confidence and certainty of life, as an impact from the demonstration of proof (as known in Arabic as al-Burhan as the tools used to achieve the state of <i>Ilm Yaqin</i>). This stage considered as the first level of knowledge, and the most elementary one (Islamic Encyclopedia 2013)
2.	Understanding	The level of understanding is an integral to the implementation of IKM. All knowledge activity should lead knowledge worker to a particular understanding, tacit or explicit; personal or organizational. The flows of information and the implementation of learning practices are among the explicit fundamental aspects of knowledge base understanding. Through this process, a person will achieve a state of credence and confidence in knowledge application. It might be based on personal experiences and witness (as known in Arabic as al-Musyahahadah as the tools used to achieve the state of ‘ <i>Ain al-Yaqin</i> ’), in which it considered as the second degree of knowledge, and the most progressing stage
3.	Recognition	The success indicators of KM implementation are attained from the recognition the role of knowledge effort (The Kaieteur Institute for Knowledge Management 2001). It is the highest state of credence and knowledge confidence in which it can be obtained through one’s personal involvement or one’s direct physical contact. This indicators can be analysed either through natural changes or mental observational reasoning (as known in Arabic as al-Baatinah as a tools used to achieve the state of <i>Haq al-Yaqin</i>), in which it considered as the highest degree of knowledge function, and the ultimate gole of working knowledge (Islamic Encyclopedia 2013)

relation to the laxity and lack of attention toward this supporting element can eliminate an organization from its competition ability.

In this study, two primary foundations of KM practices have been identified. The first one is the preciseness of working knowledge, and the second is the effectiveness mobilization of knowledge workers. These foundations have been derived from Havari (1994) who described KM as a procedure in appreciating the knowledge usage throughout the organization by taking information management and organizational learning as to deliver value to the business. From this perspective, we understand why Polanyi (1967) and Nonaka (1994) very much directing their discussion toward drawing explicated dimensions of knowledge within the organization.

Islam in this respect is very much advance and firm in its stand where knowledge become and always rooted in personal conceptual behaviors and then continuously featuring the establishment of organizational socio-cultural productivities and performance. For this reason, as a Muslim he/she has to be a knowledge worker;

a worker with sufficient and well-equipped knowledge. Through knowledge, he/she will be able to attain virtue and to gain power over nature in fulfillment towards his/her duty as a vicegerent of God. This finding leads a study to determine the fundamental foundation of IKM practices that might become an optional choice within an organizational operation in striving toward creativities, innovative and effectiveness in managing valuable knowledge assets. The fundamental foundation of IKM is also representing another extension of the fundamental foundation of KM practices. Indeed, there are various aspects of the fundamental basis for KM practices as elaborate in the literature.

Similarly for the IKM, it is also having various aspects of fundamental foundation of practices to become a systematic process and tools of knowledge codifications and utilizations in according to its functions and needs. Islam in this context describes the human being as the vicegerent of God (i.e., *Khalifah*) on earth. This term has been used in the Quran specifically to denote and represent a comprehensiveness functional character of a human being as a vicegerent of God on earth. He is a person working with and in accordance to knowledge that pattern his personality and conduct. He is a person who is capable of balancing the application of explicit knowledge blended with tacit knowledge. His knowledge is growing and expanding within his inner-self throughout his life spending and spiritual adventures, even though with different percentage degrees depending on various external and environmental factors surrounding his personal life. For this reason, the construction of IKM conceptual foundations and its operational procedures is very crucial for an Islamic organization in their striving toward progressives and prosperous future. This objective will never achieve without excellent and Islamic knowledge worker. He is the one who use and apply knowledge for the organization. For this reason, his knowledge should be developed and purified accordingly and comprehensively. For that purpose, a process of producing knowledge worker should be carried on continuously and systematically. With these traits and characteristics, an Islamic knowledge worker becomes a positive agent of change functioning effectively within an organization or community.

3.6 The Functional Characteristic of Islamic Knowledge Management Practices

As discussed throughout this chapter, KM is composed of three elements: Body of Knowledge (BK), Methodology of Knowledge (MK) and Knowledge-based Users (KU). Another additional element of IKM is the Knowledge Source (KS). In this case, knowledge is considered as co-existing with Mankind. For this reason, their duty is to search and develop that knowledge according to their needs, urgencies, and suitability. This approach is mean as a straightforward manner of looking into KS, which is brought to light through interpretation based on an expert's specialization or collective, constructive finding that is known as *Ijtihad*. The output of this

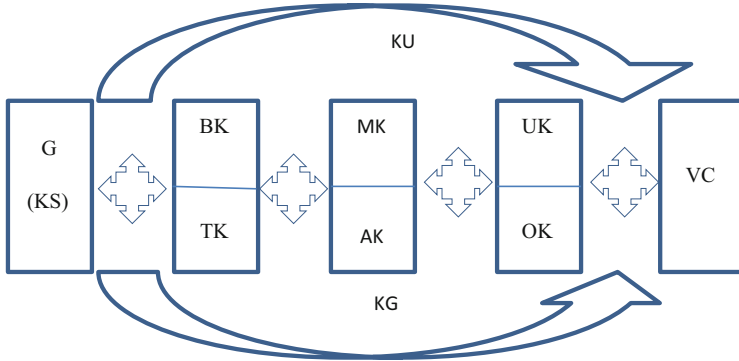


Fig. 7 IKM functional model. *G* God; *KS* Knowledge Source; *BK* Body Knowledge; *TK* Types; *MK* Methodology; *AK* Application; *UK* Users; *OK* Output; *KG* Knowledge Growth; *KU* Knowledge Understanding; *VC* Vicegerent

process should be valuable and convincing enough to appeal to the rational mind that inevitably appreciates their worth to practically apply them to enhance the effectiveness of productivities and achievements.

These elements and their functional criteria of IKM are illustrated in Fig. 7.

Figure 7 describes the application of IKM and its operational function in helping users achieve the success as vicegerents of God. The hypothesis here is based on the Quran, verses 39:38; 41:53 as an assertion that whenever human beings can manage knowledge for themselves as structured by IKM, they will be able to recognize the greatness of Allah, the Creator of the universe.

Finally, some holistic principles of IKM application can be listed from the above discussion:

1. IKM, as a concept drafted in this chapter is an attempt toward the knowledge realization from an Islamic perspective.
2. IKM users have an optimistic view of knowledge existence, its boundaries, categories, and types. Consequently, they deal with knowledge as part and parcel of their life activities and routine.
3. IKM users should not have to choose between knowing a little about a lot or a lot about a little. They should be able to concentrate mostly on what they need to know and when it is needed to identify any related additional condition in which it requires another inspection of the environment designed for its usage. On this basis, Quranic verses have been revealed in a staged process, and not in one whole package.
4. Besides self-satisfaction objectivities, the utilization of IKM also focuses on users' long-term safety and security which is on par with the nature of Mankind. As we know that he will remain forgetful and careless by which his nature intuitively knows whether he is able in managing his knowledge well or otherwise. This particularly important to leads him in achieving the status of vicegerent of God successfully.

5. Mankind always facing problem after problem in all stages of life as continuous trial to become a successful vicegerent of God on earth. Through this trial, he entitles to obtain special reward in the internal life as promised by the Almighty God.
6. As an adopter of IKM, a Muslim should continuously search for knowledge, evaluate his methods in working with it, investigate new strategies, and update his finding comprehensively and wisely. The most successful person in purifying his/her knowledge will be grouped as the group of the forerunners in the Eternal life as prescribed by the Quran.²
7. Finally, the application of IKM system starts with developing knowledge resources. For that purposes, the Almighty God revealed the Holy Quran as a main source of references. The application of development will lead the knowledge user to recognize the real source of knowledge. He than continuously evaluating his knowledge for confirmation and accuracy of knowledge function and implementation, i.e., its functional modeling is more toward recourse-centric based behaviors where all Knowledge Understanding and Knowledge Output should be a reflection of Knowledge Source representation physically or hermeneutically constructed. For this reason, the need for IKM is paramount to ensure that:
 - (a) Inclusion of all types of knowledge, including abstract or revelation knowledge reflected in conformities within the modeling process.
 - (b) Defining a modeling process that comprehensively covers the reservoir issues humanistic in nature while leading to “fit-for-purpose” results in according to its time space and span.
 - (c) Storing knowledge generated force during the modeling process to ensure adequate and efficient model adoption and adjustment to suit particular workflow.

4 Conclusion

Finally, it is obvious that managing knowledge requires an appropriate tool. Each and every tool has its function and objectives. For this reason, IKM is very fundamental for a Muslim either as an individual in purifying his/her personal knowledge and also as an organizational community in achieving his/her managerial function, progress, and productivities. It poses as an important role to a person individually in developing his/her futurist part and performances. Although the concept of data, information and knowledge have not been elaborated in details in this chapter, however, the general perception of knowledge today show that the complexity of contemporary knowledge require knowledge worker to be very

²Refer al-Quran (56:10–11).

objective and wise in their utilization of knowledge. For that reason, they are in need of a good support not only from KM system, but also from IKM, as a system structurally functioning within their daily operational activities.

The comprehensiveness of IKM system offers the distinct advantage over the previous establishment of KM that it is not reliant on retrospection nor is it contingent. If the current performance state based on knowledge function and future needs can be predicted accordingly. It is a system that will contribute in helping knowledge workers in measuring the degree of preciseness and accuracy of their working knowledge and the level of effectiveness in mobilizing their knowledge workers. It has its own fundamental foundation of practices as rooted in the Holy Quran. It is structurally functioning as according to the original objective and the natural state of the creation of the human being functionally as God vicegerent on earth. For this reason, he has been equipped with essential knowledge mechanism. For this reason, a Muslim supposed to be a knowledge worker by practices. The religious identity of a person will not be recognized in Islam until he/she manage to construct effectively the knowledge building within his/her inner-self.

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Islamic Finance: An Entrepreneurial Management Perspective

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1 Introduction

The Islamic financial services industry has been growing faster than the overall finance sector (Suzuki and Uddin 2016). The key characteristics of Islamic finance are that all transactions need to occur via al-bay (exchange contract) instead of the more common approach of al-riba (interest rate contract) (Aysan et al. 2016). This means that Islamic finance encourages risk sharing, which is different to more conventional banks that hold most of the risk. Risk sharing is part of the moral obligation in Islamic finance to utilize funds for the benefit of society. These religious beliefs are evident in Islamic banks who have different lending practices that enable them to focus more on relationship lending in their banking arrangements.

The global financial market means that it is easier for individuals and businesses to access money. This has led to more competition in the industry with Islamic financial organizations innovating to provide better services in conjunction with religious beliefs. As there is more attention on the religion of Islam due to global political and economic events, financial institutions have capitalized on the link between personal beliefs and economic activity. Adas (2006: 118) states that “it has been argued that Islam with its fatalistic, warrior ethic and other-worldly inclinations is incompatible with modern economy”. Despite this view held by some people of society there has been more Islamic-based financial products catering

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specifically to Muslims including the Dow Jones Islamic Index and social venture funds.

Vogel and Hayes (1998) highlight how Islamic law incorporates religion and business, which is different to other cultures. In addition, the role of Islam in finance has been growing and developing instead of decreasing as it is the case with other religions. This has been due to Islamic principles being utilized in current business dealings so that religious beliefs are integrated in society (Farid 2007). These principles are apparent in Islamic law, which prohibits selfish behavior that is often associated with risk financial dealings. For this reason, Islamic finance whilst discouraging greedy behavior does encourage capitalism through its innovative services.

There seems to be more emphasis on business ethics in Islamic finance, which have seen it grow in appeal to consumers and businesses around the world due to its innovative banking services. Aysan et al. (2016: 187) defines Islamic banking as “the provision of financial services in accordance with the Shariah, the Islamic legal rules”. These financial services are highlighted by commercial risk being approved in Islamic finance but there being an emphasis on ethical codes of conduct. As Vogel and Hayes (1998) point out, Islamic finance encourages commercial transactions that follow correct moral behavior in terms of openness, honesty and transparency. This has led to Islamic finance becoming an emerging area of research related to banking innovations from cultural needs and entrepreneurship.

Carneiro-da-Cunha et al. (2015: 274) defines Islamic entrepreneurs as “not only those who act in Middle East or in Islamic countries, but also those who create entrepreneurship outwards, in different countries where Islam is not necessarily the main religion”. Whilst there has been a growing international interest on Islamic finance, the effect of entrepreneurship on cultural demands has not been extensively studied. This chapter examines whether Islamic finance is more entrepreneurial than other banking options due to its cultural linkage. This helps to fill the gap about financial entrepreneurial strategies that are utilized in Islamic society. The chapter aims to contribute to the emerging literature about Islamic finance by focusing on religious entrepreneurship and business practices. The rise of Islamic finance brings up an interesting research question: what is the role of religious entrepreneurship in influencing the growth and popularity of Islamic finance? In order to help answer the question, this chapter will discuss how Islamic finance is utilizing entrepreneurship as a basis for distinguishing its products and services from conventional financial institutions. The next section will further discuss the role of religion in entrepreneurship.

2 Literature Review

2.1 *Religious Entrepreneurship*

Religion has been used to explain a variety of behaviors including political participation and economic involvement (Jones-Correa and Leal 2001). This is due to the influence of religious culture on society and the development of community-based enterprises. Sometimes the role of religion in society is examined by looking at church attendance or the number of people involved in a specific activity. Other times religious attendance is a proxy used for the evaluation of demographic variables including education level, political involvement and marital status (Jamal 2005). Previous research has utilized religion for evaluating an individual's predisposition to a certain political cause based on their church attendance (Gerber et al. 2008). This linkage of religion with politics has also been noted as driving a person's entrepreneurial orientation in the global economy.

Early research by Weber (1904) examined the role of religion in the development of entrepreneurship (Dana 2009). This has led to the suggestion that certain religions value entrepreneurship more than others and these include Jews, Mennonites and Mormons. Other researchers share this same view of Jews but also Christians as being more entrepreneurial than other religions. Despite this general consensus some research has linked business to Muslims because of their trading culture and emphasis on community-orientated activities.

The way religion is used in society is interesting and can play a role in the amount of business an individual is engaged in (Dana 2009). An example of this is the common stereotype of Protestants having a strong work ethic, which has been used by certain ethnicities as a way to gain business. Jenkins (1984) demonstrated the effect of the Protestant work ethic reputation by showing how in Northern Ireland this religion is linked strongly to economic transactions. In addition, Klandt (1987) suggested that Protestants were more likely than Catholics to do independent business activity. Ackrill and Hannah (2001) highlight how the Quaker religion has a greater proportion of entrepreneurs. Another example is how the Amish mostly located in Pennsylvania in the United States have long been seen as having a greater propensity to be self-employed than those from other religions.

Religious people tend to have the belief that work is part of being a member of society (Dana 2009). This view can be understood better by looking at how religion is integrated into work practices. Zingales (2006) stated that Islam is the least conducive to capitalism due to the traditional and daily requirements of the religion. This comes from Muslims being more interested in equality than competing for the acquisition of assets (Dana 2009). This view is not shared by all research due to the development of some Islamic cultures that focus on the knowledge-based economy and education as a way that leads to business success.

An interesting study by Arslan (2000) found that the Protestant work ethic and Islam are similar as they both are interested in the value of work. This means that religion can affect the type of work individuals engage in depending on the belief

practices shared by members. Individuals who associate with the Protestant religion are more likely to engage in self-employment or individual work activity based on their beliefs. Other religions such as Buddhism, which preaches interaction with the natural environment, have more of an open attitude to capitalism (Zingales 2006). This is consistent with research by Dana (2007) who found that collective forms of work are important in order to ensure cooperation between different parts of the value chain.

The role of religion on business is important as it enables commercial relations to be understood from the perspective of experimentation and risk taking. Religion helps to understand the commercial nature of a society especially attitudes towards wealth creation (Dana 2009). The role of religion towards entrepreneurship is also influenced by the cultural and historical background of a country. Baldacchino and Dana (2006) in a study comparing entrepreneurship in two parts of a country called St Martin found that colonial influences affect commercial activity. They found that Dutch Sint Maarten was more orientated to outward commercial activity that encouraged linkages with the outside world. This was contrasted with French St Martin, which had more self-employed farmers and this was suggested resulted from French influences on business activity.

The role of religion in business is evident from Quaker entrepreneurs such as Cadbury and Rowntree who cared for employees based on their religious values (Dana 2009). This has led to the belief that religion can play a role in the development of employment networks due to social connections and family being important (Dana 2009). Amish entrepreneurs have been seen to give greater preference to people of the same religion although this may be influenced by geographical restrictions (Kraybill and Nolt 1995). This may also be the result of home-based enterprises being more prevalent in Amish businesses (Dana 2007).

Stiles et al. (2007) suggested that Muslim Arab entrepreneurs are dependent on relationships, which influences their trading agreements and sources of labour. A study by Abdullah (1992) found that Muslim Malays prefer to employ other Muslims due to their affinity and understanding about their religion. Another study by Altinay (2008) about Turkish entrepreneurs found that religion and recruitment preferences were linked due to common belief and work practices. However, some religions do not encourage entrepreneurship due to beliefs about the role of wealth creation in society. Cousins (1996) suggested that Buddhism discourages entrepreneurship because harmony with the natural environment is preferred. In a similar vein, Rafiq (1992) suggested that Islam due to its prohibition on interest payments is not conducive to entrepreneurship. Another study by Metcalf et al. (1996) also came to a similar conclusion by suggesting that Muslims are less successful in self-employment due to their religious orientation.

2.2 *Islam as a Religion*

As a religion Islam originated in the sixth century on the Arabian Peninsula and has since become one of the most practiced religions in the world (Adas 2006). Despite the large number of Muslims around the world, Islam has been perceived by some media commentators as being an inflexible and a static religion despite the social and economic changes, which have made the religion entrepreneurial. Part of the reason for this is due to there being a common misconception in some media that Islam is a regressive religion resisting economic development. This has been referred to by some scholars as Islamic values being not in line with modern capitalist principles despite the advances in financial sector services. Despite this there has been a large growing interest in Islamic finance due to its entrepreneurial nature and ability to fill a gap in the financial market, which other religious-based money products have not been able to achieve. The increased interest in the Islamic financial system has seen it become known for its innovative capability and ways to deal with financial services.

Carneiro-da-Cunha et al. (2015) states that there are two types of Islamic entrepreneurship: the businesses Muslims create and products orientated to the Muslim market. There are a number of haram (illicit) activities not allowed in Islam finance including profiting from the production of products made from pork and alcohol. Audretsch et al. (2013) found that Islam as a religion is more favourable than others about self-employment. In addition, Jafari and Sandikci (2016) suggest that ideological readings about Islam have negative implications to business. This view stems from the assertion that Islamic is a culture and can be political based on religious interpretation (Jafari and Sandikci 2016). Some religions are viewed as a way to assert authority based on community need (Ashouri 2011). Islam is a way of life that many people around the world adhere to based on their religious orientation. An issue of contention for many Islamic scholars has been around interpretation and modernization of the religious.

The interpretation of Islam into business is difficult due to the different ways people integrate religion into their work life. This is due to the lack of a common understanding about the objectives of Islam as a religion (Jafari 2015). The interpretation of Islam into business practices has created debate especially in countries with a more traditional stance. This debate is centered round the power relations as part of belonging to the Islamic faith. Depending on geographic location, some Muslims might identify differently to the authority of the church and the role of government in preserving ideological beliefs.

Muslims have a common identity in their religious beliefs but it changes depending on the level of interaction. The Islamic creed (aqidah) means that believers need to be accountable for their actions (Davis 2013; Jafari 2015; Ramadani et al. 2015). This has led to Islamic scholars viewing business styles based on Islamic values and engagement with society. As part of Islamic religious beliefs there should be individual accountability because of the role of being non-judgmental and forgiveness being integrated into the practice of the religion.

In contemporary society, the role of religion is altering because of changing ways people view beliefs about life, work and family (Gauthier and Martikainen 2013). Islamic finance is an understudied area of research in conjunction with religious entrepreneurship. The role of religion in business has been restricted due to it being perceived as a delicate and contentious topic. The most important element of Islam is the Qur'an, which is the holy book and comprises different verses and ways of behaving based on religious principles. In the Qur'an the principle of capitalism is referred to in terms of approving the notion of free enterprise. The hadith is also crucial in understanding Islam as it documents the practices and teaching of the prophet Mohammed. The prophet was a merchant thereby placing significance on the role of business in society. The core principles of the prophet were to emphasize trust (*sadiq*), which is essential in everyday dealings. The prophet also emphasized trustworthiness (*amin*), which is part of the key principles of being a Muslim (Elfakhani and Ahmed 2013). These values are further discussed in the next section, which discusses the cultural meaning of money.

2.3 Cultural Meaning of Money

In Islam, there is a respect for money but not the same emphasis as other religions due to its role in being valuable but not the only commodity in society (Farid 2007). This stems from the belief in Islamic culture that saving or lending money to obtain interest is prohibited (Vogel and Hayes 1998). This is different to other cultures in which materialism and the acquisition of financial assets is considered part of society. As part of Islamic beliefs, there is an emphasis on freedom of choice in terms of being able to consciously determine what the appropriate behavior is given the situation (Farid 2007). This is evident in the Qur'an (2:256) which states "there is no compulsion in religion".

Similar to other religions Islam is founded on human rights, tolerance in society and social justice. In Islamic countries, the World Values Survey has been applied to find that Islamic beliefs encourage attitudes towards the free market and capitalism (Tanwir 2002). Sometimes there is a general misconception about financial beliefs in Islam due to the dictatorships and political changes occurring in Islamic countries (Elyachar 2005). Despite these stereotypes about Islamic beliefs and democracy there is an acknowledgement that modern Muslims want to find an approach that is compatible with their religious beliefs (Fattah and Butterfield 2006).

The goals of Islam as established by the Prophet Muhammad are being integrated into a more current way to deal with cultural institutions. An important way to do this is by transitioning ancient Islamic beliefs into more economic realistic market conditions. This had lead there to being a common link in entrepreneurship research about the positive association with financial resources needed to build a business despite more social and community entrepreneurs utilizing non-financial

assets to build their organizations. In a study based on financial perceptions in Egypt, Elyachar (2002) found that religious associations towards money is similar to other societies as it plays a role in developing entrepreneurial pursuits.

Islamic finance supports utilizing money for investment reasons rather than leaving it idle (Farid 2007). In Islam, individuals and businesses must pay a mandatory deduction called ‘zakat’ on their wealth of 2.5 % thereby ensuring that money can then be used for social justice reasons and help people in need. The principle of zakat means that it can be better for Muslims to circulate their wealth into new investments rather than paying the mandatory amount. This is due to there being an opportunity cost of not investing as the money gets paid to a third party entity (Mitchell 2002). In general, Muslim investors prefer cash not solely due to its liquidity but because of the zakat system (Vogel and Hayes 1998).

In Islam, there is a prohibition of charging interest, which is referred to as *riba*. Farid (2007: 435) describes how in Islam there is a “stipulation linking financial reward with risk by insisting on sharing of business risk by money lenders and investors is actually treating both a capital user (entrepreneur) and a capital provider (investors, banks) as entrepreneurs”. In Islamic finance, the relationship between borrowers and lenders is closer than in other cultures as they both play a part in the development of the business. This means that instead of lenders not knowing the business details in Islamic finance they do due to the mutual reciprocity that is embedded as part of their religious beliefs.

The involvement of both lenders and borrowers in Islamic finance means that the relationship is more like a venture capitalist than a banking relationship (Metwally 1997). This sharing of risk in Islamic finance has important implications for how uncertainty is perceived in an enterprise (Vogel and Hayes 1998). There is a belief by traditional Islamic scholars that the transferring of risk to others is also illegal due to the mutual relationship embedded under religious law. This means that under Islamic finance lenders will not be able to buy insurance to protect their investment as they have a personal responsibility to ensure it is repaid (Coulson 1984). This is important in distinguishing Islamic finance from other financial systems operating in the global marketplace. As the use of futures and options contributed to the sub-prime mortgage crisis that occurred during the Global Financial Crisis of 2008, this is an important element of Islamic finance linked more to business ethics than economic performance.

Islamic scholars instead of investing money in interest bearing investments have advocated for the use of *ATakaful* (solidarity). This financial service is an Islamic version of insurance as it enables Muslim people to establish collective enterprises that can be used in the event of loss (Vogel and Hayes 1998). This helps Muslim businesses establish partnerships and collective entities that aid each other in times of hardship. Often they are formed as charitable shared enterprises so that proceeds can go to helping disadvantaged people but at the same time strengthening the community spirit based on Islamic religious principles. Although the common stereotypes of Muslims are that they are conservative, in finance they have come up with innovative services that appeal to people regardless of their religious orientation.

2.4 *Islamic Finance*

The main difference between Islamic finance and conventional finance is that the payment or charging of interest is forbidden (Noonan 1957). This means that any predetermined financial return on capital is not allowed as part of Islamic religious beliefs. Instead of charging interest Islamic financial institutions pay investors dividends as a result of profit sharing initiatives. The repayment rate for borrowers is fixed at a specific rate instead of being subject to market forces in conventional banking. In Islamic finance, both sides of the financial transaction including the lender and borrower are considered partners instead of adversaries as is the case in conventional banking practices.

The partnership feature of Islamic finance is important as it enables the sharing of management functions. This means that in Islamic finance both the borrower and lender due to their partnership roles share both positives in terms of profits but also negative outcomes like risk and losses. Moreover, it encourages ethical financial systems geared to recognizing potential but also liability from adverse risk conditions. In Islamic law, financial transactions should be done fairly with both sides represented instead of the adversary approach used in conventional banking. In addition, in Islamic banking it is considered important to treat people fairly and be open about transactions and payments involved. This more transparent approach of Islamic finance has made it popular with businesses and individuals from a variety of religious and non-religious backgrounds.

As there is often uneasiness associated with the charging of interest rate accounts Islamic finance has become known for its ethical dealings and peace of mind. In Islamic law, banking should be based on hard assets and not speculative investments or complex trading schemes that have become more popular in the last decade (Farid 2007). The ethical nature of Islamic finance has meant that religious beliefs are linked to commercial transactions, which may not be the case in other types of financial institutions. The emphasis in Islamic finance on utilitarianism has meant a growing respect for the integration of personal beliefs with business transactions. In modern society, with more people considering themselves atheists or non-practicing in terms of their religious faith, Islamic finance offers a way to incorporate personal beliefs into business practices.

There are different forms of partnerships in Islamic law, which are utilized as a way of sharing risk as part of financial management practices. *Musharakah* is a term used for when lenders and investors form a partnership in Islamic finance. This form of cooperation enables the sharing of capital or labour for the benefit of a financial agreement. *Mudarabah* is the term used for non-active partners that are involved in financial agreements as part of Islamic law. This involves the use of stocks to be owned by the non-active partners as shareholders in the organization. This enables the sharing of financial risk without the payment of interest that conforms to Islamic religious beliefs. Another innovative way to incorporate Islamic beliefs into financial practices is by incorporating a *Murabaha* agreement. *Murabaha* involves a lender commissioning a purchase of assets needed for the

venture, which are then sold back for a profit. This entrepreneurial behavior has complied with Islamic religious beliefs but at the same time enabled a profit maximizing activity to occur.

The development of these different types of financial partnerships means that there is constant innovation as part of Islamic religious principles that enable the development of new products and services. Another innovative Islamic financial agreement is the *ijara*, which refers to leasing assets required by a business. This is popular with lenders who want to minimize their risk by engaging with others that can access capital assets more easily.

There has been growing demand for financial products that comply with Shariah (Islamic law) (Radzi and Lewis 2015). This has led to innovative financial products and services being compliant with Islamic law. A financial service developed for the Islamic market is *sukuks*, which are certificates that represent ownership in an asset. Citibank was amongst the first banks in the United States to enter into Islamic banking and offer *sukuk* form of financial services (Martin 1997). Other United States banks have since followed them into Islamic finance due to the increased interest in this type of banking service.

2.5 Internationalization of Islamic Finance

Muslims are often marginalized in global markets meaning there is a growing need for organizations to focus on products and services that accommodate religious needs (Jafari and Sandikci 2016). More businesses are focusing on Islamic consumers who have a moral need for services that are integrated with their lifestyle (El-Bassiarny 2014). This is due to Muslims needing to adhere to the principles of Islamic legislation (*shari'ah*) in their daily lives. In addition, the internationalization of Islamic finance has come from Muslims focusing on their ethical responsibility and engagement in mutually beneficial transactions (Jafari and Sandikci 2016).

The growing emphasis on cultural services has led to the internationalization of Islamic finance. Part of the interest in Islamic finance comes from the internationalization of markets and banking services. Research in the emerging field of Islamic finance is diverse and includes the banking, bond and regulatory systems. In Muslim majority countries, Islamic finance has emerged as a way to link cultural, religious and business needs together (Aysan et al. 2016). The Islamic financial system is small but a growing part of the overall financial system (Imam and Kpodar 2015).

The importance of Islamic finance to the global economy is seen in the work of Aysan et al. (2016: 188) who states “the asset-backed finance and risk-sharing feature of Islamic financial products are expected to strengthen the socio-economic development through the promotion of entrepreneurship”. The social entrepreneurial aspects of Islamic finance are evident in the assertion by Naceur et al. (2015) suggesting that Islamic banking enables greater social inclusion in the credit

market. A similar view is held by Shaban et al. (2014) who found that Islamic banks in Indonesia are more likely to lend to small businesses than conventional banks. This may be due to Islamic banks easing the collateral obstacles that small businesses sometimes face when applying for a loan.

Islamic finance encourages better information asymmetries as there are more lenient banking practices that are made possible by risk sharing initiatives (Aysan et al. 2016). In addition, Islamic finance helps to promote risk sharing banking products and services, which enable more inclusive lending practices. The more community orientation Islamic financial organizations have contributes to supporting more services orientated at the small and medium-sized business segment of the market. The rise of Islamic finance has been linked to the general increased interest in Islamic practices. This is evident in Islamic fashion increasing globally due to dress regulations imposed by some adherents of the religion.

In many Muslim majority countries such as Egypt, Indonesia and Jordan both Islamic and conventional banking systems operate simultaneously (Chong and Liu 2009). Many conventional banks include Islamic finance services as a way to diversify their banking practices. This has lead to more financial institutions integrating services to suit the needs of Muslim communities (Suzuki and Uddin 2016). There has been more emphasis by financial regulatory authorities to standardize Islamic banking services (El-Hawary et al. 2007). Suzuki and Uddin (2016: 29) state Islamic institutions include “the Accounting and Auditing Organization for Islamic Financial Institutions, the International Islamic Rating Agency, the Islamic Financial Services Board and the Liquidity Management Center”.

The internationalization and entrepreneurial nature of Islamic financial organizations has recently been seen as an innovative way to incorporate religious beliefs into business services. This is due to the activities of Islamic financial organizations being governed by the cultural conditions of a country (Zaher and Hassan 2001). Islamic finance is regulated by the prohibition of *maisir* (gambling) and *gharar* (uncertainty) (Suzuki and Uddin 2016). These prohibitions influence ethical business practices in the context of Islamic banks. In addition, as part of Islamic principles the financing of businesses concerned with alcohol, pork and tobacco are also not allowed (Suzuki and Uddin 2016).

As part of the coherence with Islamic principles there are Shari’ah compliant financial services (Cizakca 2011). This enables financial services to be offered to customers who want to incorporate Islamic beliefs into their lives. Other Shari’ah compliant services include *bai-salam* (forward sale contracts), *ijara* (leasing) and *murabaha* (mark-up contracts) (Suzuki and Uddin 2016). The key service offered as part of Islamic finance is the *murabaha*, which is based on adding a set profit margin to the price (Visser 2009). Normally Islamic financial organizations focus on the *murabaha* method of financing as the profits can be estimated more effectively. This is due to banks basing their operational methods on financial value (Hellmann et al. 1997). In addition, research by Cizakca (2011) suggest that *murabaha* is sometimes more profitable for conventional banks. The forecasting of profit ratios and expected returns makes *murabaha* popular with Muslims but also people from other religions.

An interesting study by Molyneux and Iqbal (2005) found that murabaha financing is higher in developing countries that have a majority Muslim population. The dominance of murabaha is due to investment mode preferences in Islamic countries (Yousef 2004). Meenai (2001) suggest that murabaha by using equity contracts utilizes another way to charge interest, which is forbidden under Islamic law. By being Sharr'ah compliant, Islamic banks have utilized murabaha to make services relevant to religious beliefs. This view is shared by the suggestions that the final amount payable in murabaha financing is equivalent to the market rate of interest over the loans overall time period (Suzuki and Uddin 2016). The murabaha way of financing is the primary lending structure in Islamic financing. There has been a move in Islamic finance from equity-based to asset-based forms due to the risk structures involved in these types of financing agreements.

3 Future Research Directions

Entrepreneurship is a form of social change that needs to be integrated into business practices aimed at social inequality. Islamic entrepreneurship is a way of linking social change with religious beliefs for the overall benefit of society. In Islamic finance, entrepreneurship is seen as a way to foster economic growth by integrating religious principles into banking policies. A broader discussion amongst religious authorities, entrepreneurs and policymakers is needed to foster innovative Islamic financing ecosystems. There needs to be an understanding of how entrepreneurial activity by Islamic banks is necessarily also a religious activity given that religious belief can be linked to entrepreneurial success.

Future research around Islamic finance would do well by partnering religious experiences around entrepreneurship with an analysis of the cultural context of the activity. A cultural approach is necessary in Islamic finance given the role of religion on entrepreneurial opportunities and ability of individuals to engage in innovative behavior. Consequently, Islamic perspectives would allow an examination of entrepreneurship as a set of activities undertaken by groups of people. This would enable the conversation about the role of religion in entrepreneurship to continue and be understood from a more holistic perspective.

Religion and spirituality influence business growth and are linked to entrepreneurship (Kauanui et al. 2006). Previous research has examined the role of religious entrepreneurship by investigating a number of religions including Buddhism, Catholicism, Confucianism, Daoism, Hindu, Islam, Jewish and Protestantism (Carneiro-da-Cunha et al. 2015). In Islam, there is an emphasis on hard work as part of the religious obligations to contribute to society but more work is needed in understanding how entrepreneurship links with Islamic finance. Previous research by Tang and Ibrahim (1998) has linked Islamic work practices with the Protestant work ethic as work is an important part of the religious beliefs. An interesting future research avenue would be to compare entrepreneurship in Islam and other religions to see how it affects business performance and internationalization rates. In

addition, more research is needed on religious entrepreneurship utilizing a longitudinal historical perspective that incorporates changing philosophies towards entrepreneurship (Carneiro-da-Cunha et al. 2015). A historical view of religious entrepreneurship helps foster a developmental view of the challenges and changing definition of religion in society.

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Ethics and Social Responsibility in Islamic Finance

Gadaf Rexhepi and Nadire Ramadani

1 Introduction

As ethics and social responsibility are becoming more and more important for the successful operation of companies and financial institutions. According to the concept of ethics and social responsibility managers are obliged to provide the social environment changes, to adjust them with the organization overall goals and objectives and the goals/objectives of the groups concerned; and to take concrete steps to promote the general interest of the society. This is achieved through transparent and ethical behavior of the organizations in its sustainable development and takes into account the expectations of stakeholders, in accordance with international standards of ethics integrated in the enterprise. Ethic and social responsibility are based mainly on voluntary strategic decisions of the organization and its means more than compliance and fulfilling the law. There is no doubt that providing ethic, social responsibility and social services to the local community increases the bond between the financial institution and its local environment. Islamic finance is based on the ethic and social responsibility they emphasize the ethical and social responsibility elements which helps institution to increase the number of their clients. Ethics and social responsibility can be learned also by the life and the work of the Prophet (SAW) who use do enjoy a very high respect of sincerity, honesty and truthfulness. He was a business man also and during his work he emphasized the importance of fair dealing and being honest to the costumers as he claims “Islam encourages an honest trader greatly and offers a high rank on the Day of Judgment. A businessman will be honored along with the martyrs but the conditions are sincerity, truthfulness, honesty etc. in dealings” (Al-Bukhari).

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Islamic banks are also looked at to participate in the charitable activities in their societies. Allah says in Qur'an: "Those who spend their wealth in charity in the night and in the day secretly and openly. They have their reward with their Lord.' On them shall be no fear, nor shall they grieve" (Qur'an, 2:274). In fact, that is more expected from them than from conventional banks because they are governed by the Islamic *Shari'ah* which requires the wealthy to contribute to social and humanitarian works. Surely it is possible and may even be better that the distribution of Zakah is left to the individuals, investors or shareholders-to spend it on causes they consider closer to Allah, since Zakah is a religious obligation, first and foremost (Dana 2009, 2010; Davis 2013; Ramadani et al. 2015). But it is erroneous to think that good deeds are limited only to the enjoined Zakah. One of the distinguishing factors of the Islamic bank is its commitment to Qur'anic morals and values all of which are based on goodness, righteousness and benevolence. Islamic banks must portray these values in the same way as required of individuals. Islamic financial institutions deal with their customers on the basis of fairness, justice and kindness then spend money on the path of righteousness and charity. Thus spending on charitable social objectives is a form of redistributing net resources, even though the bank, purely for tax purposes, categorizes such expenses as part of its public expenses. Having in consideration that according to the last estimates of KPMG in 2012 currently the Islamic finance industry is valued USD 1.3 trillion, with forecasts that indicates it could reach up to USD 31 trillion by 2016 (Rexhepi and Ramadani 2015). This is why we should pay attention to ethical and social responsibility characteristics that this organization imply.

2 Islamic Ethics and Social Responsibility in Finance

Social responsibility has emerged slowly over the past decade. Social responsibility to a great extent is becoming a part of organizations' discussions globally in the search for greater value and competitiveness (Rexhepi et al. 2013). Islamic banking has similar purpose as conventional banking except that it operates in accordance with the rules of *Shari'ah*, known as *Fiqh al-Muamalat* (Islamic rules on transactions). The basic principle of Islamic banking is the sharing of profit and loss (PLS) and the prohibition of *Riba* (usury). Indeed, all commercial transactions and contracts must be free from elements of *Riba* (interest), *Gharar* (uncertainty), *Maisir* (gambling) and non-*Halal* (prohibited activities). From our point of view Islamic finance has fulfill the ethical and the social dimensions and goals of *Shari'ah*.

Ethics is defined as: "the agreed on standards of what is desirable and undesirable; of right and wrong conduct; of what is considered by that group as good and bad behavior of a person, sub-group, or entity that is a member of the group, and may include defined bases for discipline, including exclusion" (Habib 2012, p. 369). Ethics is considered as an aggregate concept whose components are morality (Habib 2012). But the specific of ethics and morals is that they cannot

be adjudicated or enforced by an authority. While laws affect or have to be applied equally to all companies, ethical norms can be specific and varied in different companies. Ethical norms for financial institutions are identified as conduct operations with integrity and due skill, care and diligence, organize the affairs responsibly and effectively with adequate risk management systems, observe proper standards of market conduct, ensure that conflict of interest does not exist, pay attention to the interests of its customers and treat them fairly.

Islamic Finance refers to all financial, banking, investment transactions, and services that comply with Islamic rules, principles, and practices, according to *Shari'ah Law*, known as *Fiqh Muamalat*, which means: The Islamic rules on transactions. *Shari'ah* is the main Islamic Law based on *Qur'an*. Islamic Banking rules are fundamental principles of Islamic Law-*Shari'ah* where faith, worship, moral, ethics, justice, equitability, and fairness govern. The basic elements of ethic in Islamic finance is that it forbids giving or receiving interest because earning from an exchange of money for money is considered *Haram*. It acquires financial transactions to be based on real economic activity and prohibits trading with alcohol, pork and gambling.

The main philosophy of Islamic Finance which are related with ethical and social responsibility working is based on three aspects. First, it is the Profit and Loss Sharing Mode of Financing (PLS); second, it is the risk-sharing framework and third it is the promotion of economic development and social justice through specific business practices and through *Zakat*-Almsgiving (Warde 2000). The economic system of *Islam* is presented through its goals and values. They determine the nature of the system and present a proper and essential understanding of the economic system of *Islam*. These goals are based purely on ethics and social responsibility (Anggadwita et al. 2015; Chapra 1979; Gazali et al. 2008).

3 Economic Well-Being Within the Framework of the Moral-Norms of Islam

In continuance we can see some facts stated in *Qur'an* related with ethical and moral norms in Islam, they are:

- “Eat and drink of that which God has provided and act not corruptly, making mischief in the world” (*Qur'an*, Surah 2.AI-Baqarah, Verse 60).
- “O mankind! Eat of what is lawful and good on earth and follow not the footsteps of the devil” (*Qur'an*, Surah 2.AI-Baqarah, Verse 168).
- “O you who believe! Forbid not the good things which God has made lawful for you and exceed not the limits. Surely, God loves not those who exceed the limits” (*Qur'an*, Surah 5.AI-Maidah, Verse 87).
- “And eat of the lawful and good that God has given you, and keep your duty to God in whom you believe” (*Qur'an*, Surah 5.AI-Maidah, Verse 88).

Through these verses is presented the keynote of the *Qur'an* message in the economic field. *Islam* urges *Muslims* to enjoy the bounties provided by God and sets no quantitative limits to the extent of material growth of *Muslim* society. *Islam* urges *Muslims* to earn their livelihood (Chapra 1979). According to Chapra: “*One of the economic goals of a Muslim society should be to create such an economic environment that those who are willing to and looking for work are able to find gainful employment in accordance with their abilities*”. This statement corresponds with the following revelations of *Qur'an*: “*God desires ease for you and desires not hardship for you*” (*Qur'an, Surah 2. Al-Baqarah, Verse 185*). In addition, *Islam* is designed to serve as a blessing for humankind and alms at making life richer and worthier for living and not poorer, full of hardships. Based on these verses of the *Qur'an*, *Muslim Jurists* have unanimously agreed that catering for the interests of the people and relieving them of hardships is the basic objective of the *Sharia'h* (Ebu Zehre in Chapra 1979, p. 8).

4 Universal Brotherhood and Social Justice

Islam aims at establishing a social order where all individuals are united by bonds of unity and affection like members of one single family created by One God. This can be seen from the verse: “*O mankind! Surely, I am a messenger of God to you all*” (*Qur'an, Surah 7. Al-A'raf, Verse 158*). This unity is universal and not parochial. It is not bound by any geographical boundaries and encompasses the whole of humankind and not anyone familiar group or tribe or race (Chapra 1979). This is proved by the following revelations of *Qur'an*:

- “God orders justice and conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded.” (*Qur'an, Surah 16. An-Nahl, Verse 90*).
- “God commands you to render trusts to whom they are due and when you judge between people to judge with justice” (*Qur'an, Surah 4. An-Nisa, Verse 58*).
- “O you, who have believed, be persistently standing firm in justice, witnesses for Allah, even if it be against yourselves or parents and relatives. Whether one is rich or poor, Allah is more worthy of both. So follow not [personal] inclination, lest you not be just. And if you distort [your testimony] or refuse [to give it], then indeed Allah is ever, with what you do, Acquainted” (*Qur'an, Surah 4. An-Nisa, Verse 135*).

5 Equitable Distribution of Income

Islam emphasizes distributive social justice and incorporates in its system a program for redistribution of income and wealth so that every individual is guaranteed a standard of living that is humane and respectable in harmony with the regard for the dignity of man inherent in the teachings of *Islam* (Chapra 1979, p. 18). The Islamic program for redistribution consists of three parts. Firstly, it implies assistance in finding gainful employment to those unemployed and those looking for work and a just payment for that work. Secondly, it emphasizes the payment of *Zakat* for redistributing income from the rich to the poor who, because of personal disability or handicaps (physical or mental), are unable to attain a respectable standard of living by their own effort. This corresponds with this revelation of Qur'an: "So that it will not be a perpetual distribution among the rich from among you" (*Qur'an, Surah 59.Al-Hashr, Verse 7*). Thirdly, divisions of the estate of a deceased person, in accordance with a given formula, among a number of individuals to intensify the distribution of wealth in society. Even though this principle, *Islam* tolerates some inequalities of income because not all people are equal in their character, ability, and service to society. This corresponds with the following verses of Qur'an:

- "And it is He who has made you successors upon the earth and has raised some of you above others in degrees [of rank]" (*Qur'an, Surah 6.Al-An'am, Verse 165*).
- "And Allah has favored some of you over others in provision" (*Qur'an, Surah 16.An-Nahl, Verse 71*).
- "Do they distribute the mercy of your Lord? It is We who have apportioned among them their livelihood in the life of this world and have raised some of them above others in degrees [of rank] that they may make use of one another for service. But the mercy of your Lord is better than whatever they accumulate" (*Qur'an, Surah 43.Az-Zukhruf, Verse 32*).

Therefore, distributing social justice in Islamic society, after guaranteeing a humane standard of living to all members through the institution of *Zakat*, allows such differentials in earnings, keeping with the differences in the value of the contributions or services rendered, and each individual can receive an income corresponding to the social value of the services he contributes to society. Muslims believe that social justice and equality in opportunity (not outcome) are crucial for a society to function. *Zakat* is a mechanism income to provide a minimum standard of living for the poor; it is also one of the five tenets of Islam. It is generally agreed that the amount of *Zakat* is 2.5% of assets held. In countries where *Zakat* is not collected by the state, Islamic banks establish a *Zakat Fund* for collecting money to be donated to religious institutions (Rexhepi and Ramadani 2015).

6 Freedom of the Individual Within the Context of Social Welfare

As Imam Shafi'i, the founder of the *Shafi'i* School of *Muslim* Jurisprudence said: "God has created you free and therefore be nothing but free" (as cited in Chapra 2012). Because man is born free no one, not even the state, has the right to abrogate this freedom and to subject his life to regimentation; there is consensus among *Muslim* jurists that restrictions cannot be imposed on a free, mature, and sane person (Chapra 2012). Everyone has his individual rights and his rights towards society. Jurists have been agreed upon following principles (Chapra 2012):

- The larger interest of society takes precedence over the interest of the individual;
- Although relieving hardship and promoting benefit are both among the prime objectives of the *Shari'ah*, the former takes precedence over the latter;
- A bigger loss cannot be inflicted to relieve a smaller loss or a bigger benefit cannot be sacrificed for a smaller one. Conversely, a smaller harm can be inflicted to avoid a bigger harm or a smaller benefit can be sacrificed for a larger benefit. I would say that those principles correspond with a proper social justice in order that one society can function properly.

Individual freedom, within the ethical limits of *Islam*, is therefore sacred only as long as it does not conflict with the larger social interest or as long as the individual does not transgress the rights of others.

Islamic law is not just a law, but also an ethics, as both constitute 'a call to righteous action in conformity with the guidance of Revelation' (Reinhart 1983). Thus, while the ethics related to contracts will include virtues such as honesty, trust, transparency, etc., they also will incorporate fulfilling the legal obligations and stipulations. As a result, ethics can be evaluated by examining whether the legal conditions and stipulations of a contract are fulfilled or not (Arabi 1997). For a transaction to be ethical, the overall goals of *Shari'ah* should also be fulfilled at the contract level. Other than avoiding *Riba* and *Gharar*, indicates that fulfilling *Shari'ah* at the transaction level would involve satisfying the objectives, principles, and values underscored in the Islamic laws of transactions. This would include, among others, linking returns to risks and bearing the risks of ownership by the owner of the asset. An important related principle includes fulfilling the conditions of a sale which is realized by transferring the asset to new owner. Similarly, conditions of trust and guarantee relationships in terms of liability of loss has to be implemented. Given the divine nature of these conditions, a contract would be considered unethical if some of these stipulations are fulfilled.

The basic principle for commercial transactions is "permissibility" or "prohibitions" which signifies that all acts or contracts are permissible unless there is a clear injunction of prohibition (Ahmed 2012, p. 4). The two main categories of prohibitions related to economic transactions recognized in *Shari'ah* are *Riba* and *Gharar*. These prohibitions are made to bring fairness, good measure and more consideration over complete freedom of contracts (Ahmed 2012, p. 4).

A financial activity will be ethical if it promotes good in the society. The same logic can be used to determine the ethicality of transactions and activities of Islamic banks. An activity of an Islamic bank would be ethical when it enhances welfare and morality of individuals, which make the whole society. According to this, any financial activities that produce adverse effects on either welfare or Islamic morals would be considered unethical. Another aspect related to ethics at the contract level relates to intention (*Niyah*) and outcomes. *Niyah* is an integral component in worshipping rituals (*Ibadat*), in economic affairs (*Fiqh Muamalat*). Illegitimate motive will make a contract illegal even when the all the legal components of a contract are fulfilled. An intention of coming up with an illicit act using a valid contract would not only be void, but also immoral. The legality of a transaction will not only depend on the validity of a contract but also on the end use of the contract which can be based on forecasts rather than actual results (by the *Niyah*) and e based on actual results rather than forecasts by examining the outcome or consequences (Arabi 1997).

All Islamic banks will be expected to be ethical in ways similar to their conventional counterparts. As mentioned above, ethics include among others conducting operations with integrity and with due skill, care and diligence, avoid conflict of interest (Davies 2002). As ethics relates to the notions of what is right and wrong in the organizational context, for Islamic banks it's also influenced by the Islamic notions of legality and morality. Islamic banks have additional ethical dimensions which need to fulfill according to the laws and morals of *Shari'ah*.

7 What Remains Behind Islamic Financial and Banking System?

There is much more than the interest free principle under the Islamic Banking and Financial System. Five major characteristics of Islamic Banking System follow (Ahmad 2000):

- The first and basic element of Islamic Banking system involves a system of equity sharing, which means that the whole system operates on the principle of a variable return depending on the productivity and the performance of the projects (Ahmad 2000; Haiwad 2008).
- The second, the vision of Islamic Banking. Moving the whole economy, its major monetary system, and business transactions from debt based partnership to an equity based partnership and risk sharing. It present a new way or organizing the economy, it is calling for everyone to participate in productive system. This is opposite of the conventional system where the whole economy is based on making money from money based on speculations (Ahmad 2000; Haiwad 2008).
- Third, the risk sharing framework. Due to any transaction in Islamic Banking the risk is been shared between the counter partners, both borrowers and lenders,

capital providers and entrepreneurs, bank and client, they all share the risk as a main condition to take part in the transaction.

- Fourth, Islamic economy is rooted by Ethics Framework where the ethical and social dimensions play an essential and significant role. There are *Halal*-Permissible and *Haram*-Forbidden activities included in all private and public economic activities. Even there can be some demand for a specific product or service as producing and selling alcohol, pork or gambling, if its forbidden by the *Shari'ah*, the products and services are unacceptable and strictly prohibited (Ahmad 2000; Haiwad 2008).
- Fifth, the main aim of money in Islamic Banking is to stimulate economic production, to encourage and finance innovation, new ideas, skills, and opportunities. Islamic Finance and Banking is based on physical expansion of economy, not the financial expansion. Money cannot beget money (Ahmad 2000).
- Sixth, the most fundamental and important characteristic is that Islamic Financial and Banking System is non-inflationary.

The biggest concerns of all economies are to maintain the inflationary rate on the proper level. Islamic finance restores equilibrium between the financial expansion, money supply and the physical expansion. Stability in the value of money is a primary goal of Islamic Finance (Ahmad 2000; Haiwad 2008; Qur'an, Surah 7.Al-'A'Raf, Verse 85; Qur'an, Surah 17.Al-Isra, Verse 35; Qur'an, Surah 26.Ash-Shu'ara, Verse 181).

8 Conclusions

This chapter discuss the role of laws and morals in defining ethical practices of Islamic banks. While Islamic law and ethics appears to be closely linked, cases may arise when the practice of Islamic banks can produce unethical results even when the contracts are legitimate. To judge if banking practices are ethical or not, it is important to examine the consequence of transactions on morality and welfare. Situations can arise when the transactions may not have legal/ethical issues at the contract level, but can be unethical as it has adverse impact on welfare or morality. In this chapter is discussed the morality of excessive and there is concluded that the practice of Islamic banks could be unethical if they fuel the increase in indebtedness of individuals beyond certain levels.

The ethicality of Islamic banking practice arising from the effects on moral values cannot be grasped by focusing at the legal aspects of contracts only. A question then arises whether morality and ethical norms can be realized by Islamic banks that are engaged in expanding their businesses in competitive markets. While there are certain aspects of ethical self-regulation at the organizational level that can be useful, it has limitations. Davies (2002, p. 281) points out that self-regulation may not be appropriate for 'raising standards in the market as a whole, or dealing with a problem where there was a need for the whole industry to change'.

Furthermore, when the conduct of banks has implications that go beyond its realm and affects other members of the society, regulatory oversight may be necessary to govern these activities.

If Islamic banks narrowly focus on legality of transactions that can lead unethical outcomes, there is a need to have a mechanism to ensure that the Islamic banking practices are ethical by not contradicting the moral teachings of Islam. Kamali (2008) states that “if public interest (*maslahah*) necessitates it, a lawful government is authorized to change the reprehensible into forbidden and the recommended into obligatory. In the past, Islamic societies had institutions that oversaw the morals issues related to economic affairs. . . while the courts dealt with the legal issues, the market controller (*muhtasib*) was authorized to intervene and stop immoral practices. During contemporary times, this role can be taken up by the regulators whereby ensuring ethics at the organizational level is moved to the public domain” (as cited in Ahmed 2012, p. 8).

Prohibition of *Riba* is central to Islamic financial ethics and law. All transactions and contracts must be free from elements of *Riba*. Moreover, Islamic banking is not based on creditor-debtor relationship, but on the principles of PSL between the bank and its customer under different financing arrangements and other trading and leasing contracts. Whilst, non-Islamic banks rely primarily on the interest rate instrument, Islamic banks use a variety of contracts and instruments that have been developed in compliance with *Shari'ah* laws. Moreover, in Islamic finance, the nexus between financial assets and real assets is crucial. Indeed, they connect bank resources in financing real assets rather than investing in derivatives. In this paper, we introduced the foundation for Islamic banking practices and we discussed the governance concepts important in the conduct of Islamic banking. The main differences between Islamic and non Islamic banks were identified as well. According to the literature (for example, see Rexhepi and Ramadani 2015), Islamic banks outperform non-Islamic banks especially during the last financial crisis.

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Social Entrepreneurship in an Islamic Context

Hendrati Dwi Mulyaningsih and Veland Ramadani

1 Introduction

Social entrepreneurship is a fascinating phenomenon for many researchers, business professionals, policy makers and non-profit organizations. In particular, the global-scale growing interest is largely influenced by the remarkable actions of social entrepreneurs, e.g., Muhammad Yunus, a 2006 Nobel laureate who obtained the award for his work in a micro-loans concept through Grammen Bank for the poor to achieve a better well-being. Social entrepreneurs in recent decades have shown an outstanding contribution in solving social problems and creating societal changes by performing a lot of examples in the creation of social innovation (Anggadwita et al. 2015; Bornstein 2004; Mulyaningsih 2013). In fact, their contributions have been increasingly recognized by researchers by attracting the interests of academia on the social entrepreneurship phenomenon. In short, they have moved to tackle social problems that occur in their society by creating innovative solutions in terms of welfare, education, health, community development and the environment (Bessant and Tidd 2007; Dees 2001).

Still, research on social entrepreneurship falls far behind its practice. Besides, the concept has no clear understanding because different perspectives and backgrounds (Cukier et al. 2011; Okpara and Halkias 2011; Ratten 2011). As a newer concept than commercial entrepreneurship, social entrepreneurship has been defined in many ways over the past decade and has emerged to describe the

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application of entrepreneurial activities with embedded social purposes (Bornstein 2004; Cukier et al. 2011). At the conceptual level, social entrepreneurship has been arguably enlighten by a number of intellectuals with different domains or themes of interests, e.g., purpose setting domain (not for profit, non-profit/public sector and for profit) (Dees 1998; Short et al. 2009; Brooks 2009). In particular, main approaches in establishing a formal definition of social entrepreneurship have been founded on the context of entrepreneurship (Brooks 2009; Granados et al. 2011; Martin and Osberg 2007; Okpara and Halkias 2011).

As indicated in existing literature, social entrepreneurship is mostly perceived from the Western perspective. It is arguably not based on religious points of view as a consequence of no religious relation in Western perspective (Almari 2014). It has made literature on social entrepreneurship from a religious perspective as being rarely found. On the other hand, there is a few study on faith-based organization that has been practicing philanthropy and social entrepreneurship, e.g., Buddha Tzu Chi Movement (Yan 2012) and some faith-based organizations in Kenya (Ndemo 2006), Egypt (Salarzahi et al. 2010), Malaysia (Zainol et al. 2014) and Indonesia (Mulyaningsih et al. 2014). These studies mostly discuss faith-based organizations, entrepreneurship and their relations with religiosity. In particular, the study on a faith-based NGO in the form of Islamic social enterprise in Egypt named “Sekem” has proven a remarkable action from altruism to solve social problems in education, health and treatment of vulnerable societies. It has been achieved an international humanitarian award on poverty eradication (Salarzahi et al. 2010; Seelos and Johanna 2005).

Furthermore, the phenomenon of Islamic social entrepreneurship associated with poverty alleviation offers one form of justification of the existence of social enterprise as well as social entrepreneurs in tackling social problems, including poverty, from a religious viewpoint. Hence, it should be completed for being discussed especially when the society faces poverty as an uncompromised problem, especially in several Muslim countries.

According to World Bank, approximately three billion people in the world are living in poverty and 35 % of that poor are live in Muslim countries (www.worldbank.org). Severe issues on poverty as such in Muslim countries have already been admitted by several empirical studies, which find out that Muslim countries bear a highly poor population, an unequal income distribution, a huge number of unemployments, lower living standards, lacks of infrastructure for public service such as health and education (Hoque et al. 2015). Based on data from Pew Research Centre, Muslim people covers about 23 % of the world’s population (1.6 billion), with two-thirds of them reside in 10 countries (Table 1).

Islam has taught people to care about others, especially to the poor (*Mustahiq*) with an instrument so-called “*Zakat*”, one of basic Islamic pillars that must be met by every Muslim. It may bridge between wealthy people (*Muzzaki*) and the poor (*Mustahiq*). *Zakat* in this term has a dimension of worship that synergizes between a duty towards their Lord (*Hablunmin Allah*) and a liability againsts their society (*Hablun min annas*) (Mulyaningsih et al., 2014). Such an Islamic almsgiving in Muslim countries, which has reached about USD250 billion to USD1 trillion fiscal

Table 1 Countries with the largest number of Muslims

	Estimated 2009 Muslim population	Percentage of population that is Muslim	Percentage of World Muslim population
Indonesia	202,867,000	88.2 %	12.9 %
Pakistan	174,082,000	96.3	11.1
India	160,945,000	13.4	10.3
Bangladesh	145,312,000	89.6	9.3
Egypt	78,513,000	94.6	5.0
Nigeria	78,056,000	50.4	5.0
Iran	73,777,000	99.4	4.7
Turkey ^a	73,619,000	~98.0	4.7
Algeria	34,199,000	98.0	2.2
Morocco ^a	31,993,000	~99.0	~2.0

^aData for Turkey and Morocco come primarily from general population survey, which are less reliable than censuses or large-scale demographic and health surveys. As the result, the percentages of the population is rounded to the nearest integer

Source: Pew Research Center’s Forum on Religion & Public Life (www.pewforum.org/files/2009/10/Muslimpopulation.pdf)

flow in a year (Alam 2007), may be one of prominent tools to eradicate poverty and reducing unequal income distributions. Besides, it has long been stated by some experts such as Umar Chapra, Ziauddin Ahmad, Munawar Iqbal, abu al-Hasan Sade, etc., whose writings on *Zakat* offer it as a potential instrument of fiscal policy and a potential tools for poverty eradication and income distribution (Nurrad-Din Mhd 2007).

2 Literature Review

2.1 Defining Social Entrepreneurship

Social entrepreneurship has been defined through a number of different domains or themes of interests, e.g., the purpose setting domain (not for profit, non-profit/public sector and for profit), entrepreneurial trait and behavior in individual and organization, and from the perspective of its emergence process (Short et al. 2009; Brooks 2009). In particular, the establishment of social entrepreneurship definition is largely based on approaches in entrepreneurship context (Brooks 2009; Granados et al. 2011; Martin and Osberg 2007; Okpara and Halkias 2011). Furthermore, social entrepreneurship mainly refers to the creation of social value produced in collaboration with people and organizations from the civil society who are engaged in social innovations, which usually imply an economic activity. A definition as such is founded on four criteria, i.e., social value, civil society, innovation and

Table 2 Definitions of social entrepreneurship

Author(s)	Terms and focuses
Dees (1998), Paredo and McClean (2006)	Value creation, innovation and opportunity
Bornstein (2004), Bornstein and Davis (2010), Bessant and Tidd (2007)	Using a change that will solve society's social problem
Mair and Marti (2006)	Identifying opportunity and addressing important social issues in the society
Granados et al. (2011)	Doing something that is realistic, profitable and benefits to society
Mair and Marti (2006)	Innovation by finding or providing a new product/service or approach to do things that are socially responsible
Okpara and Halkias (2011), Weerawardena and Mort (2005)	Entrepreneurial behavior, personal traits and leadership
Light (2006)	Social networking with stakeholder
Martin and Osberg (2007)	Creativity to solve the social problem
Zahra et al. (2009)	Exploit opportunities for social change and improvement

economic activity (Okpara and Halkias 2011). In fact, creating social value is the most recent approach to social entrepreneurship by considering that social value can be broaden and global, e.g., Ashoka Foundation with its global mission, or narrowed and local, e.g., Grammen Foundation. Different definitions and approaches are presented in Table 2.

Following the fundamental understanding on social entrepreneurship, a coherent conceptual framework in the discipline is required (Okpara and Halkias 2011). From diverse understandings and definitions, the common terms are:

1. Using innovative solution to solve social problems.
2. Using earned income to solve social problem.
3. Value creation, innovation and opportunity.
4. A change that will solve social problem.
5. Social transformation.
6. Innovation and leadership.
7. Identifying and addressing important social issues in the society.
8. Doing something realistic, affordable, profitable and benefit to the society..
9. Creating better social values for the society.
10. A social change with a mission to develop people.
11. Innovation by finding a new product, service, or something new and different or approach to do things through a socially responsible way.

Therefore, there is a convergent formula of social entrepreneurship to include innovation, leadership, opportunity, profitability and social value creation. Several selected definitions adopted from Okpara and Halkias (2011), Short et al. (2009), Cukier et al. (2011) and Hoogendoorn et al. (2010) are exhibited in Table 2.

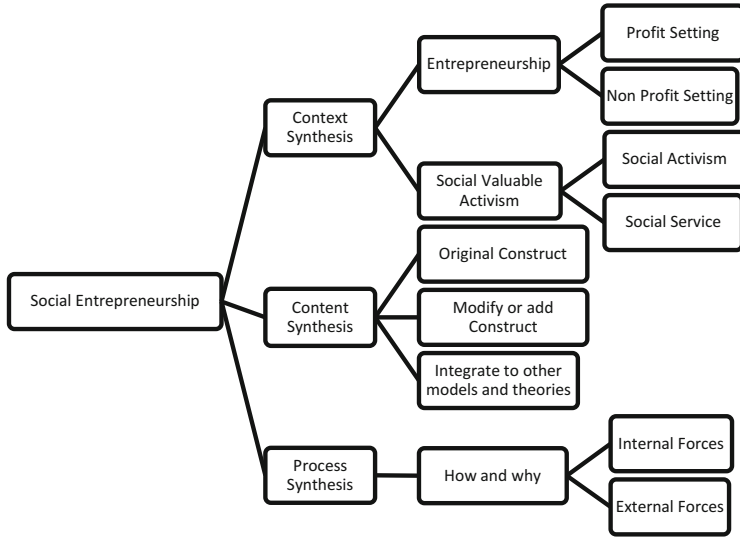


Fig. 1 Literature conceptual framework of social entrepreneurship

Furthermore, formal theories in social entrepreneurship research are required to develop a conceptual framework (Haugh 2012). The development of framework as such requires three elements, e.g., a phenomenon of interest to investigate, defining constructs and variable that pertain to a phenomenon of interest, and those theories will hence specify the relations between phenomena (Haugh 2012; Saifan 2012). However, theoretical developments that explain and predict the phenomenon of Social Entrepreneurship have been rarely taken (Granados et al. 2011; Haugh 2012). Besides, approaches to build the definition of social entrepreneurship are mainly based on the context of entrepreneurship (Brooks 2009; El-Ebrasi 2013; Granados et al. 2011; Martin and Osberg 2007; Okpara and Halkias 2011). In the current study, the development of conceptual framework for social entrepreneurship are founded on three main syntheses, i.e., content synthesis, context synthesis and process synthesis (Fig. 1).

2.2 *Boundaries of Social Entrepreneurship and Social Enterprise*

Social entrepreneurship is known as a dynamic research field. Besides, existing thoughts and approaches come from various perspectives. Thus, boundaries among existing definitions on social entrepreneurship have become a prominent

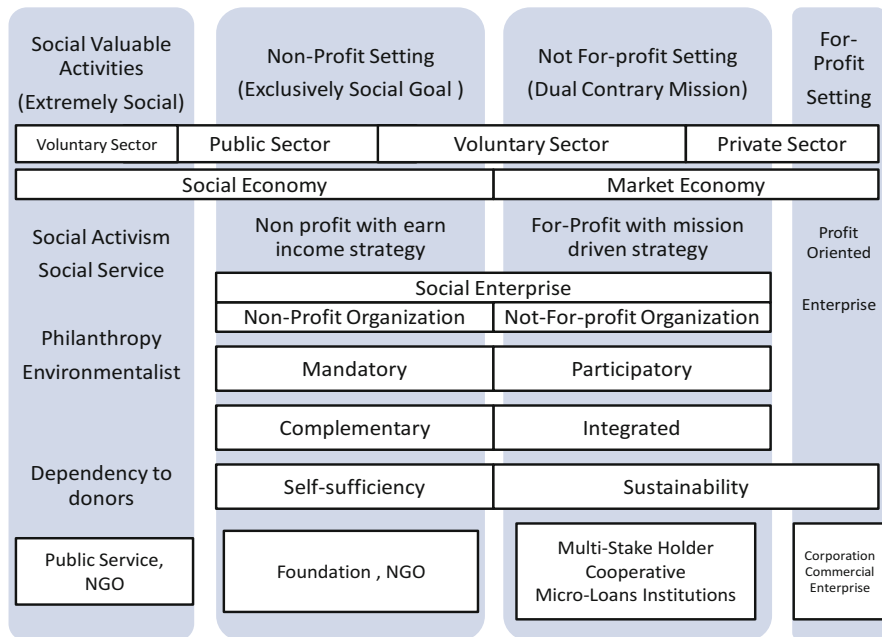


Fig. 2 Boundaries of social enterprise regarding to the contextual synthesis of social entrepreneurship (adapted from Saifan 2012)

determinant to establish a distinctive perspective among scholars, practitioners and policy makers. The definition of social entrepreneurship should not extend to any of either philanthropist, social activism, a company with foundation, or an organization that is simply socially responsible/CSR (Hoogendoorn et al., 2010). At present, the definitions of social entrepreneurship and social enterprise are not followed by a mutually-agreed definition among scholars, practitioners and policy makers. The situation may have confused definitions related to the term “social entrepreneurship”. Regarding to distinctive arguments among social activities, social entrepreneurship and non-social entrepreneurship, it is hence important to distinguish social orientation and non-social orientation (Fig. 2).

In accordance with the definition of social entrepreneurship and the boundaries to distinguish distinctive approaches among institutions related to social enterprise, there are some prerequisites to identify social enterprise:

1. Funding structure (internal sources and external sources).
2. Legal status (formal and non-formal).
3. Stakeholders (Triple Helix, Quadruple Helix, Multiple Helix).
4. Mission and vision (purely social, business to social, social to business).
5. Sustainability (social mission, business/earned income, institution).
6. Main actors (public sector, private sector and voluntary sector).
7. Social mission area (charity and empowerment).

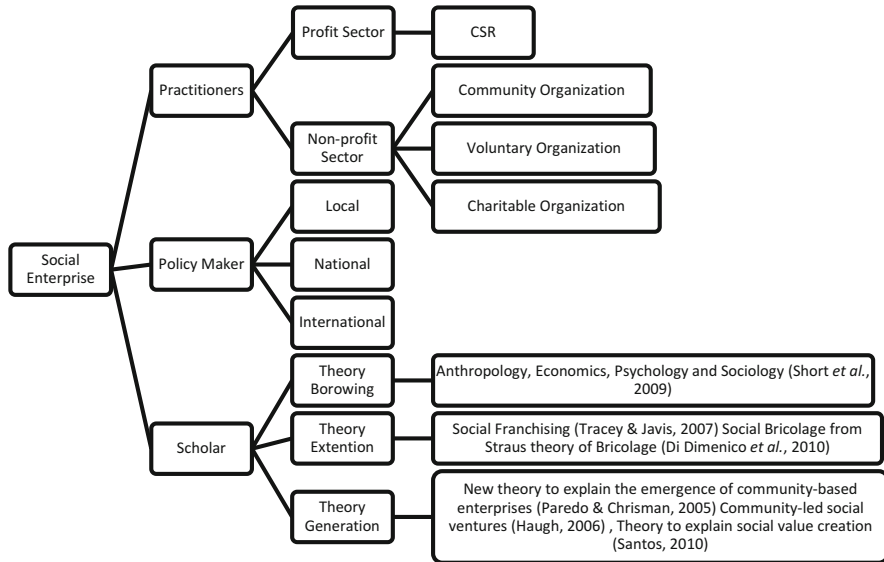


Fig. 3 Classifying the emergence of social enterprise (adapted from Haugh 2012)

8. Business model (customer–beneficiaries segment, value proportion, channels, customer–beneficiaries relationship, revenue stream, key resources, key activities, key partnership, cost structure).
9. Accountability (SROI, social impact, shared value, social value creation and co-creation).

These prerequisites may give a clear line between what kinds of social enterprise that is existed in a contextual area. Besides, they may also act as the boundaries to determine social enterprises as a unit of analysis. In addition, there are four suggestions for generating a new formal theory of social enterprises:

1. A new developmental theory requires a theory testing with a thoroughly-applied and robustly-defined research method to discover any theoretical advancement from several sets of data.
2. An accurate and methodical data analysis is essential for identifying new constructs and new relations between constructs.
3. Anew theory requires inspiration, creativity and receptiveness to any unexpected and unanticipated in addition to methodological rigorousness.
4. Generating a theory can be a fuzzy, messy, time-consuming and complicated (Fig. 3).

3 An Overview of Entrepreneurship in Islamic Perspective

3.1 *Absolute Ownership and Relative Possession: Treasure in Islamic Perspective*

This section provides an overview on the Islamic perspective prior to a deliberate Islamic entrepreneurship. In Islamic perspective, the absolute owner of the property is *Allah*, while any human ownership of property is limited by carrying out a mandate as such and spend it in accordance with al-Qur'an and al-Hadith (Syafii 2010). The verse from al-Qur'an that asserts the absolute ownership is taken from QS. Al-Hadid (57):7.

Believe in Allah and His Messenger and spend out of that in which He has made you successors. For those who have believed among you and spent, there will be a great reward.

The role of human is as an “agent of trust” or as the person who is given a mandate by *Allah* (*khalifah*) correspondingly in the process of moving treasures from the scrutiny of others to a supervisory mechanism through either selling, production sharing or renting. While economic activities have been fulfilled, human sometimes loses the sight of getting a temporary use of one's mind, body and soul in pursuing those treasures from *Allah* and one never pays it to Him. Therefore, it appears that human is not the absolute owner of their treasures, and merely a temporary owner or manager or agent of trust of such an ownership. Human may realize that one's treasures are “*amanah*” (given) and should therefore be prudently and faithfully managed.

The value of a given treasure is determined by its contribution (Syafii 2010), When such a treasure may have generated a kindness, the owner will then get a blessing. In contrast, a treasure that generates crimes will make its owner get a punishment for the crimes. Treasure is known as the most prominent issue in Islamic economics, and *Allah* has already managed and made a clear position in human life based on principles that should be consider closely:

1. *The way how treasure is generated.*

Any economic activity that is related with generating a treasure is divided into two processes, i.e., the fulfillment of each individual, which is then followed by a collective fulfilment (altruism).

2. *The way how treasure is managed.*

Managing treasury in Islamic perspective may have to consider three important things, i.e., highest-possible usefulness (*mashlahat*) to the society, suggested by al-Qur'an and al-Hadith, and treasury as a non-prominent aim but merely a tool to get the absolute aim (*Allah's* blessing and pursuing rewards from *Allah*).

3. *The way how to spend treasure.*

The concept of spending treasure in Islam is closely related with *ibadah* concept or a servitude to *Allah* [QS. Al Baqarah (2): 261]. In the *ibadah* concept, there is a “social” mechanism, and the concept of spending treasure therefore emerges into voluntary sectors instead of private and public sectors.

3.2 *Entrepreneurship in Islamic Perspective*

Islam is a religion with a considerably-comprehensive perspective on treasury-related issues. In the religion, it is stated in al-Qur'an and al-Hadiths that being rich is a good attitude. However, the encouragement of being rich should also be broadened with some further explanations in which all the chosen works in Islam should be integrated with spiritual principles. Entrepreneurship in Islam is being a prominent part of Islamic economics. There is an integration between entrepreneurial livelihoodness and religion (Dana 2009; Davis 2013; Faizal et al. 2013; Ramadani et al. 2015). Islam encourages Muslim to be entrepreneurs, and it has been proven in some al-Qur'an verses and accepted in those sayings of prophet Muhammad p.b. u.h. A hadith verse (Hadith Al-Tirmidhi 1987, no. 1209, p. 515) mentions that,

an honest and sincere businessman will be placed with the prophets, siddiqin and al-syuhada.

In other words, the lifework of being entrepreneur in Islam is posited in a certified state, for the reason that an honest and sincere entrepreneur may settle in the same place as prophets, *siddiqin* and *syuhada* (Faizal et al. 2013; Hamid and Sa'ari 2011).

Entrepreneurship in Islamic perspective closely considers some principles of thoughts. First, Islam encourages an entrepreneurial development. Besides, entrepreneurship is an integral part of its religion. Second, the perspective of resources ownership suggests treasure Muslims as *khalifah* and agents of trust of *Allah*, who are responsible in generating prosperity and considering that doing business is a part of *ibadah* or a good deed. Third, the perspective of being succeed in doing business suggests that the most important thing is how to be as much as useful person for the society (cooperation for existence) and to living ethically that fits with the philosophy of belief in *Allah* the Almighty (Hamid and Sa'ari 2011; Noruzi 2011). In general, the entrepreneurship's principles of thoughts in Islamic perspective according to Hamid and Sa'ari (2011) and Noruzi (2011) include:

1. *Protecting risk.*

Economics is a risky activity, so in Islamic economics an entrepreneur has a statutory right and should be protected by a law (*shari'a*) as a means to decrease the risk and gain justice, e.g., shared profit and shared lost in the *syirkah* system (*mudharabah* and *musyarakah*).

2. *Subject to shari'ah.*

The difference between capitalist economics and Islamic economics emphasizes how a Muslim generates, manages and spends treasure, e.g., avoiding *riba*, understanding *halal*, *haram* and *syubhat*, being honest and sincere to the society and customers.

3. *Free from any element of oppression.*

A Muslim entrepreneur assigns a distinction between justice and freedom, and forbidden from being cruel or harm to the society. For example; a Muslim entrepreneur should not cause an abuse of sources and waste the resources, and should limit the production and prevent job creation.

4. *Government role.*

A Muslim scholar Umar Chapra has argued the importance of the role of government in regulating resources to elude any unequal and inefficient provision, particularly in its equalized revenues and main resources such as water and energy.

According to Faizal et al. (2013), the characteristic of entrepreneurs based on al-Qur'an and al-Hadits are:

1. Taqwa as a framework (Al-Saff. 61:10–11).
2. Halal as a top priority (QS. 5:88; QS. 2:168).
3. Do not waste (QS. 7:31).
4. Worship to *Allah* is a priority (QS. 62:10; QS. 15:67).
5. Practicing high moral values (QS. 2:275).
6. Trustworthy (al-Hadits: al-Tirmidhi. Book 14#1213; Bukhari. Sahih Bukhari. Vol. 3, Book 41:#576).
7. Concerns for the welfare (QS. 22:77; QS. 3:92; QS. 8:3).
8. Knowledgeable (Al-'Alaq.96:1–5).
9. Caring for the society and the environment (Al-Qashash, 28:77).

4 Social Entrepreneurship in an Islamic Context

The Islamic social entrepreneurship is considerably a new term within the existing social entrepreneurship and social enterprise theory and research. Previous researches in social entrepreneurship may have been fulfilled by the Western perspective (Al-Alak and Eletter 2010). The term 'Islamic' here is adopted from a specific unit analysis of social enterprise that is contextually having the norms of Islam, e.g., *shari'ah* and religious/faith-based rules. In the Islamic economics domain, entrepreneurship itself is a prominent part and has blended between entrepreneurial activities and religion (Dana 2010; Faizal et al. 2013). The basic concept of entrepreneurship in Islam stands on a mutual relationship (partnership and participation), altruism and good will (Noruzi 2011). Its concept ground on the objectives of Islam on unity (*tauhid*), trusteeship (*khilafah*) and worship (*ibadah*) which will be implemented for social justice and public interest (Al-Alak and Eletter 2010).

According to Islamic beliefs, human being as *Allah's khalifah* (or person on duty) has a duty to create prosperity and usefulness of the Earth (QS. Al-an'am: 165). Their role in economy is to achieving economic prosperity together. They work not just for personal gains or self-interests but also for the common good so that it will give rise to mutual independence in the community. Islam is not a religion that denies the human desire for being prosperous and wealth. Nevertheless, Islam also accentuates their people to manage their wealth, which should be managed prudentially as what has been principled in al-Qur'an and al-Hadits.

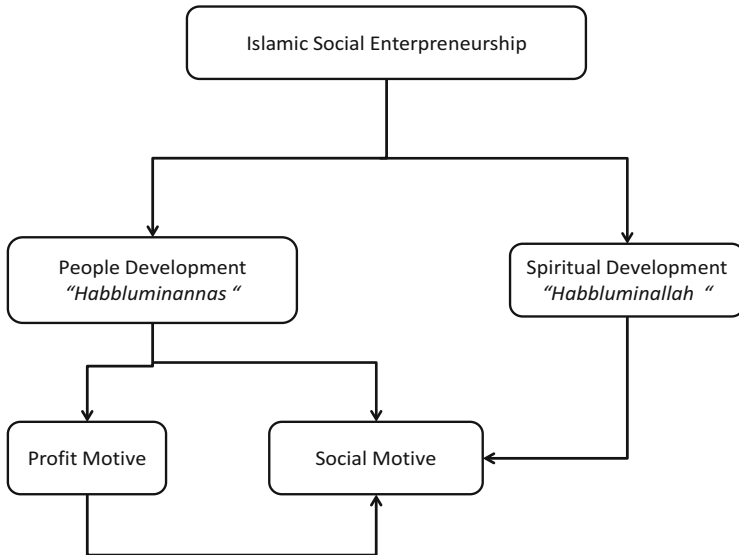


Fig. 4 The conceptual framework of Islamic social entrepreneurship

Therefore, every activity related to creating prosperity (profit motives) should also be balanced with usefulness and value to others (social motive).

As the person on duty of *Allah*, every Muslim entrepreneurs should manage their activities into two roleplays. First, people development (*habbluminannas*) suggests that Muslim entrepreneurs have to accentuate a dual-construct motive in every activities related to human being. *Allah* command to care to each other (QS 5:2, 48:29, 24:22, 90:17, 2:254, 3:92, 14:31, 32:16, 35:29, 42:38) and doing good to each other (QS 2:177, 59:9, 3:92, 3:134, 7:85, 11:84, 11:85, 17:35, 26:181). Second, spiritual development (*habbluminallah*) suggests that human was created by *Allah* to serve and ordered to worship only to *Allah*. Every good deed to human beings is supposed to carry out *Allah*'s commands and for having a good relation to *Allah*. In other words, *habbluminannas* is taken in order to *habbluminallah*. Both are in line and not to be disputed. People who ignore the *habbluminannas* in addition to getting the wrath of *Allah* and consequences in the hereafter, will also receive consequences from fellow human beings in the form of a treatment, punishment or sentence based on applicable rules, laws or norms within the society (Fig. 4).

There are three basic thoughts in the roleplay of Islamic social entrepreneurship in social justice and social welfare:

1. *Fard-al Kifayah* commitment

Doing business for Muslim entrepreneurs has a *Fard-al Kifayah* commitment (Hamid and Sa'ari 2011). They are a compelled responsibility for the society to create social welfare with a great solicitude. Such a concern for others is an intrinsic motive that is based on religiosity (social motive upon profit motive).

2. Almsgiving model on *zakat*, *infaq*, *sadaqah*, and *waqf* (ZisWaf).

The ZisWaf is an almsgiving model of Islamic social entrepreneurship that has an important role in providing unmet needs of the society. Besides, it acts as a tool in solving social and economics problem (Hoque et al. 2015). Islam has already set up its utilization goals and obligations of ZisWaf definitely; therefore, it has a certain economic impact.

Public ownership so-called *waqf* is considerably one of social entrepreneurship model in Islam (Salarzahi et al. 2010). As a public treasure owned by society legally, *waqf* is an economic resource proven to have a big role in the economy. It has been allocated for social welfare and social community development in many sectors such as economics, education, health, social and religious sectors. Islam has given a lesson as the basis to achieve *waqf* in keeping and allocating property legally for both social motive and social good. There is a lot of remarkable examples on *waqf* contribution for social value creation. For example, al-Azhar Islamic University in Egypt is a success model of *waqf* contribution in education development. Besides, a lot of models of charity also arguably adopted from the *waqf* models like in Oxford University (UK) and a thousand of charity foundation on property benefits in North America and around the world (Salarzahi et al. 2010).

3. Market failure and government failure.

Social entrepreneurs by definition attempts to tackle social problems emerged by failures in existing markets and social welfare systems (Mair and Marti 2006). Social entrepreneurship as the process of creating values through a combination of resources, which is focused on exploring the opportunity to create social values by knowing needs or unmet needs (Okpara and Halkias 2011). They have moved to tackle social problems that occur in the society as the consequence of an inadequate social policy or social welfare and an incapable government in solving social problems by their large-scale programs. If it happens, the situation will trigger a disappointment of the society due to their unmet needs (Mulyaningsih 2013). Thus, they may need to create innovative solutions in the field of welfare, education, health, community development, and the environment.

5 Social Enterprise as an Intermediary Institution in Voluntary Sector Toward Value Creation—An Evidence in Indonesia

Indonesia has the world's largest Muslim population (203 million—based on www.pewforum.org), meaning that 12.9% of the world's Muslim or about 80% of all Muslim living in South-East Asia reside in Indonesia. In fact, Indonesia as the biggest Muslim population in the world is still facing poverty issues in which more than 28 million among its 237 million total population are living below the poverty line (www.worldbank.org). It is also confirmed by the data from Statistics

Table 3 Indonesian poverty and inequality statistics

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Relative poverty (% of population)	16.0	17.8	16.6	15.4	14.2	13.3	12.5	11.7	11.5
Absolute poverty (in millions)	35	39	37	35	33	31	30	29	29
Gini coefficient/Gini ratio	0.36	–	0.35	0.35	0.37	0.38	0.41	0.41	0.41

Sources: World Bank and Statistics Indonesia

Indonesia (www.bps.go.id) in which the level of poverty until March 2013 is at 28.07 million, or 11.37 % of the country’s population. However, while annual GDP growth in 2013 reaches 6.3 %, the GINI index raises from 0.37 in 2012 to 0.41 in 2013 (Table 3). A higher GINI ratio indicates Indonesia’s widening inequality of income distribution, where in Indonesian government fails to tackle the problem and will imply to social problems. It requires a strong effort to diminish the gap by posing it as a priority within the country’s national development program. Besides, the effort has to be obtained in parallel between public, private and voluntary sectors (Dana 2014; Mulyaningsih 2013).

Later, efforts in poverty alleviation and the reduction of an unequal income distribution have been taken by voluntary sectors in Indonesia, particularly intermediary institutions such as *Zakat Infaq, Sadaqah, and Waqf (ZisWaf)* as an Islamic social enterprise. The institutions within voluntary sector are able to create a distributed justice, equitable development, and have simultaneously become a socio-economic empowerment of the poor and other marginalized groups (Mulyaningsih 2013).

According to researches from several Indonesian Muslim scholars (Sudewo 2008; Syafii 2010), Indonesia has a huge potential in such a funding instrument (*zakat, infaq, sadaqah, and waqf*) with a market potential of Rp. 217 trillion per year. However, only Rp. 2.73 trillion, or about 1 %, of those potential is merely able to be funded and managed by Zakat Agencies. Looking at the potential of *zakat* in Indonesia, it is expected to be able to support the achievement of development goals that may improve the standard of living and poverty eradication. Hence, this condition indicates that the development of social entrepreneurship in voluntary sectors is urgently discussed further, particularly in the Islamic context. There are more than 200 *zakat* agencies or intermediary institutions gathered in the *zakat* forum (FoZ), with more than 100 affiliated with government agencies (BAZNAZ), and more other agencies (Sudewo 2008).

Thus, looking at the national charity potential (*infaq, sadaqah, waqfandzakat*), social problems such as poverty and unequal income distribution, and challenges in managing voluntary sectors, Islamic social enterprise may need to face challenges in creating value to the society through an almsgiving model (Fig. 5).

Islamic social enterprise as intermediary institution should have their own unit business instead of their funding from donors. Their unit business could earn profit to support their social motive program and sustain their business.

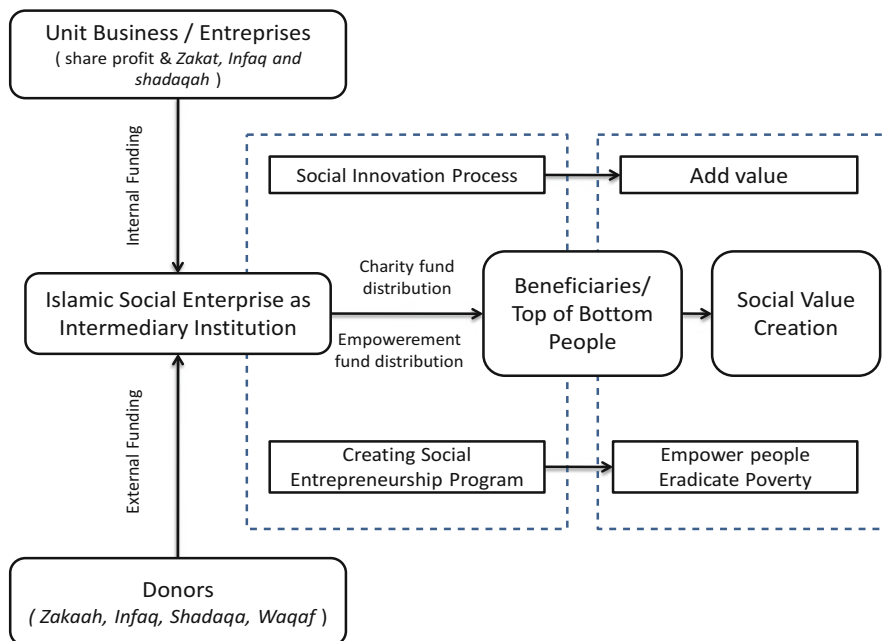


Fig. 5 Social value creation model of Islamic social enterprises

6 Conclusion

Currently, Islamic social entrepreneurship examined as a new terminology in reach of actual social entrepreneurship and social enterprise theory and research. Mostly the research about this domain is accomplished by Wester view (Al-Alak and Eletter 2010). It is surely not based on religious points of view as a consequence of no religious relation in Western perspective (Almari 2014). It has made literature on social entrepreneurship from a religious perspective as being rarely found. On the other hand, there is a few study on faith-based organization that has been practicing philanthropy and social entrepreneurship. In the Islamic economics domain, entrepreneurship itself is a prominent part and has blended between entrepreneurial activities and religion (Faizal et al. 2013). The basic concept of entrepreneurship in Islam stands on a mutual relationship (partnership and participation), alturism and good will (Noruzi 2011). Its concept ground on the objectives of Islam on unity (*tauhid*), trusteeship (*khilafah*) and worship (*ibadah*) which will be implemented for social justice and public interest (Al-Alak and Eletter 2010).

At last, the soul of Islamic social entrepreneurship is on this hadits “*Khairunnas anfa’uhum linnas*”, it has convinced that the most valuable person is the person that has more benefit to others and society. As the person on duty of *Allah*, every Muslim entrepreneurs should manage their activities into two roleplays. First, people development (*habbluminannas*) suggests that Muslim entrepreneurs have

to accentuate a dual-construct motive in every activities related to human being. Second, spiritual development (*habbluminallah*) suggests that human was created by *Allah* to serve and ordered to worship only to *Allah*. Every good deed to human beings is supposed to carry out *Allah*'s commands and for having a good relation to *Allah*. In other words, *habluminannas* is taken in order to *habbluminallah*. Both are in line and not to be disputed.

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Youth Entrepreneurship in an Islamic Context

Andrew Rixon, Alex Maritz, and Rosemary Fisher

1 Introduction

National systems of entrepreneurship are not well defined nor systematically adopted throughout the world, primarily due to the *individual and contextual nature* of entrepreneurship (Ramadani and Gërguri-Rashiti 2015; Acs et al. 2014). The aim of this chapter is to conceptualise a framework of a national system of youth entrepreneurship in the UAE, leveraging on Government and Community support mechanisms to overcome the individual nature of entrepreneurship. The role of entrepreneurship, creativity and innovation, to address country, regional and global employment and growth challenges is recognised (Bamber 2012; European Commission 2013; World Economic Forum 2014). Entrepreneurship is widely accepted as associated with economic development and wellbeing of societies because entrepreneurs are perceived to contribute to productivity, job creation and national competitiveness through actions that spur on innovation, speed up structural changes in the economy, and introduce new competitive products and services (Amoros and Bosma 2014). In particular, the United Arab Emirates (UAE) faces the prospect of high unemployment levels amongst Emirati youth as the primary source of employment (the public sector) is potentially saturated by the changing demographics (Dun and Bradstreet 2013).

Consequently, fostering entrepreneurship, creativity and innovation in the youth of the UAE are recognised as an integral to its future (Ramadani et al. 2015; Van Horne et al. 2011). As articulated in the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai, “the shortest path to the brightest future is that of entrepreneurship”

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Table 1 Perspectives: why does youth entrepreneurship matter?

Global view	UAE view
<ul style="list-style-type: none"> • Youth entrepreneurship is an option to create employment for youth • Young entrepreneurs are more likely to hire fellow youths • Young entrepreneurs are particularly responsive to new economic opportunities and trends • Young people are active in high growth sectors • Young people with entrepreneurial skills are better employees • Young people are more innovative and often create new forms of independent work • Young people who are self-employed have higher “life satisfaction” • Entrepreneurship offers unemployed or discouraged youth an opportunity to build sustainable livelihoods and a chance to integrate themselves into society 	<ul style="list-style-type: none"> • Provides a return to the historical roots of UAE where entrepreneurship was at the heart of the fore-fathers • With around 17,000 emirati students graduating each year, the current job pathway of graduates into the government is not sustainable • Provide a platform leveraging status and nationalism of young emiratis wishing to help their country develop and diversify the economy • Enriching the private sector which is currently dominated by expats • Creating more job opportunities through new venture developments

(Wam 2013). Indeed, Table 1 below outlines the perspectives from a local (UAE perspective) and global view as to why youth entrepreneurship is important.

The contribution of entrepreneurship to reducing unemployment, particularly youth unemployment, is a current focus of a number of countries. In the UAE, youth refers to people aged between 15 and 35 years and represent 42% of the national population (Dun and Bradstreet 2013). The GEM Global Report (Amoros and Bosma 2014) describes the framework conditions necessary for entrepreneurship to flourish as financial support, general government support, specific regulations, market openness, R&D transfer, entrepreneurship education and cultural norms and values related to entrepreneurship. Education is linked to ambitious and innovative entrepreneurship (World Economic Forum and Global Entrepreneurship Monitor 2015), is important to enhancing the characteristics of efficiency and innovation driven economies (Amoros and Bosma 2014) and has the greatest effect on levels of entrepreneurial activity in countries with favourable institutional frameworks (Martinez et al. 2010). Yet various reviews of education systems around the globe conclude that education in entrepreneurship or enterprise is missing, inadequate or under resourced particularly at the level of primary and secondary education (Cleveland and Cleveland 2006; Martinez et al. 2010; Eurydice Network 2012; Nakagaki et al. 2013; Kew et al. 2013; Lackeus 2015).

Entrepreneurship is a form of business activity that draws upon skills and resources that are less likely to be developed in, and accessible to, young people (OECD and The European Commission 2014). Consequently, peak organisations have invested in research into the factors that contribute to and inhibit entrepreneurship, creativity and innovation particularly for youth. Through these research efforts, the best practices and key indicators that contribute to positive outcomes for young people with respect to entrepreneurship, innovation and creativity have been

identified. Nonetheless, the best practice in policy, programs, or interventions is a matter of choice for the country, and must take into consideration their own culture, religion, knowledge, traditions of work and enterprise (Chigunta 2002; Dana 2009; Ramadani et al. 2015), as well as differing economic and employment dynamics (Ernst and Young 2014).

Innovation and entrepreneurship harness and disseminate the results of the creative act. Creativity can be artistic, cultural or the product of thinking that leads to invention, innovation and entrepreneurship. Csikszentmihaly (1996) sees creativity as the interaction between the person and the sociocultural surrounding. In the context of youth entrepreneurship and innovation, we suggest that stimulating, encouraging and unleashing creative thinking of young people is the aim, and acknowledge that participating in creative artistic practice is one means to achieve this aim. The chapter now looks to developing a deeper understanding into the local UAE experiences and practices found from engagement with youth and key stakeholders and bringing these together into a series of recommendations that builds on international best practice and what's feasible given the unique environment and entrepreneurial ecosystem of the UAE.

2 An Entrepreneurial Ecosystem View

Research has shown that countries with strong ecosystems to support entrepreneurs benefit from high levels of business activity. Indeed, the process of developing enabling entrepreneurial ecosystems has received considerable attention from governments, development agencies, and academics around the world. Organizations like the Council on Competitiveness (CoC) in the United States, the GSM Association, the Organisation for Economic Co-operation and Development (OECD), the World Bank, and the World Economic Forum have developed comprehensive diagnostic tools for assessing and tracking the development of entrepreneurial ecosystems. Some of these tools include:

- Babson College—Babson Entrepreneurship Ecosystem Project.
- Council on Competitiveness—Asset Mapping Roadmap.
- George Mason University—Global Entrepreneurship and Development Index.
- Hwang, V.H.—Innovation Rainforest Blueprint.
- GSM Association—Information and Communication Technology Entrepreneurship.
- Organisation Economic Co-operation and Development—Entrepreneurship Measurement Framework.
- World Bank—Doing Business.
- World Economic Forum—Entrepreneurship Ecosystem.

The above tools have many differences in usability and for the purposes of simplicity and consistency this project employed the EY Entrepreneurship

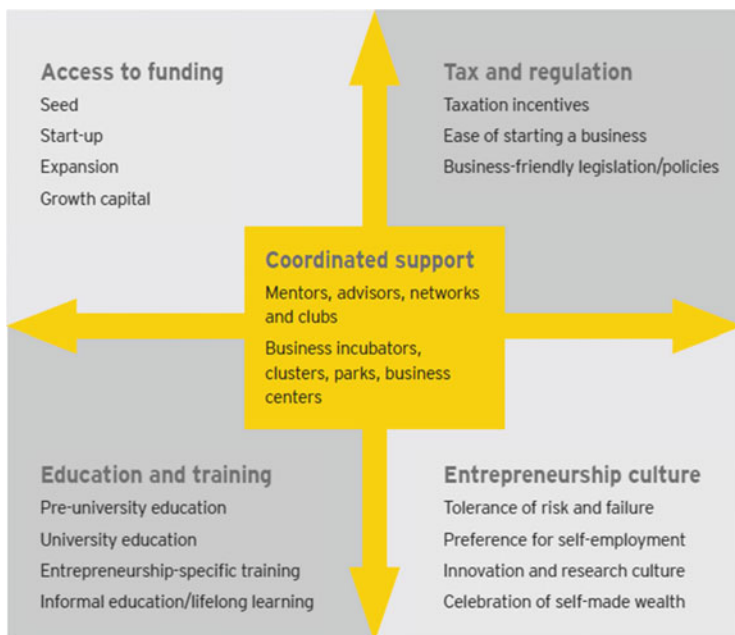


Fig. 1 EY entrepreneurship barometer: the 5 key pillars to robust entrepreneurial ecosystems

barometer as used for assessment of Youth Entrepreneurship in G20 countries shown in the Fig. 1.

3 Entrepreneurship, Innovation and Creativity: Assessment of Current UAE Experiences

Key stakeholder interviews and think tanks of expert advisors were conducted across Dubai and Abu Dhabi and were organised by the Ministry of Youth and Culture. The key stakeholder interviews saw engagement with:

- Head of SME Projects at Dubai SMEs;
- CEO and Founder of Bayt.com;
- CEO of BrandMoxie;
- Director of Envestors MENA;
- CEO of Khalifa fund.

Using the five pillar framework for robust entrepreneurial ecosystems, the following challenges were identified by the key stakeholder interviews and the expert think-tanks conducted.

4 Entrepreneurial Ecosystem Challenges Identified by Local Experts

4.1 Entrepreneurial Culture

Entrepreneurial Culture refers to a tolerance of risk and failure, preferences for self-employment, celebration of self-made wealth and the culture around innovation and research. The key challenges for entrepreneurial culture identified by the think-tanks and key stakeholders are:

- Current pay and working conditions within government better than that of private sector for Emirati means little participation of Emirati youth in the private sector;
- Many previous generation Emirati preference the government job pathway for their children because of job security, prestige and pay as opposed to private sector or new venture developments;
- Currently 47 % of entrepreneurs funding by the Khalifa fund are civil servants;
- Low participation of Emirati youth in the private sector sees a lack of knowledge flow and on-the-job learning from successful expat and Emirati entrepreneurs;
- Many Emirati youth currently live a high spend low thrift lifestyle;
- Failure is taboo with reputational consequences and can result in the entrepreneur going to jail;
- Entrepreneurial expectations of Emirati youth slowly changing to adopt more commitment and involvement in their own new venture developments.

4.2 Access to Funding

Access to funding refers to how easy or difficult it is for entrepreneurs to gain access to seed, start-up, and expansion or growth capital. The following key challenges were identified:

- Seed funding is in its infancy within the UAE;
- Very few banks involved in funding accelerated growth businesses;
- Banks will only loan to SMEs with over \$10 million dirham revenue and then at 13 % interest rate;
- Lack of knowledge and awareness of how to invest into UAE businesses;
- Lack of awareness of Crowd-funding within UAE.

4.3 Tax and Regulations

The Tax and Regulations pillar explores taxation incentives available for entrepreneurial activities, ease of starting a business and the existence of business-friendly legislation/policies. The key challenges identified were:

- Crowd-funding illegal in the UAE;
- University IP policies obstructive to new venture developments of young entrepreneurs;
- Lack of clarity in IP rights for creative arts sector;
- Each Emirate within UAE requires a trade license to operate and failure to have appropriate license can result in fines of \$40,000 dirham or more;
- Businesses operating within the “free-zone” precluded from doing business with the government;
- Current labour laws not designed to encourage Emirati youth participation in the private sector;
- New hire fee which had been cancelled for 2 years now reinstated which sees a cost of \$3000 dirhams per new employee impacting Entrepreneurs seeking to grow their businesses;
- No bankruptcy law within UAE means individual and family liability risk exposure to banks.

4.4 Education and Training

Education and Training as a key pillar within the entrepreneurial ecosystem framework refers to pre-university education, university education, entrepreneurship-specific training and the existence of other informal education and lifelong learning available to entrepreneurs. Key challenges identified here were:

- Anecdotal reports of University IP policies obstructing new venture developments of young entrepreneurs;
- Every year 17,000 students graduate from UAE universities and statistics indicate only 2% of graduates looking at starting business ventures after the first 2 years of graduation which rises to 7% after 5 years of graduating;
- As of 2 years ago, MOU with KHDA activated to include Entrepreneurship in Dubai school curriculum from years 7, 8, 9;
- Lacking of high quality and widely accessible entrepreneurship materials in Arabic clusters, parks and business centres;

Based on this the key challenges identified by local experts were:

- Currently lacking a national entrepreneurship strategy and governance framework;

- Few collaborative working spaces available for entrepreneurs and a sense of fragmentation in support networks, knowledge sharing and access to mentoring;
- Lack of physical infrastructure to promote and support SME's;
- Weak ties between start-up business and large businesses across UAE.

4.5 Emerging Recommendations from Local Experts

There were 4 key areas of recommendations to emerge from the stakeholders and local experts for helping youth entrepreneurship in the UAE to flourish.

4.5.1 The Need for High Level Leadership

Stakeholders shared on the need for strong high level leadership to pass the message down about the importance of Entrepreneurship to UAE. Integrating Emirati Youth into the Private Sector. A number of local experts discussed the need for more focus on programs to integrate Emirati Youth into the private sector. This discussion saw the rationale being to ensure that students get work experience in the private sector before getting their first job in the government. Suggestions were made of the potential for mandatory programs for all government employees to work 6 months in the private sector. Given the disconnect in salaries for Emirati in the Government as compared with the private sector it was suggested that the example from Kuwait of “Daam Al Amalah” could be used to help the private sector to compete. Local experts brainstormed on other potential ideas such as the government creating an Entrepreneurship Fund to facilitate Emirati Youth involvement into the private sector. On a similar theme, local experts suggested how the Government or Khalifa fund could create 1 or 2 month internships to 6–8 successful European SME's and pay the SME's to take in the interns whilst at the same time paying Emiratis to participate. It was suggested that Community Service and Volunteering of Emirati to get involved in SME's could be beneficial. Finally, local experts felt an improvement in the connection between start-up and large business would also help to facilitate acquisition of start-ups by large businesses.

4.5.2 Education, Knowledge Sharing and Connecting of Entrepreneurs

Local experts suggested there were learnings from the SoftLanding EU program for entrepreneurs and start-ups to match with local entrepreneurs. An example was given of how the Khalifa fund could facilitate matching successful expat SMEs with local Emiratis to enable influx of investment, transfer of knowledge and innovation. Local experts discussed how Dubai SME could work to expanding and broadening their programs to schools improving education and life skills of potential young entrepreneurs. Finally, it was suggested that the older generation

could share with the youth what it was like in their time. This could be in the form of an educational series, once a month, where stories are shared of lessons learnt from the older generation of entrepreneurs.

4.5.3 Reviewing Legislation on Bankruptcy Laws

As identified through the entrepreneurial ecosystem pillar of “Tax and Regulation” local experts and stakeholders suggested addressing business protection and bankruptcy laws. Influencing banks to re-address financing products for SME’s was considered a helpful option for addressing some of the challenges identified through the Access to Funding pillar.

4.5.4 Entrepreneurship, Innovation and Creativity: Key Issues from the Emirati Youth Perspective

Four youth forums were held across the UAE with location and attendee details listed below:

- Ajman—8 females, 2 males.
- Abu Dhabi—7 females, 3 males.
- Fujeirah—5 females, 4 males.
- Dubai—5 females, 1 male.

The youth forums were 2-h workshops focused on exploring the key elements of family support, confidence and capability, and recommendations from youth to help youth entrepreneurship to flourish across the UAE.

4.6 Family Support

As acknowledged by the YES project theme on “Family, Customs and Community”, family is a significant part of the UAE culture and even more so when it comes to considering youth entrepreneurship. Gender is not a relevant driver of entrepreneurial potential (Zeffane 2012) whereas family does appear to be. As one stakeholder shared during an interview—there are three people most important to a young female entrepreneur’s life—they are her father, brother and husband.

4.7 When Support Is High

When it is working well, family support is seen to be provided by way of financial, emotional and encouragement and planning with the youth. Parents who have

experience in business and share this experience with their children were seen as a source of motivation and inspiration. The role of other family members like a brother who goes abroad and encourages investing were seen to be contributing to creating a supporting family environment for entrepreneurial activities.

4.8 When Support is Low

Whilst it is acknowledged that the UAE leads the MENA region for empowering women, many of the stories of low levels of family support were shared by females. One example being how parents considered any business idea would be “doomed to fail” and that even though the family were experienced in business they didn’t want to discuss and share their experience with their daughter. Another female shared how it was about a very conservative environment where women aren’t let into the field. Another shared how her parents considered her too young at 16 to pursue her dream of becoming an artist and that she would surely fail. In contrast, one young male shared how he was very independent and the reason for the low level of support was due to him not telling his family about his ideas and plans.

4.9 What Would Help Improve Family Support?

Many youth agreed that improved family support could be provided by way of financial support, however an emerging theme was the greater importance of emotional support. Youth shared how this emotional supported included developing an understanding as to who they are developing as young entrepreneurs and taking the time with the family to sit, plan, discuss and have their parents share experiences. In many cases, an improvement was considered through opening up communication channels with family about their ideas. Some youth shared about an interest to find ways to be more involved with their family businesses as a way of gaining more experience.

4.10 Confidence and Capability

During the forums youth were invited to rate themselves on a scale of 1–10 regarding both confidence and capability for entrepreneurial ventures. In some cases there was a gap between the sense of confidence to be an entrepreneur and the youth’s capability to enact and successfully establish entrepreneurial activities. Generally youth expressed a medium level confidence and capability towards entrepreneurship. When asked what could help the youth to improve their

confidence and capability there emerged three key themes, these are Family Support, Personal Initiative and Learning, Entrepreneurial Support Network.

4.11 Family Support

Given the previous discussion it is unsurprising how important family support is considered to both confidence and capability of Emirati youth entrepreneurs. Youth shared on the importance of having the support of their families and being able to draw from the experience that lives within their families. Many youth mentioned the source of confidence that comes from having their fathers support and being able to develop an inner voice of “I can”. Financial support from their families was also shared.

4.12 Personal Initiative and Learning

To improve their confidence and capability youth shared how they realised it came down to two key inter-related areas. One being personal initiative and motivation, and the second being about learning knowledge and skills. As one youth shared “God does not change you unless you change yourself”. Indeed, for many youth, starting a business and “learning-by-doing” was a personal initiative of improvement that was considered significant and worthwhile. Becoming a partner in a business was one way shared of realising this opportunity, as was gaining experience in managing a small business. Youth shared how they saw the elements of goal setting, motivation, and having time management skills as being important for entrepreneurial ventures to succeed. Many youth within the forums shared that they could improve their confidence and capability through learning in specific areas of:

- How to start a business.
- Marketing.
- Financial knowledge and awareness.
- Salesmanship and presentation skills.

Finally, the last element of learning shared by youth was that of studying and learning from the experiences of others. Having access to advisors, business mentors and business consultants was shared by youth as something they would find valuable.

4.13 Entrepreneurial Support Network

The last key theme for how youth felt they could improve in their confidence and capability was through participating in and being involved in supportive networks and groups. These groups could see other entrepreneurs sharing their experiences and helping to provide a learning, supportive entrepreneurial environment. Finally, the role of government providing support was considered highly important for youth through coordination, financial or sponsorship approaches.

5 Youth Recommendations

In each of the four locations Ajman (Aj), Abu Dhabi (Ab), Fujerah (F), Dubai (D), Females (F) and Males (M) were asked to work together in groups to provide a ranking of the most important (1) to least important (5) Pillar to address for youth entrepreneurship to flourish within the UAE.

Using the entrepreneurial ecosystem framework as introduced earlier the five pillars are:

- ET—Education and Training.
- EC—Entrepreneurial Culture.
- AF—Access to Funding.
- CS—Coordinated Support.
- TR—Tax and Regulation.

Table 2 outlines results with pink representing female view and black the males.

From Table 1 it is clear to see the importance of “Education and Training” for females across the UAE. Similarly the importance of “Entrepreneurial Culture” for males. Some interesting variations in the pillar of “Access to Funding” across both geographies and genders can be observed.

Table 2 Youth ranking of entrepreneurial ecosystem pillars important to address for UAE youth entrepreneurship

	Aj(F)	Ab(F)	F(F)	D(F)	Aj(M)	Ab(M)	F(M)	D(M)
1	ET	ET	ET	ET	EC	EC	ET	EC
2	AF	AF	CS	TR	ET	TR	CS	ET
3	CS	CS	EC	EC	CS	ET	EC	CS
4	TR	EC	TR	CS	AF	CS	TR	AF
5	EC	TR	AF	AF	TR	AF	AF	TR

5.1 Youth Recommendations for Helping Entrepreneurship to Flourish Across the UAE

Following this activity, youth were asked to work together to identify their recommendations to put forward for the YES project. Compiled and collated from all youth forums—the following lists the recommendations youth made for helping youth entrepreneurship to flourish across the UAE:

- Provide entrepreneurship training e.g.: How to start a business, planning, how to save money. Provide 1 day a week as a workshop for training people and students. Before getting married cultural centres and training. Person who goes to apply for a trading license needs to go through a course and pass a test to get a business license.
- Provide Entrepreneurship mentoring. Support of small business should start at Universities (e.g., Sponsors, funding, spotting talent);
- Family support is a must. Encourage and motivate parents. Have parents to teach about business. Improve family awareness of the importance of business and entrepreneurial projects;
- Begin early and seed entrepreneurship to students starting in primary schools. Embed entrepreneurship in the school curriculum;
- Spread the entrepreneurship culture within youth and show how important it is through media, parents and government. Improve programs that market the support for entrepreneurship;
- Improve current funding organisations and events—have more frequent Youth Entrepreneur Competitions.

6 Recommendations

Engaging with Emirati Youth in the youth forums as well as having access to local expertise through the Think Tanks conducted in Abu Dhabi and Dubai has been invaluable in helping to develop a deeper and richer understanding to the particular challenges and opportunities that exist within the theme of Entrepreneurship, Innovation and Creativity. Whilst it is true to say that based on our international experience the UAE provides a unique cultural and socio-political environment in contrast to western democracies like the USA, UK and Australia and the question can be asked of whether such a model of entrepreneurship as that written extensively from a western perspective can be applicable here.

Taking the entrepreneurial ecosystem approach as we have done helps us to move beyond specific entrepreneurial “blue-prints” and recipes for entrepreneurship to rather look at systemic opportunities for improvement and development within the UAE based on being informed by the 5 key pillars shown to be applicable and relevant internationally when it comes to considering robust entrepreneurial

Table 3 Top 2 countries ranked on the 5 key pillars

Ranking	Access to funding	Entrepreneurship culture	Tax and regulations	Education and training	Co-ordinated support
1	USA	USA	Saudi Arabia	France	Russia
2	UK	South Korea	Canada	Australia	Mexico

ecosystems. Indeed, Table 3 below shows the leading countries worldwide which are in the top 2 rankings regarding the 5 key pillars.

Before providing the key recommendations which we believe will be helpful for the Ministry of Culture, Youth and Community Development it is useful to review the 5 key pillars for robust entrepreneurial ecosystems and consider what strategic questions and considerations emerge from our engagement with Youth and Local Experts. From this review we provide a focus on one specific entrepreneurial ecosystem pillar which we believe the Ministry of Culture, Youth and Community Development would be best situated to focus on. Finally, it is worth mentioning how the entrepreneurial ecosystem framework is a holistic framework and whilst we are suggesting in our recommendations to focus on one specific pillar, such a focus in actual fact sees an interaction across other areas within the Entrepreneurial Ecosystem.

7 Reviewing the 5 Key Pillars for Robust Entrepreneurial Ecosystems

Table 4 below outlines a set of key strategic questions that the Ministry of Culture, Youth and Community Development can consider regarding interventions and actions with collaborative partners in addressing the development and facilitation of a robust entrepreneurial ecosystem within the UAE. The possible indicators provided are key performance indicators that are internationally used and have been based on outcomes from the United Nations Conference on Trade and Development.

8 Strengths to Build on

There are a number of strengths that are evident from the international literature review as well as the time spent engaging with youth and key stakeholders within the UAE that are important to look to build upon within the recommendations—these strengths are:

- Emirati Youth are proud to be affiliated or attached to Government.
- A strong entrepreneurial spirit sits within the history of UAE and its fore-fathers.

Table 4 Key strategic questions emerging for each entrepreneurial ecosystem pillar

Entrepreneurial ecosystem pillar	Strategic questions	Possible indicators
Education and training	How can entrepreneurship education and training be made more widespread and easily accessible across the UAE? How can entrepreneurship be embedded within the school curriculum within the UAE? How can the Dubai SME work to broaden their programs to include schools?	<ul style="list-style-type: none"> – Share of secondary schools offering entrepreneurship programmes/extra-curricular activities – Share of technical/vocational schools offering entrepreneurship programmes/extra-curricular activities – Number of annual spin-offs from universities/research programmes
Access to funding	How can UAE banks be influenced to review and address financing products for SME's? What can help to promote more widespread access to seed funding?	<ul style="list-style-type: none"> – Share of microfinance/SME loans in total business loans – Average value of collateral required for SME loans (per cent of loan) – Total VC invested in SMEs – Credit bureau coverage (per cent of adult population)
Tax and regulation	Who is the best agency to lead a review of tax and regulations impacting entrepreneurship across the UAE? (e.g., University IP laws, Bankruptcy Laws, IP rights for creative arts)	<ul style="list-style-type: none"> – Number of procedures to open a business, number of agencies involved – Number of days, cost to start or close a business – Number of days, cost to register a title to property – Timeliness of dispute resolution mechanism: number of days from filing to judicial decision
Entrepreneurial culture	How can parents and family support be integral to the development and next generation of rising entrepreneurs within the UAE? How can Emirati Youth be more involved in the Private Sector to enhance knowledge-sharing and learning opportunities available from successful expat entrepreneurs?	<ul style="list-style-type: none"> – Results of opinion/attitudinal surveys and evaluations following awareness campaigns – Number of business associations devoted to women, youth, rural entrepreneurs, SMEs – Number of formal business start-ups created annually – Survival rates
Co-ordinated support	Who are the best agencies to collaborate in the development of a national entrepreneurship strategy for the UAE?	<ul style="list-style-type: none"> – Number (and occupancy rates) of science parks, technology hubs and incubators – Share of technology-intensive start-ups in total start ups – Share of technology-intensive start-ups with venture capital funding

- There are a number of programs and initiatives across the UAE happening to help provide entrepreneurship education, training, mentoring and knowledge sharing (e.g., include: Tamakkan, Dubai SME, Khalifa Fund, Ruwad and Universities such as ZU, HCT, UAE).
- Working to help address the “Access to Funding” challenges Dubai SME is starting a seed fund for entrepreneurs. Other options include a well functioning but maybe not so well known CrowdFunding sector within the UAE—for examples see <http://zoomaal.com>.
- There are developing links between Chamber of Commerce and Young Business International with a recent agreement signed bringing a wealth of entrepreneurial support to the UAE. Other examples helping to provide entrepreneurial opportunities, support and development include <http://wamda.com>, Startup Weekend Dubai, <https://www.facebook.com/turn8hub>, <http://afkar.me> and the Dubai SME Business Incubation Centre.
- UAE has good support for women with programs such as “Women in Business” and “Women Achieve” currently active in Abu Dhabi and generally leads the MENA region in empowering women.
- The Ministry of Culture, Youth and Community Development have developed a very successful youth engagement process with a network of active youth engaged as YES project advisors across the UAE.

Given these strengths, it is worthwhile mentioning briefly that there are three entrepreneurship contexts, which offer opportunities for the employment, learning and engagement of young people and these include:

- New businesses where young people are the entrepreneurs, responsible for establishing and managing the business;
- New businesses where young people, utilising their particular abilities, are employed by entrepreneurs who may not be young themselves; and
- Social enterprises, which could have either of the above features but where the pursuit of social goals distinguishes them from other businesses.

It is with these entrepreneurship contexts in mind that the following recommendations are made, and in particular, the recommendations range from short-term to long-term activities. Given the analysis conducted on the nine cross-cutting issues on the theme of Entrepreneurship, Innovation and Creativity theme the following key recommendation initiative emerges for the Ministry of Culture, Youth and Community Development.

8.1 Enable and Improve Co-Ordinated Support Across the UAE

Following the entrepreneurial ecosystem key pillars framework applied throughout this report, it is our view that the key pillar which the Ministry of Culture, Youth

and Community Development can make the most significant investments in time and efforts is that of helping to facilitate and enhance Co-ordinated Support across the UAE. The following recommendations are based on this theme of improving Co-ordinated Support and are categorised into Quick Wins (can be completed within a year) and Longer-Term activities (have a 3–5 year time horizon).

8.2 Quick Win Recommendation 1: Collect and Distribute Stories of Successful Emirati Youth Entrepreneurs

One of the noticeable gaps in the consulting engagement was the visible lack of engagement with successful Emirati Youth Entrepreneurs. Given the importance of role models to youth, it is considered an easy quick win to identify a number of successful Emirati Entrepreneurs and engage and involve them in a number of forums which could be video recorded and digitised. These case studies could provide invaluable information to some of the key questions Emirati youth have regarding the journey towards becoming a successful entrepreneur. Indeed working towards the theme of empowerment, the collecting and distributing the stories of successful Emirati Entrepreneurs could be a YES project run by YES advisors and a small team passionate and interested in such a project.

8.3 Quick Win Recommendation 2: Collect and Distribute Stories of Parents Entrepreneurial Wisdoms

The importance of family support to youth entrepreneurship cannot be overstated and on this theme it was clear that there was energy and interest from both the youth and the stakeholders engaged for a series where parents (and grandparents) share on their learnings and wisdoms regarding business and entrepreneurship. Given the network of engaged YES advisors, this project could be another empowerment project where YES advisors and a small team of passionate and interested youth work together with parents to create a series of stories and video's. Taken to the next level this recommendation could see parents engaged and involved as mentors for Emirati Youth. The collection of stories could be the first point of engagement for parents. More on this will be discussed in the longer-term recommendation of facilitating the development of youth led social enterprises across the UAE.

8.4 Quick Win Recommendation 3: Establish a Benchmark on Current Emirati Youth Entrepreneurship

With the Ministry of Culture, Youth and Community Development seeking to make considerable investment and contribution to the Entrepreneurship, Innovation and Creativity theme it makes sense to conduct an initial benchmark of current youth entrepreneurship across the UAE to be able to see what impact and progress has been made in years to come. Currently no known UAE wide benchmark exists for the Entrepreneurial Ecosystem Indicators and Measures. Such a benchmark process could also help to identify what the levels of youth entrepreneurship and interest are within the UAE and what sectors/industries youth are currently attracted to. Couple this benchmark to the next longer term activity recommendation of facilitating the development of a national entrepreneurship strategy and there exists an enabling framework for future entrepreneurial development in the UAE for years to come. We propose that the benchmark include an impact analysis of youth entrepreneurship in the region, and an evaluation including the diagnostic toolkit to evaluate youth entrepreneurship in the UAE. The evaluation is to include priorities of creating jobs for health; most often where youth entrepreneurs employ other youth. This is prominent in start-ups and employment focussed social enterprises.

8.5 Longer Term Activity Recommendation 1: Facilitate the Development of a National Entrepreneurship Strategy

As identified within the local experts recommendations—providing high-level leadership is an important element to the communication required for helping youth entrepreneurship to flourish across the UAE. The Ministry of culture, youth and community development would do well to consider how a national youth entrepreneurship strategy fits within the larger framing of a national entrepreneurship strategy. There is an opportunity for the Ministry to act as a facilitator bringing together and building relationships with the key stakeholders to work towards establishing a national entrepreneurship strategy. The United Nations Conference on Trade and Development provides a strong framework and helpful guidelines for how such a strategy can be developed. This longer-term activity would see the opportunity for the ministry to build and develop relationships with key stakeholders such as the Dubai Chamber of Commerce and the Ministry of Education and others to form a working coalition of partners.

8.6 Longer Term Activity Recommendation 2: Facilitate the Development of Youth Led Social Enterprises Across the UAE

As discussed earlier, entrepreneurship can occur on a spectrum from corporate to social enterprises where social enterprises are focussed on addressing and creating improvements in specific social arenas. One of the best-known and most successful social enterprises within the UAE is that of the Sougha launched by the Khalifa fund.

Sougha's model is interesting for many nuances, including being a reliable platform for skilled Emirati artisan to become entrepreneurs and providing them with essential business know-how and consumer insights. This allows the artisans to use their skills to create non-traditional products, such as iPad cases made of traditional weaves, thus extending the market and consumer scope. Truly, this is an example of a model that is bridging the gap between traditional culture and contemporary needs.

A key opportunity within the UAE appears to be in the development of social enterprises which help to address social and in particular employment opportunities for Emiratis. This is an area where the Ministry for Culture, Youth and Community Development is well positioned to engage and facilitate opportunities for youth. Within the youth recommendations was a theme and passion identified for working to integrate and incorporate entrepreneurship into the education and school curriculum within the UAE. Several International best practice case studies such as Club Kidpreneur and Academy for Young Entrepreneurs provide some working models for social enterprises that work to address bringing entrepreneurial skills for children. Such models could be replicated within the UAE with successful Emirati Youth Entrepreneurs being part of the leadership fabric of the social enterprises with the operations being run and led by Emirati youth.

8.7 Longer Term Activity Recommendation 3: Facilitate the Development of Co-Working Spaces for Youth Entrepreneurs Across the UAE

Finally, the development of co-working spaces for youth entrepreneurs is in its infancy within the UAE. With the cost of working space being a barrier for many SME's and young entrepreneurs within the UAE, international best practice examples such as the HUB Australia have shown significant benefits in innovation and sharing for entrepreneurs. With the Ministry for Culture, Youth and Community Development having access to a community centres across the UAE, there is an opportunity to consider how these valuable resources could be used to provide co-working spaces for youth entrepreneurs with potential for events and other gatherings aimed to support entrepreneurial activities.

9 Conclusion

This chapter has provided insight into the key perspectives from local experts, Emirati Youth engaged through youth forums and also conducted an international literature review identifying best-practice examples and key guiding principles for the theme of Entrepreneurship and the development of a national system of entrepreneurship in the UAE. Through consideration of all these elements, as well as the specific and unique role that that the Ministry of Culture, Youth and Community Development plays within the UAE ecosystem the report has provided a list of key recommendations focussing on quick wins and longer term activities to help youth entrepreneurship to flourish within the region. Given one of the key drivers identified being the government having reached carrying capacity for jobs for young Emiratis, the majority of the recommendations provided within this chapter provide good opportunities for not only social enterprises which can create job opportunities for youth, but also work to engaging youth in solving the problem collaboratively.

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Female Micro-Entrepreneurship: The Key to Economic Growth and Development in Islamic Economies

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1 Introduction

Despite an “Arab Spring” that eliminated authoritarian regimes and made some gains for democracy, the future of political freedom in these nations and the Muslim world as a whole is endangered by a lack of economic growth and development. Entrepreneurship is a key factor in the process of economic growth and development (Carland et al. 1984; Gnyawali and Fogel 1994; Hisrich and Peters 1991; Ramadani et al. 2015a). Differences in entrepreneurial behavior among societies account for different rates of growth and development; societies that foster enthusiastic entrepreneurs can accelerate their growth and development, while societies that do not lag behind (Brockhouse 1982; Ramadani 2015; Ramadani et al. 2013; Terjesen and Ratten 2007). A standard critique of planned socialist economies is that they lack incentives for entrepreneurship, and thus fail to stimulate growth and development (Zapalska and Fogel 1998).

Like socialist but unlike capitalist systems, an Islamic economic system discourages material gain as a primary motivation, restricts the private ownership of income-producing property, and prohibits the accumulation of wealth through compound interest (Ahmed 1998, 2006). Since successful capitalist economies rely on these mechanisms, such restrictions appear to be major barriers to economic growth and development for Islamic economic systems. This criticism, however, ignores Islam’s positive view of entrepreneurship. Believers in these countries can follow the Quran and still make a profit. The Quran requires that a share of this

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profit be given to the poor, so entrepreneurship provides aid to the poor in Muslim communities. Islam rejects material gain as the primary motivation for economic activity, but unlike socialism it understands gain by individuals as the key means to the ultimate end of economic activity: an equitable social order free of starvation, poverty, disease, and illiteracy (Rodinson 1966). While Islam's prohibition on compound interest (Dana 2009, 2010) and restrictions on profits generated from property ownership make it more difficult for small businesses to raise capital, they arguably make entrepreneurship significantly more important to Islamic economic systems than to capitalist economic systems; they leave entrepreneurship as the sole method for achieving both individual economic security and the social goals of Islam.

This paper compares an Islamic economic system to capitalist and socialist economic systems, focusing specifically on property rights, incentive mechanisms, interest rates, decision-making structures, and mechanisms for information and coordination. Islamic entrepreneurship has received little attention; recognizing the role of entrepreneurship in Islamic economies is crucial for growth and development. The paper examines the theoretical foundations of Islamic entrepreneurship, and explores ways entrepreneurship can stimulate economic growth and development in predominantly Muslim nations.

As Western democracies seek to help Muslim nations that have thrown off authoritarian regimes, understanding entrepreneurship in Muslim economics is crucial. The "Arab Spring", after all, began due to the frustrations of an entrepreneur: A young Tunisian street vendor named Mohamed Bouazizi could not pay the bribe demanded by a government official and set himself on fire at the Governor's office. Today, scores of young men line up every day at the same office to apply for nonexistent work (Wright 2011). University-level graduates' unemployment rate in Egypt has risen to 36% while 47% of young Egyptians aged 20–24 are unemployed, more than when Mubarak resigned (Ehab 2012). Traditional solutions to unemployment, such as short-term aid or government-funded jobs, reinforce the corrupt patronage-based systems these nations are seeking to overcome. Instead, developmental assistance should focus on entrepreneurship, which is not only consistent with political freedom and democracy, but also crucial to the success of the Islamic economic system.

Building a new class of micro-entrepreneurs should be an important element of economic development in Muslim nations. Empowering Islamic women and increasing their entrepreneurial skills will stimulate economic development. The role of female entrepreneurs in development should not be underestimated as women can be fully independent and contribute to the welfare of the Islamic economy. Female micro-entrepreneurship in developing countries creates greater investment levels in families' education and health than male-headed enterprises (Nichter and Goldmark 2009). This paper provides a model of Islamic entrepreneurship, with an emphasis on females. Female entrepreneurship within Islam is a different phenomenon from male entrepreneurship, due to different religious and cultural expectations.

The paper also emphasizes micro-financing as a means for Islamic women to establish micro-enterprises. The Grameen Bank—the best known micro-finance

organization in the world—was developed almost entirely (over 95 %) with poor female entrepreneurs in the Muslim country of Bangladesh (<http://www.grameen-info.org/about-us/>). Our paper also stresses those elements of micro-finance that are consistent with Islamic banking, in promoting micro-entrepreneurship, innovation, and risk-sharing among the poor. Islamic banking has not adequately addressed the needs of the poor and micro-entrepreneurs (Akgunduz 2009; El-Gamal 2006). Islamic micro-finance is a missing component of Islamic banking. With micro-financing, Islamic banks can finance female micro-entrepreneurs, leading to long-term growth.

2 The Characteristics and Classification of Economic Systems

An economic system is the organizational arrangement a society uses to make decisions on resource allocation, and to address the basic economic problems of what is produced, how it is distributed, and who is involved in the process. In satisfying their wants, economic agents interact, both individually and through organizations. An organization, in turn, develops its own structure, shape, and mode to allocate resources, according to the principles of that economic system. Governments and laws further codify the nature of the economic system, which is governed by a specific set of rules and laws. Different viable economic systems can co-exist in the same time and place, each with its own laws and rules.

Distinguishing one economic system from another requires comparing the fundamental elements of each system. Gregory and Stuart (2004) provide a method of addressing the key characteristics of an economic system using four fundamental elements of any economic system: the decision-making structure, mechanisms for information and coordination, property rights, and incentives. The first characteristic of an economic system focuses on the *organization of decision-making* by economic agents, including the government. Economic systems can be classified according to the different degrees of centralization used in this process.

The second characteristic of an economic system is its *mechanism for information and coordination* of these decisions. What process do consumers, producers, and governments use to make decisions as to consumption, production, and distribution? Gregory and Stuart (2004) identify three coordinating mechanisms: *the market*, which operates through its price-signaling device; *the plan*, which operates through its physical quota and target system; and *tradition*, which operates through its reliance on custom and the status quo. Each mechanism makes its own assumptions about human behavior and establishes its own economic objectives.

The third characteristic Gregory and Stuart (2004) use to distinguish economic systems is that of *property rights*; who is entitled to own what. Ownership can take a number of forms: private, public, or cooperative; ownership affects income distribution and decision-making.

The fourth characteristic of an economic system focuses on how it employs *incentives*, which can be either private or collective, and either material or moral. Collective material incentives reward individuals materially while promoting a sense of social solidarity, rather than competition and individualism; firm-wide profit sharing is an example. Private material incentives reward an individual's economic behavior with a greater share of output; a higher individual salary is the obvious example. Moral incentives promote a sense of self-sacrifice and concern for the general good. The use of moral incentives assumes that social approbation can be as important as material goods in motivating economic performance.

While economic systems can be categorized according to these essential features, no economy matches the "ideal type" defined by each category. Economies are significantly shaped by factors such as the level of economic development, religious and cultural factors, and the environment. The terms "capitalist" and "socialist" refer to a variety of economies, none of which perfectly matches the ideal of capitalism or socialism, but which share enough elements to justify inclusion in one or the other category. The differences between the various systems are central, and form economic behavior. While discussing the three general types, we need to remember that they are ideal classifications, not descriptions of particular economies.

Since Islam is a religion, not an economic philosophy, Islamic economies vary even more than capitalist or socialist economies. Islam is consistent with a variety of economic philosophies, and can thus be instantiated into a wider variety of economic structures than capitalism and socialism. Because different societies have different visions of what it means to have an Islamic economic system, there is even greater variety among Islamic economic systems than among capitalist or socialist economic systems. Despite this variety, one may coherently speak of an "Islamic" economic system, one that strives to produce and allocate resources according to Islamic principles. Under this description, not every predominantly Muslim nation has an Islamic economic system; the economy of Turkmenistan, for example, is predominantly socialist, while Singapore's system is, broadly speaking, capitalist. Most predominantly Muslim nations, however, have economies that are better categorized as "Islamic" than as "Capitalist" or "Socialist."

3 Islamic, Capitalist, and Socialist Economic Systems

Table 1 compares the Islamic system to Capitalism and Socialism. As the table illustrates, capitalist economies assume that individuals are primarily motivated by material incentives. In Western capitalist economies, people motivated by maximizing profits strive to acquire wealth through entrepreneurship, acquiring properties not only for own-use but to generate income, and building wealth through reinvested dividends or compound interest. The main contrast with the capitalist system has been the state-run economy of socialism, which assumes that people are not motivated by material gain, but by a desire to improve society. Socialist

Table 1 The classification of economic systems by Gregory and Stuart

	Capitalism	Planned socialism	Islamic system
Decision-making structure	Primarily decentralized	Primarily centralized	Decentralized and some centralized
Mechanisms for information and coordination	Primarily market	Primarily planned	Market and government coordination
Property rights	Primarily private ownership	Primarily state ownership	Private and state ownership
Incentives	Primarily material	Primarily moral and secular	Primarily moral and religious

Source: Gregory and Stuart (2004)

economies reject private ownership of property in favor of state ownership, and reject the accumulation of wealth through compound interest (Siddiqi 2004).

Table 1 shows that an Islamic economic system has some of the essential features of both a capitalist system and a socialist system, and some features unique to it. In terms of its Decision-making structure, Mechanisms for Information and Coordination, and Property Rights, the Islamic economic system occupies a middle ground between capitalism and socialism. It allows for more decentralized decision-making than a socialist system does, but a greater level of centralized economic decision-making than observed in a capitalist system. Similarly, Islam permits a greater range of market activities than socialism, but subjects those activities to more governmental oversight than capitalism. While capitalism relies on private ownership of the means of production and socialism relies on state ownership of the means of production, Islam advocates a mixture of both. An Islamic economic system is not just a blend of capitalist and socialist elements, however; it has its own unique characteristics.

These characteristics are perhaps most evident in the Islamic view of incentives. Like socialist economies, Islamic economies assert that people should not be motivated by material gain; unlike socialist economies, Islamic economies see this as a religious imperative, as a part of the greater responsibility of serving God. The fact that Islam conceives of the material improvement of society as a religious duty, binding upon each Muslim as well as on governments, gives individual wealth accumulation a greater role than in socialist economic systems. Unlike socialism, which sees the material improvement of society in general and the poor in particular as primarily the responsibility of government, Islam believes that the improvement of the material conditions of society in general and the poor in particular is both a governmental and an individual responsibility. If individuals are to have enough to give to the poor to improve their condition, then individuals must be allowed to accumulate wealth; since entrepreneurship is one of the few ways to wealth accumulation within an Islamic economic system, it plays a particularly key role.

4 The Islamic Economic System

The four characteristics developed by Gregory and Stuart and used in Table 1 show that the Islamic economic system can range from a free market to a planned economy. A closer look at each of these characteristics, however, reveals that Islamic markets differ from capitalist markets, and an Islamic planned economy is very different from a socialist planned economy.

4.1 *The Organization of Decision-Making Arrangements*

Numerous references demonstrate that arrangements regarding who should make decisions and how decisions should be coordinated, are a crucial feature of an economic system (Birley and Westhead 1990; Hisrich and Peters 1989). Islamic economic decision-making is subject to two types of centralized command: those based on fixed or rigid orders from God, and those which, while based on fixed or rigid values, allow for flexibility regarding methods of promoting those values.

Under the first type of centralized command, individuals have the freedom to make decisions only within the fixed and eternal orders of God. In contrast to a centrally planned system, where directives from state leadership are subject to change, in the Islamic economic system certain commands are fixed, rigid, and eternal. In this sense, the economic system of Islam is a permanent command economy in areas like the prohibition on eating pork, drinking alcohol, or charging compound interest. The second type of centralized command is moral or ethical in nature. The freedom of choice of the consumer and the producer is restricted not only by the obligations discussed above, but also by Islam's elaborate value system.

Islam encourages government intervention to ensure compliance with God's orders and the values of Islam. Providing Islam's first-order priorities are fulfilled, competitive markets are the primary coordinating mechanism of the Islamic economic system. Many general guidelines and strategies for decision making can be found in the primary sources, which guarantee a free market under normal conditions (Carland et al. 1984; Krueger and Brazeal 1994a, b).

A consensus exists even among the most radical and most moderate writers on Islam that profit making is a legitimate feature of the Islamic economic system; Islam imposes no restrictions on profit, as long as it is legally acquired (Qutb 1953; Esposito 2011). The main Islamic mechanism for promoting the welfare of the poor—the *zakat* which requires each Muslim to give 1/40th of his possessions to the poor each year—assumes that people can make *zakat* payments large enough to improve the lot of the poor significantly. Furthermore, the fact that Muhammad himself was a merchant who married into a wealthy trader family and continued to make profits for his family even after he had become a prophet reflects the generally positive attitude of Islam towards profit-making (Lingis 2006; Esposito 2011). This contrasts with Medieval Christianity, which saw profit-seeking trade not as

absolutely prohibited, but as “. . .justly deserving of blame, because, considered in itself, it satisfies the greed for gain, which knows no limit and tends to infinity. Hence trading, considered in it, has a certain debasement attaching thereto. . .” (Aquinas 1920: Summa Theologica, Q. 77, Article 4).

4.2 The Mechanisms for Information and Coordination: Market Mechanism

Islam places permanent restrictions on the exchange of certain goods, such as wine, pork, gambling instruments, icons, gold or silverware, and musical instruments (Zubair 2002). Subject to these restrictions, however, Islam accepts the market as the basic coordinating mechanism of its economy. Islam prohibits price fixing by buyers or sellers and encourages competition. Under perfect competition, the market allows consumers to obtain and producers to sell what they want at a mutually acceptable price, without coercion. This contributes to the welfare of both and of society in general.

Islam, however, allows a wider range for governmental coordination than does capitalism (Rodinson 1966). The market epitome of Islam is characterized by free information and no discrimination. Producers are expected to inform consumers of the quality and quantity of goods they are selling (Qutb 1953: 147). Islam therefore prohibits any type of fraud, sellers’ preference, or bribe, as well as monopolies on items necessary for life, and encourages government intervention to prevent these practices. In laissez-faire models of capitalism, by contrast, vigorous competition alone is enough to weed out such practices (Friedman 1962). In addition, Islam places significant restrictions upon the money market; most notably, both the Quran and the hadith ban interest (Quran 3:130). Different Muslims interpret this ban in different ways—some assert that Islam only bans compound interest but allows simple interest, while others assert that Islam bans interest altogether—but the consensus is that Islam at least prohibits compound interest. While different predominantly Muslim nations apply this ban in different ways (or ignore it altogether), even Muslim nations that do not make it illegal to charge compound interest acknowledge that devout Muslims should not charge it.

Islam’s ban on compound interest reflects a concern for economic justice and the poor. Allowing compound interest favors the rich and disadvantages the poor; those who have money receive compound interest on their loans, while those who need money must pay it. If the rate of interest is higher than the overall rate of economic growth—as it often is, due to risk premium—then those whose income is mostly from interest; i.e., mostly rich families and institutions, will tend to accumulate an ever greater share of the economy (Piketty 2014). This ban on compound interest also reflects the Islamic view that economic benefits to individuals should arise from productive activity. Receiving compound interest on deposits and loans allows one to make money without contributing to productivity. According to the Quran,

the purpose of money is to facilitate the exchange of goods and services; using money to make money is contrary to this purpose and thus to the will of God (Quran 2:275–276). The ban on compound interest, then, is not a ban on profit-making *per se*; it is intended, rather, to encourage profit-making through productive economic activity. Compound interest is banned precisely because it severs the connection to productive activity, allowing wealth to grow for idle rentiers (Qutb 1953: 149–150). Ancient Judaism and medieval Christianity also banned the charging of interest, at least to those of one's own faith (Aquinas 1920: Summa *Theologica*, Question 78, and Leviticus 25:37), for similar reasons: it involves “profit without any work” (Fifth Lateran Council, Session 10, 1515). These prohibitions are ignored by most Christians and Jews today; while the Catholic Church still forbids ‘usury’ (Code of Canon Law c2345), it defines ‘usury’ as the charging of *excessive* interest, not merely the charging of interest or compound interest *per se*, and even the Vatican uses interest-bearing financing. Some Muslim scholars, such as Muhammad Abduh, Rashid Rida, Syed Ahmad Khan, and Yusuf al-Qaradawi, argue that Islam does not forbid interest, and that the Arabic term *riba* refers only to excessive interest (Siddiqi 2004: 55–56). Nearly all Muslims, however, believe the Quran forbids interest, not merely excessive interest.

In the Muslim world, the controversy is not between interest and usury (both of which Muslims see as *halal* or prohibited), but between two kinds of financing: *mudharabah* and *murabah*. “Mudharabah” (profit sharing investments) are similar to venture capital investments: one party invests capital, the other invests time and energy, and both share the profits and the risks. “Murabahah” (quasi-interest loans), on the other hand, are similar to collateralized loans or rent to own agreements: the ‘lender’ buys productive capital for the ‘borrower’ to use; after a fixed period, the ‘borrower’ purchases the productive capital from the ‘lender’ at a previously agreed-upon and higher price. Obviously this is very much like a collateralized loan, with the higher repurchase price the equivalent of interest. The interest is, however, not compound, so the indebtedness cannot increase without limit; the ‘lender’ is not compensated for the time value of money outside the specified term, and thus cannot charge additional interest for late payments.

Some Muslim authorities wish *murabahah* to be banned, since it is interest-bearing in all but name (Rosser and Rosser 2004: 106–107). *Mudharabah* are heavily restricted in the Muslim world, particularly in many Arab countries, which tend to be more culturally and religiously conservative. These restrictions on *murabahah* create barriers to entrepreneurship, and are correlated with a lack of economic development in the Arab world. The United Nations’ Arab Human Development Reports (UNAHDR 2005) has noted that, while GDP growth for Arab countries has been higher than for the world as a whole, that rate has been declining since the 1970s (UNAHDR 2002: 85–86). Given its income, this region’s level of human development—as defined by education, civil rights, and women’s status—is less than one would expect. Thus the UNAHDR notes that “The Arab region might thus be said to be richer than it is developed with respect to basic human-development indicators. . . .” (UNAHDR 2002: 26).

The problem with this ban on *murabahah* is that, in both capitalist and Islamic economic systems, small and medium enterprises (SMEs) are far more likely to obtain capital through interest (or quasi-interest) bearing loans, rather than through profit-sharing or equity investment. The US Federal Reserve (2014: 14) estimates that only 7% of SMEs get equity financing from a source outside of friends or family; the rest rely on interest-bearing loans. Similarly, in fairly liberal Indonesia (the world's largest Muslim country), banks made *murabahah* (quasi-interest loans) 3 times more often than *mudharabah* (profit-sharing investments) from 2005 to 2011; in the last year, *murabahah* loans were nearly 5 times as common (54 versus 11%) as *mudharabah* investments (Ajijja et al. 2012, Table 2).

It is easy to see how investors have incentives for preferring *murabahah* loans over *mudharabah* investments. It is virtually impossible for an investor to monitor many small, personalized, informal businesses. A capital provider will generally prefer a legally binding loan at a guaranteed rate to an investment in future profits that are not guaranteed and may not be revealed. These basic incentive problems with equity financing are widely discussed among Muslim economists (Ajijja et al. 2012: 15–17). These restrictions on *murabahah* create barriers to entrepreneurship, and thus to economic development, in conservative Arab countries. These barriers are compounded by the low incomes, low productivity, and lack of female economic participation in Arab nations.

- Arab economies have an unusually large portion of self-employed people (World Economic Forum 2011: 9), so by this measure entrepreneurship would seem to be high. Throughout the world, however, for both men and women, the frequency of start-ups follows a U-shaped pattern as we move from Low to Middle to High Income countries—the highest incidence occurring in Low Income countries (Minniti 2010, Fig. 2). Most of these Low Income country start-ups, however, are poor people just struggling to meet basic needs, rather than rapidly growing businesses.
- The productivity of SMEs in Arab countries is extraordinarily low, more so than their incomes would indicate. On average, countries classified as a Middle Income by the World Bank get 54% of their employment and 50% of their GDP from SMEs; High Income countries get more and Low Income countries get less. Egypt, Saudi Arabia, and the UAE, however—the first a Middle Income and the latter two High Income countries—get no more than 42% of their employment and 33% of their GDP from SMEs, putting these countries in the range of Low Income countries. This is why the UN Arab Human Development Report says “the Arab region [is] richer than it is developed . . .” (UNAHDR, 2002: 26). Saudi Arabia is a particular outlier. Despite its wealth, only 25% of Saudi employment is from SMEs, well below the mean for even a Low Income country (World Economic Forum 2011: 7).
- Arab countries have the lowest rate of female economic participation (as workers or managers) of any major region in the world (UNAHDR 2005: 88). Rates of female entrepreneurship are also low—despite the fact that over

80% of the Arab public says that women should have equal rights in owning assets or managing a business (p. 90).

The good news is that there is a rapid rise of female economic participation and entrepreneurship in the Arab and wider Muslim world (UNAHDR 2005). Similarly, there has been a rapid rise of *murabahah* (quasi-interest) funding for small businesses in the Islamic world (Ajija et al. 2012). Ajija and her co-authors emphasize a tradition within Islam that sees *murabahah* as religiously well-founded, avoiding the unequal and usurious excesses of compound interest, and appropriate for SME funding (2012: 27–29). Endorsing the *murabahah* form of quasi-interest funding, in other words, does not mean interest-based financing needs to be unrestricted. In fact, following the global financial crisis of 2008, there has been growing concern that “financial deepening”—the ratio of financial income to GDP—can rise to levels that damage economic growth and stability (Wolff 2015; Sahay et al. 2015) because highly ‘leveraged’ investments with borrowed money increase financial fragility. Thus, in limiting the growth of interest-based income, the Islamic *murabahah* system may have an advantage over Western finance, and its recurrent problem of runaway debt.

Obviously, encouraging *murabahah* financing will help stimulate Islamic entrepreneurship, and thus economic growth and development. Conservative Arab nations that restrict *murabahah*, however, are unlikely to change their policies as a result of international pressure, even if these policies restrict their economic growth and development. Since these countries also contain a disproportionate percentage of the Muslim world’s poor, economic development efforts cannot ignore them. Conservative Islamic economies that severely restrict or even prohibit *murabahah* quasi-interest financing should compensate by ensuring that *mudharabah* equity financing is well supported—in moral, cultural, political, and financial terms. Only thus can *muharabah* financing overcome its inherent disincentives—ones that impede SME entrepreneurs in the Muslim world. As we discuss later, this will open up the prospect for “micro-investments” even in nations where “micro-loans” are prohibited by the ban on interest. From the successful trader Muhammad and his merchant wife Khadifa, Islam should embrace entrepreneurship.

4.3 Property Rights

Islam’s concept of property ownership is based on God’s absolute, natural, and divine right of possession of all that is on earth (Quran 2:284; 16:73, 57:71; Qutb 1953: 132). Real ownership belongs to Allah; humans hold property in trust, in accordance with established rules. Acquisition of property and its use are subject to limits; humans cannot become absolute owners, since ownership of all things (including humans themselves) belongs to God. As long as humans remain worthy of God’s trust, we have the right to enjoy the use of God’s property. Besides private

property, Islam also promotes a concept of public ownership. Public property in Islam refers to those natural resources created by God to which all men have an equal right; individuals may use such resources according to their needs. Each individual's right of use is legitimate as long as it does not undermine the equally valid right of others; the Islamic state should ensure that it does not. Some writers argue for social ownership of land and other natural resources, confining private property to articles of consumption (Carland et al. 1984; Chen et al. 1998; Daily and Dollinger 1992).

Unlike socialism, Islam generally allows individuals to use property to earn income; unlike capitalism, it places restrictions on the accumulation of wealth through income-producing property. The Quran and Hadith encourage landowners to limit rents to a tenant's share of the time expected-value of a property and the cost of maintaining it, effectively discouraging rental income as a source of profit. They discourage absentee ownership, a policy some Muslims extend to ownership of corporate stock by those who do not work for the corporation.

Like the ban on compound interest, restrictions on wealth from income-producing property reflect Islam's concern for the poor and its view that profit is legitimate only when it results from productive economic activity. Allowing profit through rental income, absent-landlord rentals, and ownership of corporate stock favors those who can afford to own income-producing property and stock. Profits earned through rents that exceed the cost of preparing and maintaining one's property are, in effect, profits without productive economic activity, "economic rents" in the strict sense. Likewise, profits earned from ownership of corporate stock in companies one does not work for are, in effect, profits earned by doing nothing. Like compound interest, these sources of profit involve using money to make money, and thus are contradictory to the purpose of money—to facilitate exchange (Knight 1921; Rodinson 1966).

4.4 Incentive System

Theoretically, what distinguishes the Islamic incentive system from other systems is the absence of immediate private material gain as the reward for desirable acts. Islam presents securing the pleasure of God as the principle motivation for economic activity (Quran 42:36, 62:11). Acts pleasing to God can include self-satisfying activities, if conducted with the intention of serving God according to His law. A successful and devout entrepreneur will be rewarded in this world as well as the hereafter. Individuals are born materialistic and greedy and must be reborn as compassionate, giving, and generous servants of God who by proper service will be rewarded in the future. The importance of this spiritual incentive system is to benefit and enrich all members of society at the cost of forgoing gain and reducing one's own private interests. This spiritual incentive system penalizes a "respectable Islamic man" in the short-run by decreasing his material wealth, but rewards him in the long run by increasing his material means, as well as by

redemption and eternal happiness in the afterlife. Islam condemns material preoccupations as an ultimate goal, but attaches great importance to them as a means of improving society and attaining salvation in the life to come.

While Islam rejects private material gain as the primary reward for economic activity, it does not discourage economic enterprise (Dana 2009; Ramadani et al. 2015c). Individuals, whether males or females, are encouraged to be productive through agriculture, trade, commerce, and industry (Quran 62:10). What is crucial in Islam, however, is the motivation, the ends of economic activity (Zapalska 1997; Lansberg et al. 1998; Taylor 1997). These ends may be individual or social. Legitimate individual ends include the fulfillment of personal needs and those of the family; it is an obligation to earn the minimum essential for subsistence. Saving to provide for the future and the desire to leave an inheritance are also recognized as proper ends of productive effort (Hannan and Freeman 1997; Brown 1991; Gnyawali and Fogel 1994) but moderation in fulfillment of these needs is emphasized. Moderation is generally understood with reference to the negative concepts of luxury, indulgence, and expenditure on goods and services prohibited by Islam. Islam does not tolerate conspicuous consumption and condemns indulgence in luxurious living and the desire to show off.

Writings on Islamic economic enterprise attribute great importance to social ends; Islam states that the eradication of hunger, poverty, disease, and illiteracy, strengthening the Islamic state and spreading the message of Allah are the primary aims of individual economic activities. An entrepreneur who engages in productive activities for these purposes is doing God's will and is promised rewards here and "hereafter" (Quran 4:95). Islam proposes extremely ambitious social goals to take the place of private material gain as the motive for economic activity and it sees these social ends and goals, rather than immediate private material gain, as the right incentives for entrepreneurs. Islam strives to abolish hunger, poverty, disease, and illiteracy, and to develop effective governments within a worldwide community of believers and entrepreneurs who live within the ethical norms developed and supported by Muhammad. Attaining these goals demands not only just distribution, but the production of enough goods and services to enable individuals to contribute to these demanding social goals, while satisfying personal and family needs. The Islamic rejection of immediate private material gain as the proper incentive for economic activity does not result in reduced overall incentives.

5 Entrepreneurship, Microfinance, and Economic Development and Growth in Islam

Islam is based on revelations received in seventh-century Saudi Arabia by the Prophet Muhammad, who was a very young and successful entrepreneur prior to becoming a prophet. He gained knowledge of business in childhood, when he assisted with the business of his uncle, Abu Talib (Mohd Dali et al. 2008). Business

and trade was a part of the Arab community's economic activities before the arrival of Islam. The Arabic word *Islam* means "submission," reflecting the faith's central tenet of submitting to the will of God. The Prophet Muhammad strongly disapproved of corruption, dishonesty, fraud, or exploitation. His accomplishments as an entrepreneur encourage Muslims to work hard, and his character in entrepreneurial activities serves as a model for Muslims today (Lingis 2006).

Entrepreneurship is a determining factor for economic growth and development; if it is not advanced and supported, even abundant resources will be misused. Economic development can be accelerated by enhancing micro-entrepreneurial talents. Micro-entrepreneurship is a key variable which links socio-cultural elements with the level of economic growth and development of a country and transforms physical, natural, and human resources into production possibilities (Schumpeter 1934). Islam, which has nothing against profit, considers entrepreneurship a form of worship that brings Muslims closer to fulfilling their faith. Starting new businesses and creating employment opportunities is a form of honoring Allah (Ahmed 1998).

In contrast to capitalism, Islam assumes that every business should be undertaken not for material rewards but to please Allah. The Quran speaks in favor of free trade as long as it is consistent with Islamic ethics and does not exploit others. The Islamic entrepreneur is expected to be trustworthy, honorable, and beyond self-interest (Ahmed 1998). However, Western economists generally argue that Islam's rejection of private incentives, its ban on compound interest, and its restrictions on income-producing property inhibit entrepreneurship; they thus emphasize the need to reform these elements of an Islamic economy (Commins 1990). Muslim economists, by contrast, focus on development of state coordination and intervention, rather than policies to promote entrepreneurship (Abbasi and Hollman 1993), arguing that their governments do not contribute enough to economic development. A focus on entrepreneurship, however, can stimulate growth within the Islamic economic system while leaving individuals with primary responsibility for economic development, and giving the state only a minor role.

Islam establishes a strict code of conduct for Muslim entrepreneurs, which prohibits dishonesty, fraud and deception, coercive practices, and gambling. Entrepreneurs should not be involved with hoarding, speculation, collusion or any business activity that is against the interests of consumers. Every entrepreneur is expected to operate within Islamic norms and rules, to help their Muslim brothers, and to foster the development of the Muslim nation (Qutb 1953: 147–148). Societal prosperity, not the entrepreneur's profit, must guide entrepreneurial decisions; the Islamic entrepreneur must go beyond satisfying his basic needs and personal interest. The fundamental capitalist principle of self-centered wealth creation (Smith 1776; Schumpeter 1934) has not been embraced for Islamic entrepreneurial activity. In contrast to the capitalist model, Islam sees these restrictions as inherent in the purpose of entrepreneurial activity. A capitalist entrepreneur whose primary motive is personal profit will seek ways to overcome restrictions on hoarding, speculation, collusion, and monopolies. A Muslim entrepreneur, by contrast, whose primary motives are the social goals of Islam and eternal salvation, accepts

Table 2 Household income inequality by Gini coefficient, regressed on income per-capita (PPP) and percent of population that is Muslim

Dependent variable	Income Gini coefficient			
R square	0.2105			
Adjusted R square	0.1992			
Standard error	8.1745	<i>P-value</i>		
F-statistic	18.6591	6.550E-08		
Observations	143			
	Coefficient	Std. error	t Stat	P-value
Constant	45.3276	1.197	37.882	1.847E-75
% Pop. Muslim	-0.0738	0.019	-3.829	1.937E-4
GDPpc (PPP)	-0.0003	5.271E-05	-5.679	7.546E-08

Sources: World Bank (2015)

these restrictions as essential (Zubair 2002). Overall, Islamic society shows a positive attitude towards economic enterprise and socially oriented rights of ownership. Entrepreneurs can cooperate with one another in production and exchange. This view of cooperation does not rule out free and fair competition, provided agents adhere to Islamic morality. Competition is emphasized against monopoly, the elimination of which is seen as a prerequisite to fairness and growth (Zubair 1983). Collaboration is necessary for entrepreneurs to derive innovative solutions that go beyond the traditional, and to serve as key vehicles for transformation, innovation, and economic growth (Austin and Reficco 2009; Kuznets 1955).

Predominantly Muslim countries have unusually equal distributions of income. The regression in Table 2 uses data from a Pew Report on worldwide Muslim populations (Pew Research 2011), and World Bank data (2015) on both GDP per capita (in 2011 US Dollars, as adjusted for Purchasing Power Parity), and the Gini Coefficient on household income—the most widely-used measure of inequality. This Gini measure falls with GDP per-capita. Even after accounting for that correlation, however, the effect of greater Muslim Population on Income Inequality is also negative and highly significant. To put it in ordinary language, the more Muslim a country is, the more equal its income distribution is likely to be, given its GDP per capita.

Some important Muslim countries (such as Saudi Arabia) are missing, due to their lack of distributional data. Our regression makes use of the latest data, but it is only cross-sectional, with just two independent variables. It can tell us nothing about time trends, the direction of causality, or missing variables, and may thus overstate the importance of both variables. It is not our purpose, however, to undertake a serious econometric study of this issue. We have found few such studies; Ahmad (2000) has a related Ph.D. dissertation, but using dummies for “Muslim” and “Non-Muslim” countries—not percentage of Muslim population—he finds no significant coefficient. Our purpose, rather, is to show that one cannot lightly dismiss Islam’s claim to foster a more equal distribution of income than a

comparable capitalist economy. The relationship between religion and income distribution is complex, but there is some evidence that Islam helps push that distribution in an egalitarian direction.

Capitalism and socialism have never seen social justice (or income distribution) and economic growth working together easily. Capitalism tends to subordinate social justice to economic growth, while socialism does the opposite. Each assumes that achieving its primary goal will precede and facilitate the accomplishment of the secondary goal. Today, the main critique of capitalism remains its lack of social justice, while the critique of socialism remains its poor economic growth. In asserting that social justice and economic growth are complementary, Islamic economic theory provides an important alternative to capitalist and socialist views (Zubair 1983). Interestingly, a comprehensive World Bank meta-survey (Ferreira et al. 2014), incorporating hundreds of earlier studies, shows that income growth is likely to be positively associated with income equality—equality of both results and opportunities.

Just as Islam promotes a positive attitude towards entrepreneurship, so it promotes a positive attitude towards economic development and growth as long as they occur within the limits set by the Quran and hadith. The restrictions Islam places upon some means to economic growth, such as its ban on compound interest, increase the importance of entrepreneurship, which is not only unrestricted but actively encouraged. Today, entrepreneurial ventures are the main player in the domestic economies of many Muslim countries. Islamic entrepreneurs contribute to capital formation, fairer income distribution, employment creation, poverty reduction, rural development, industrial development, and export growth (Gray et al. 1996). For low income households in rural areas, entrepreneurial firms have assumed a significant role as engines for the rural economy and community's sense of well-being (Tambunan 2009).

For centuries, the Muslim world has practiced Islamic banking, fostering trade, micro-entrepreneurial activities, and the development of credit. Islamic banking, with its emphasis on risk-sharing, is compatible with the needs of micro-entrepreneurs; providing Islamic banking to the poor ultimately fosters economic development and growth. Other important principles of Islamic banking establish clear individual rights and duties, property rights, and the sanctity of contracts covering capital formation, capital markets and various types of financial intermediation (Rahman 2007; Wilson 2007).

According to Wilson (2000), micro-financing for the poor has not been well developed in Islamic countries; most Islamic banks do not provide access to financing for the poor or to women. Historically, the Prophet Muhammad came from poverty but became a successful trader for many years before he was a prophet. This was mainly due to the microfinance capital provided by a wealthy widow, Khadijah, herself a successful merchant who later became his wife (Akgunduz 2009). Microfinance is a critical component of Islamic banking services that promotes entrepreneurship and risk sharing among the poor. Micro-loans have proven to be an effective method of stimulating economic development among the

poor, and have gained support since Muhammad Yunus won the Nobel Peace Prize in 2006 for pioneering the use of micro-loans through his Grameen Bank. While micro-loans are effective at eliminating poverty, their application in some areas in the Muslim world is limited because they involve interest-bearing loans.

Ahmed (2002) argues that micro-investments work better than micro-loans in Muslim countries. As noted above, micro-investments are more acceptable in conservative Arab nations, while retaining features that have made micro-loans successful. As a business partnership where one or more partners contribute money and the others contribute labor or other productive inputs (Wilson 1980, 2007) such trusts are common in the Muslim world. Collectivized repayment systems have proven to be effective in encouraging a high rate of repayment on micro-loans (Ruef 2010). The fact that micro-loans are almost always issued to single individuals limits their ability to stimulate businesses that employ others (Surowiecki 2008). Micro-investments, by contrast, may be made to entrepreneurial groups seeking to develop businesses to employ individuals outside of the group itself. Micro-loans have proven to be an effective method for getting capital to women in particular; about 96% of the loans made by the Grameen bank went to poor women (El-Gamal 2006). Micro-investments also help women disproportionately, since women tend to prefer forming entrepreneurial groups rather than being individual entrepreneurs, more so than men (Ruef 2010). For these reasons, policies that focus on stimulating entrepreneurship through micro-investments are likely to increase the economic status of Muslim women more effectively than other approaches.

6 Islam, Gender, and Entrepreneurship

According to the World Economic Forum (2012), women around the world are increasingly accepted as equals by men in their entrepreneurial activities, making it easier for their businesses to succeed and positively impact economic growth. Whether Muslim women are an exception to this trend has been a subject of debate among Islamic and non-Islamic writers, and scholarship on female businesses in Islamic economies has shown very different outcomes compared with capitalistic economies (Kohler 2011). Critics assert that Islam makes women economically dependent on men, severely restricting their social and political freedom and preventing them from participating in most productive economic activities (Ahmed 1992; Afkani 1997). Some authors argue that excluding Muslim women from productive economic activities makes economic development more difficult in Islamic economies, and that Muslim women should be permitted to undertake entrepreneurial endeavors in order to assist economic development in Islamic countries (McIntosh and Islam 2010).

Other writers contend that Islam offers mechanisms for improving the position of women in general and women's entrepreneurship activities in particular (Grine et al. 2015). The Quran specifically states that women are allowed to earn money,

be paid fairly, own property (4:32–33), and inherit (4:7). The best example of a female entrepreneur was Khadija, the first wife of the Prophet Mohammed, a wealthy businesswoman who became an important role model for women in Islamic society. Islamic women entrepreneurs have always engaged in a variety of economic activities in areas such as agriculture, craft, textile production, trade, services, and other commerce related areas (Darling 1996). Females in the Ottoman Empire, eighteenth century Aleppo, and nineteenth century Cairo had the right to appeal in court if they were unjustly excluded from inheritance (Casale 2006). In the eighteenth and nineteenth century, Muslim women become vibrant entrepreneurs in the silk industry in Lebanon, Iran, and India (McCabe 1999) and the carpet industry in Iran (Faroghi 1999). These women did not produce for survival but generated prosperity, engaging in large scale buying and selling of commodities; their entrepreneurial activities generated returns to their investors and jobs in their local economies (Hanna 1998).

While a comprehensive history of the status of women in Islam is beyond the scope of this paper, it is clear that some Islamic societies have placed much stricter restrictions on women than other Islamic societies have; that continues to be true today. For example, female seclusion, which originated as a status symbol showing that a man is wealthy enough to meet his family's needs without having his wife work (Papanek 1982) is still practiced in some Islamic countries. Nigerian female seclusion continues to be a standard symbol of male economic success (Zakaria 1997; Greene 2011). Conservative Islamic cultures such as Saudi Arabia, Egypt, Pakistan, Afghanistan, and Nigeria have significant restrictions on female interaction with people outside the home (Shabbir 1995). In other Islamic societies, women are still subjected to different socio-cultural values and traditions (Roomi and Harrison 2008; Grine et al. 2015).

These restrictions obviously make it difficult for women to become entrepreneurs; furthermore, they are often combined with explicit restrictions on the economic activity of women. For example, in Saudi Arabia, Muslim women cannot drive, open a business on their own, buy a home, or invest in real estate (Itani et al. 2011; Pope 2002) and they can participate in entrepreneurial efforts only through their families and mostly as silent partners who receive support and advice from their husbands or fathers (Hann 2002). Similarly, Kavossi (2000) argues that in Middle Eastern and North African countries, not only do the rights, responsibilities, and restrictions for women significantly differ from those in non-Muslim countries, but so do the legal and economic frameworks within which female businesses operate. In Egypt, the dominance of male networks requires men to assist women in gaining access to business networks (Singerman 1995). In Pakistan, the position of Islamic women relative to men is one of systemic subordination (Roomi and Harrison 2010); as a result, socio-cultural variables play an important role in the growth of women owned enterprises in Pakistan (Shabbir 1995). As women in Pakistan do not enjoy the same opportunities as men (Shaheed 1990), their businesses tend to concentrate in low-growth service, handicraft, and textile sectors that can be started with a small investment, where most customers are women (Roomi and Parrott 2008).

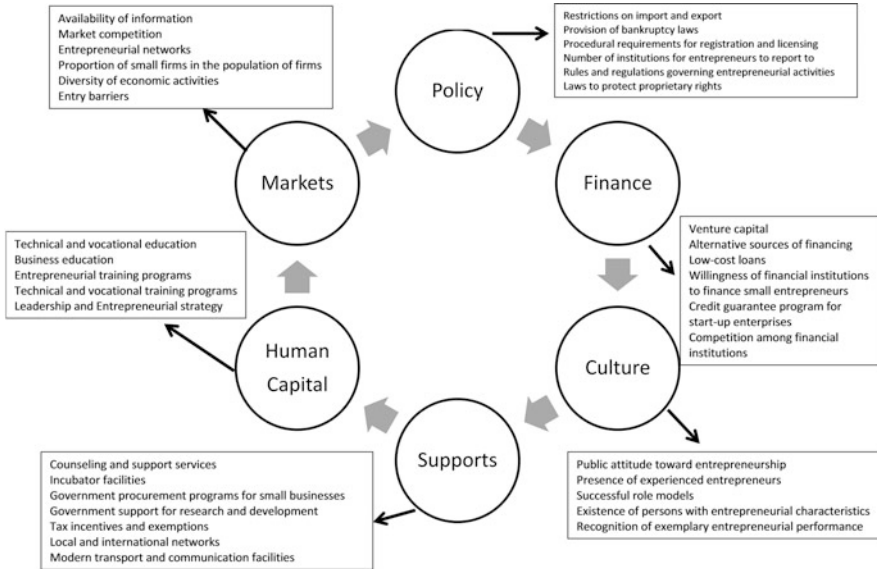


Fig. 1 Domains of the entrepreneurship ecosystem (*Source*: developed by Zapalska based on domains of the entrepreneurship ecosystem by Daniel Isenberg, the Babson Entrepreneurship Ecosystem Project, May 12, 2011, Dublin Ireland)

A study conducted by the World Bank in 2006 confirms that during the first years of new millennium women were not economically free in much of the Muslim world, and that female labor force participation rates in South Asia and Middle East regions lagged behind other regions in the world. Other studies show that, in Muslim nations, successful enterprises are primarily started by males, who are gender supported, achievement-motivated, able to manage risk, and have sufficient financing to support entrepreneurial activities (Abbasi and Hollman 1993).

These restrictions are not the only barriers Islamic women must overcome to succeed as entrepreneurs. The barriers female Muslim entrepreneurs face can best be understood by conceiving of entrepreneurship as an “ecosystem” (Isenberg 2011) that needs six elements to be self-sustaining: policy, supports, human capital, markets, culture and finance (Fig. 1).

The restrictions on women’s economic freedom in conservative Muslim nations are significant barriers in the “policy” domain. Lack of “supports” from their families, husbands, etc., while less visible than these restrictive policies, is arguably an even more significant barrier for many Muslim women, even in nations with relatively favorable policies. Research reveals that women entrepreneurs in Muslim nations also face barriers in the “markets” domain, and are more frequently disadvantaged by lack of business information, advice, and access to networks and support systems, than women entrepreneurs in Western cultures (Al-Riyami et al. 2003; Tucker 1993).

Human capital is an important factor for entrepreneurial success. Female entrepreneurs with high levels of human capital (e.g., graduate degrees, work experience) are more likely to secure funding from Islamic banks (Roomi and Parrott 2008; Rachman 2007) and more likely to have confidence in their abilities to create a successful business. Major barriers in the “human capital” domain include lack of education and experience (Hofstede 1980), either because of a discriminatory educational system or because the education and occupation of parents is incompatible with entrepreneurial goals.

The main types of barriers to Muslim women entrepreneurs are presented in Table 3. Female Muslim entrepreneurs often face multiple barriers from several domains, which are more significant than a barrier within a single domain. For example, female entrepreneurs in Nigeria remain on the periphery of the national economy (Mordi et al. 2010). In addition to cultural or social restrictions on their economic freedom, Nigerian women face many other barriers, including: the psychological impact of cultural norms, employment legislation and policy, lack of information, training, finance, markets, technology and business infrastructure, absence of means for building skills and capacity, and fragmented strategies on government interventions (Zakaria 1997; Jamali 2009). Studies show that lack of education is a significant barrier that discourages female Muslim entrepreneurs in Nigeria from entrepreneurship (Allen 1986; Frishman 1991; Coles 1991; Callaway 1987).

Just as the ban on compound interest leads many Western economists to dismiss Islamic economics as incompatible with economic growth, so these non-financial barriers to women’s equality have led many Westerners see the position of women in many Muslim countries as a major barrier to modernization, growth, and development (Roomi and Parrott 2008). This would suggest that the emancipation

Table 3 Types of barriers faced by female Islamic woman

Type of barrier	Explanation
Policy	Restrictions on women’s economic freedom, such as laws requiring husbands or fathers to give written permission for their wives or daughters to work
Supports	Lack of support from family, husband’s family, etc. Child care and domestic responsibilities that leave no time for entrepreneurship
Markets	Lack of equal access to markets, lack of distribution channels, negative attitudes of customers, absence of entrepreneur’s networks
Human Capital	Lack of knowledge, education, and management skills due to discrimination in education and the assumption that males are the main source of income in the family
Cultural	Stereotypical beliefs that women cannot withstand pressure, lack leadership skills, and are irritable. Patriarchal culture, social disapproval, lack of acceptance from men of women as team members. Corresponding lack of confidence in women due to these factors
Financial	Lack or shortage of private capital, problem of liquidity

Source: Authors

of Muslim women must precede economic development efforts in the Muslim world. Such a conclusion is misleading, however, for several reasons.

First, while various policies can reduce the impact of these non-financial barriers to female Muslim entrepreneurship, they are not likely to be eliminated in the near future. In the *policy* domain, Muslim governments can be encouraged to eliminate discriminatory policies and encourage women's entrepreneurship through policies such as free consumption credits for vulnerable Islamic women. In the *supports* domain, poverty eradication programs can specifically address the needs and problems of Islamic women. In the *markets* domain, women can be given equal access to markets and distribution networks, and cross-cultural entrepreneur's networks can be established for women. In the *human capital* domain, special training courses can provide Islamic women with entrepreneurial skills. In the *culture* domain, successful female Muslim entrepreneurs can be publicized as role models to challenge common stereotypes. Since these measures all depend on cooperation from governments and societies, however, they are unlikely to be widely adopted, especially in conservative Muslim nations.

Second, despite all these non-financial barriers, Islamic women entrepreneurs have grown in number over the last two decades, and have changed their local economies in many parts of the Islamic world (Tambunan 2009; Mernissi 1987). Muslim women in Nigeria, for example, are increasingly active in entrepreneurship through "grey market" or informal economy ventures, bypassing the legal market and contributing significantly to the economic progress of the society. In the face of religious constraints for women, Bangladeshi women have been breaking barriers to become entrepreneurs and workers. As a result, they have earned more respect in their families and society, gained some independence, and contributed to the growth of the economy (Minniti 2010). While these non-financial barriers are significant, Muslim women have shown a remarkable ability to overcome them with tenacity and hard work.

Third, improving the economic situation of a subordinated group almost always leads to increased rights and freedoms, as well as greater political clout. Granting a subordinated group rights and freedoms without improving their economic status, on the other hand, may give them rights in theory but not in practice.

Fourth, entrepreneurship in particular brings important non-economic benefits that are likely to improve the lives of Muslim women in many non-economic ways. Some authors explain (Goodwin 1994) that the main motives for women to participate in business are intrinsic or transcendental: self-realization, internal control, perseverance, interest in challenges, opportunity for skills and experience, and a chance to influence own destinies. Itani et al. (2011) assert that United Arab Emirate women are motivated by flexibility and independence in managing work and family.

Fifth, even conservative Muslim nations face economic pressures to increase women's opportunities for entrepreneurship. According to World Bank studies (2007), female Muslim entrepreneurs help promote a country's exports. Exports are an important factor of economic growth and development; the quality of export-based entrepreneurship explains much of the difference between developed and

developing economies. Other studies demonstrate that female-owned firms are more globally oriented than the male-owned firms in countries like Morocco, Jordan, Syria, West Bank, and Gaza. Countries of the Middle East, China, and Singapore are already benefiting from a long tradition of women in export-based entrepreneurial business (Dhaliwal 1998). Ultimately, Muslim nations will increase women's economic opportunities not because of ideological changes, but for the same reason non-Muslim nations have been doing so recently: in a competitive global marketplace, a nation cannot succeed economically if half of its potential labor force is not allowed to contribute to its economic potential, or half of its potential entrepreneurs are excluded from entrepreneurship.

Finally, while these non-financial barriers still exist and should not be minimized, they vary widely from one Muslim nation to another, and are diminishing—albeit too slowly—even in conservative Muslim nations. Financial barriers, by contrast, are ubiquitous throughout the Muslim world, and do not appear to be diminishing as steadily.

Partly for these reasons, the literature explicitly indicates that limited access to financial markets is the major barrier for Muslim female entrepreneurs (Jamali 2009; Roomi et al. 2009; Greene et al. 2001). Funding for women entrepreneurs in conservative Muslim societies typically comes from fathers, husbands, or other family members or their own personal savings (Greene et al. 2001; Azam-Roomi and Parrott 2008). These provide capital for small-scale traditional businesses such as retail establishments, day care facilities, or restaurants, but without access to funds from banks or investors, these sources do not typically provide capital adequate for large scale or high growth enterprises (Itani et al. 2011). A study conducted in Nigeria reported that after family funding, female entrepreneurs rely on donations, very small bank loans, and charities provided by Islamic groups that support women (Singh and Belwal 2008). External sources of capital would dramatically improve the prospects for female Muslim entrepreneurs.

Daniel Isenberg states that “. . . *Entrepreneurship is no panacea for society's ills, but it has enough spillovers and is causal enough that it should be a public priority on par with education, security, welfare, energy, and health as a basic social good. I believe that if we gather all the dispersed wisdom (research, theory, and practice) in the world, we have sufficient practical knowhow about how entrepreneurship develops in societies to know what kinds we need, to know how much is enough, and to intentionally and strategically create enough of it in a given region that it will become self-sustaining. Let me be clear: entrepreneurship can naturally develop in societies; witness Ireland, Iceland, Israel, Chile and China. But we already know enough to achieve better results, faster, and cheaper than by leaving it to chance. And I am claiming that the investment is so low, and the potential benefit is so high, that we should immediately create dozens or hundreds of projects to test this out. . .*” This paper argues that Isenberg's claims are particularly true regarding women in Muslim nations. Efforts to stimulate Islamic entrepreneurship among women through micro-loans and micro-investments will not only stimulate economic growth and development in the Muslim world, but will also increase opportunities for women throughout the region. This argument has been presented

in various studies developed by several experts in an area of entrepreneurship (Ramadani et al. 2015a, b; Ramadani 2015; Azam-Roomi and Parrott 2008).

7 Conclusions

This paper discusses differences between three types of economic systems: capitalistic, socialistic, and Islamic. A key weakness of socialistic economies is the absence of incentives for entrepreneurs. Western entrepreneurs often have profit maximization as a primary objective, while Muslim entrepreneurs have an obligation to pursue societal needs within religious restrictions. Islam is founded on the notion of a total commitment to the spirit of God, which guides every aspect of Muslims' life and involves total compliance with God's vision regarding resource allocation and income distribution.

The distinguishing element of Islamic entrepreneurs is that they act under the guidance of Islam, which forbids certain activities and encourages others. While Islam forbids some activities that promote growth and development—compound interest and large profits from absentee ownership—it also forbids activities harmful to growth and development, including waste, fraud, hoarding, monopoly, and collusion. While Islam encourages spiritual activities and social ends rather than personal gain, achieving these goals requires economic growth and development within the Islamic community. The Islamic ethic of entrepreneurship not only promotes hard work and fairness, it also demands that entrepreneurs pay others what is due, share profits with the poor and with those who helped create them, and treat customers, employees, and vendors with respect.

This paper shows that entrepreneurs play a central role in the Islamic economic system. By establishing firms, creating markets and employment, Islamic entrepreneurs are major contributors to growth and prosperity. They are responsible for technological innovation in products and production processes, and are a force for transformation and international trade. Entrepreneurs in Islamic economies, large or small, establish new forms of organization and new business methods. Despite the nature of their economic contribution, the importance of female Muslim entrepreneurs has not been recognized. The authors believe that the discussion of female Muslim entrepreneurs in this study provides insights for public policy to foster entrepreneurship in the Islamic world. Recognizing how Islam promotes entrepreneurship is crucial to creating policies for growth and development in Muslim nations. Since Islam promotes a balance of material and spiritual aspects, there is a need to build initiatives for entrepreneurial development on sound Islamic principles. Development policies should focus on micro-enterprises, as they provide jobs and alleviate poverty. Financial institutions should not dismiss small entrepreneurs as poor sources of profit, with high lending costs and risks; collectivized repayment systems can reduce both costs and risks. Despite the fact that Islam prohibits compound interest and debt-based instruments, Islamic

microfinance can stimulate micro-entrepreneurship and deliver financial assets to the poor.

Although well-established in Islamic countries, women's entrepreneurship has not reached its potential due to high barriers to capital; most startup capital for Islamic female entrepreneurs comes from personal savings, family, and friends. Muslim nations should help build efficient micro-financial systems with competitive and diverse financial service providers, especially for women. As Nobel Laureate Professor Mohammad Yunus argues, economic development can only take place when the socio-economic status of the poor, especially women, is improved. While Yunus' micro-loans have helped achieve this goal for many poor Muslim women, their use has been restricted by Islam's ban on interest; supplementing this approach with 'micro-investments' will broaden its application to women in conservative Muslim nations, many of whom are particularly in need of economic assistance. Stimulating female entrepreneurship in Islamic nations will not only improve the status of women, but will also promote growth and development in the Muslim world as a whole.

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Encouraging Female Entrepreneurship in Jordan: Environmental Factors, Obstacles and Challenges

Salime Mehtap, Andrea Caputo, and Massimiliano M. Pellegrini

1 Introduction

Entrepreneurship is an elusive term that is often associated with the recognition of opportunity, an element of risk and the development of new ventures. It is a driving force behind economic development, and innovation, job creation and social empowerment (Bruton et al. 2013; Dana 2000). Engagement in entrepreneurial activity can also contribute to a person's personal development and self-fulfilment. The past decade has seen policy makers in both developed and developing countries focus on entrepreneurial activity as a means of promoting economic growth and alleviating the welfare of its citizens (European Commission 2010, 2013).

There are a number of factors that play a major role in the decision to start a new business. A significant amount of research in this field has focused on the nascent entrepreneur's personal traits, abilities and perceptions as determinants of entrepreneurial intention and behaviour (Carr and Sequeira 2007; Kristiansen and Indarti 2004; Liñán et al. 2011; Sesen 2013). While, another body of research focuses on micro and macro environmental factors (Franco et al. 2010; Franke and Luthje 2003).

The number of female entrepreneurs and their contribution to the economy is steadily rising (GEM 2012) and many studies have focused on the characteristics and challenges of females, allowing for the development of a whole field of study (e.g., Baughn et al. 2006; Brush et al. 2009; Ettl and Welter 2010). Research

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suggests that female entrepreneurs face more challenges and barriers than their male counterparts (Al Gharaibeh 2011; Caputo et al. 2015b; Carter et al. 2001; Dabic et al. 2012; Jamali 2009; Ramadani et al. 2015c; Ramadani 2015). This is expected to be even more prevalent in conservative and patriarchal societies like those in the Middle East, where Islam plays a dominant role in the governance of society (e.g., Ahmad 2011; Dana 2009, 2010; Ramadani et al. 2015b; Sidani 2005; Syed 2008). In particular, a strong call has been made to investigate major influences played by antecedents of entrepreneurial intention (Krueger 2007). Indeed, in such contexts women are faced with bigger challenges and barriers that can affect their intention to start and run a business (Al-Dajani and Marlow 2010; GEM 2009, 2012; Hattab 2012; Ramadani et al. 2015a; Verme 2014). Although these topics have been somehow studied, the novelty of our study is to systemically integrate our results with the existing theories of entrepreneurial intention (Ajzen 1991; Lüthje and Franke 2004; Shapero and Sokol 1982). We therefore propose a link between the challenges and barriers faced by women in Islamic contexts with the antecedents of entrepreneurial intention, allowing for a deeper understanding of the subject.

We chose Jordan as context of analysis for this study for a number of reasons. First, Jordan has a well-educated, dynamic and young population who is facing increasing levels of unemployment and overcrowding in the public sector. Second, following the boom in the ICT sector, the development of entrepreneurial activity is at the top of the national agenda and highly supported by the ruling Hashemite Royal Family (Caputo et al. 2015a, b). Third, there is a rising level of interest in alleviating the status of women in the country and encouraging them to play an active role in economic development. Additionally, the paucity of research pertaining to female entrepreneurship in the Middle East (Caputo et al. 2015b; Chamlou et al. 2008; De Vita et al. 2014) and Jordan in particular, has prompted the researchers to carry out this study with the aim of advancing scholarship in this particular area.

Therefore, our study aims to gauge the perceptions of female business students with respect to environmental barriers to entrepreneurship in Jordan. We undertake this objective by looking at how female business students perceive the university education they are receiving in terms of preparing them for future entrepreneurial endeavours. We also compare female students studying in a private and a public university in order to see if there are any differences in their perceptions of the entrepreneurial environment in Jordan and their perceptions of the relevance of the business education that they are receiving.

The chapter is structured as follow. We first present a literature review that starts with studies on entrepreneurial intentions in the context of female entrepreneurship, followed by the impact of entrepreneurial education and training, and finally narrow down our argument to the Islamic context, particularly that of the Middle East. Methodological notes follow and results are presented and discussed.

2 Entrepreneurial Intention and Female Entrepreneurship

Nabi et al. (2010) and Sesen (2013) have stated that the majority of research on entrepreneurial intentions are mostly modelled on Ajzen's (1991) Theory of Planned Behaviour, Shapero's Model of Entrepreneurial Event (1982) or Lüthje and Franke's model (2004). In addition to personal traits, factors in the micro and macro environment that can encourage or hinder entrepreneurship have also been investigated (Franco et al. 2010; Franke and Luthje 2003). Some of these environmental factors are: market structure and dynamics (Boccardelli and Magnusson 2006; Van Stel et al. 2007); access to financing (Carter et al. 2007; Itani et al. 2011; Kim et al. 2006; Sandhu et al. 2011; Welsh et al. 2014); government policy (Ahmad and Xavier 2011; Carter et al. 2003; Goby and Eroglu 2011; Minniti 2008); political and economic stability (Lerner 2010; Movahedi and Yaghoubi-Farani 2012; Taylor and Plummer 2003); culture and society's views on entrepreneurship (Baughn et al. 2006; Baughn and Neupert 2003; Gupta et al. 2009; Light and Dana 2013; Ramadani et al. 2013; Shinnar et al. 2012); business information (Ettl and Welter 2010; Sandhu et al. 2011); support mechanisms and networking opportunities (Ahmad and Xavier 2011; Al-Alak and Al-Haddad 2010; Caputo et al. 2015b; De Vita et al. 2014; Goby and Eroglu 2011); and access to formal education and training (Dabic et al. 2012; Dickson et al. 2008; Lüthje and Franke 2002; Packham et al. 2010; Pruett 2012).

For the entrepreneur, environmental factors form the basis of a cost-benefit analysis and play an important role in the formation of entrepreneurial intentions, as they have the potential to either facilitate or impede entrepreneurial activities (Kibler 2012; Liñán and Chen 2009; Lüthje and Franke 2004). Sesen (2013) states that environmental factors are often perceived as "gap fillers" in the relationship between personality traits and entrepreneurial intention. Sandhu and colleagues (2011) found that financing, access to markets, government support and availability of information are critical resources that can impact the success of start-ups. Personal factors, such as aversion to risk, fear of failure and aversion to stress and hard work are also common barriers faced by aspiring entrepreneurs (Taormina and Lao 2007; Wang and Wong 2004). In fact a "fear of failure" has been cited as the top reason given worldwide for not starting a business (Sandhu et al. 2011).

Yet an important aspect to be considered in the discussion is related to gender. Indeed both young and adult females tend to show a minor propensity toward entrepreneurial activities (Díaz-García and Jiménez-Moreno 2010; Mueller and Dato-on 2010; Wilson et al. 2007). As a result, most of the countries surveyed by the Global Entrepreneurship Monitor have male entrepreneurs outnumbering their female counterparts (GEM 2014). This situation may be explained in terms of influences on entrepreneurial intentions. According to Ajzen's (1991) theory of Planned Behaviour three factors, namely social norms, attitudes and perceived control, influence entrepreneurial intention. Social norms refer to the perceived acceptance or aversion toward a specific behaviour in the close environment of a person. Attitudes on the other hand refer to personal judgments and evaluations in

relation to a certain action. This element is often considered in terms of desirability or the appeal of outcomes (Shapiro and Sokol 1982). The final element is related to the self-confidence of the subject in performing a task or a behaviour. This element is closely related to, if not completely overlapped with, the concept of self-efficacy developed by Bandura (1997).

Each of these three elements can reduce the entrepreneurial intention of female potential entrepreneurs. In relation to the social norms construct, Baughn et al. (2006) drew attention to the importance of the country-specific, socio-cultural context for entrepreneurship. They explain how stereotypes, gender role ideologies and social acceptability of entrepreneurship as a career choice are highly influential. In addition, a large number of women in the Arab world still need to receive approval from a proxy male member of the family (Al-Dajani and Marlow 2010). In such “surroundings” it is not surprising that females may consider the pursuit of an entrepreneurial career to be less socially acceptable.

Attitudes towards entrepreneurship may also prove to be an impairing factor for females. Entrepreneurship unfortunately is perceived as an achievement oriented and masculine endeavour (Díaz-García and Jiménez-Moreno 2010; Sweida and Reichard 2013). Thus, the common stereotypical view of women clashes against this construct. For this reason even at an unconscious level, the evaluation of the desirability of such activity may be reduced in favour to more gender stereotype-aligned activities. The culture of a country strongly sharpens the situation; in the Arab World, gender stereotypes are socially reinforced and for this reason women are expected to show priority and commitment to the household and their children (Abdalla 1996; El-Rahmomy 2002).

Finally, females show less self-efficacy than male-counterparts (Díaz-García and Jiménez-Moreno 2010; Wilson et al. 2007; Ramadani et al. 2015a, c). Again, this fact can be related to gender stereotypes. If an activity is generally considered to be male-oriented, women will perceive a lack of such traits and skills necessary to perform it, thus further reinforcing the original gender stereotype (Sweida and Reichard 2013). For this reason, some scholars have highlighted the effects of gender biases even in education (Mueller and Dato-on 2010).

3 The Role of Entrepreneurial Education and Training

With such a focus on entrepreneurial activity, education and training in this field has been discussed by many authors (Dabic et al. 2012; Dickson et al. 2008; Fayolle et al. 2006; Mehtap 2014b). Entrepreneurial education is not just about teaching someone to run a business, rather it is an holistic approach that helps to empower and develop individuals to be creative and to recognize and exploit market opportunities, thus creating economic value and helping to contribute to social development (Sánchez 2011). For this reason, it has been part of the curricula of US higher education systems for the past 50 years, often adapting to meet the emerging needs of real world businesses (Wilson 2008). The literature on the importance of formal

education as a prerequisite to entrepreneurial initiatives is divided into two fields. On one side, it is claimed that education can improve a person's creativity and provide them with the necessary skills and mindset that is able to see and grasp opportunities (Dickson et al. 2008; Gurel et al. 2010; Lüthje and Franke 2004). On the other, it is argued that formal education kills the entrepreneurial spirit by placing too much emphasis on conformism-which in turn restricts creativity and innovation and makes individuals more risk averse and less tolerant to ambiguity (Gibb 2002). There have also been arguments that entrepreneurship education focuses too much on the entrepreneurial processes such as opportunity recognition and marketing strategies but does not focus enough on developing skills and attributes needed for success (Gurel et al. 2010).

Formal education was found to be one of the most influential factors in choosing entrepreneurship as a career option (Henderson and Robertson 2000). Recent research has also found that young university graduates between the ages of 25–34 years show the highest inclination towards starting up their own business (Liñán et al. 2011). So while the debate continues, the significant impact that universities have on the entrepreneurial intentions of young minds is undeniable (Cheng et al. 2009; Dabic et al. 2012; Packham et al. 2010; Schwarz et al. 2009). Today there is a strong call for reform and embedding entrepreneurship education into education systems worldwide (Gibb 2002). This is seen as a means of encouraging innovation, risk taking, creativity and critical thinking skills that will lead to job creation and sustainable economic growth (Borožan and Dabić 2008; European Commission 2010). Therefore, a strong focus within entrepreneurship education should be on the process of new venture creation and creating graduates with a global mind set who are job creators rather than job seekers (Mehtap 2014a).

There are diverse differences in education systems in the Arab World. Most of the education offered is based on rote learning, in often overcrowded classrooms, where critical thinking and the ability to think out of the box are not encouraged. Competition to secure a seat in a university is very fierce and often getting into university is a matter of life and death. Unfortunately, a large majority of education systems in the Arab World are not in tune with market needs and this creates a surplus of unemployable graduates with bleak hopes for the future (The World Bank 2006). Fewer than 10 % of universities in the MENA region offer entrepreneurial courses. Just 17 universities in the region have centres for entrepreneurship and only five offer a major in entrepreneurship (WEF 2011). In the aftermath of the Arab Spring and in a region where youth make up the majority of the population, job creation through entrepreneurship is an important factor for alleviating the economic welfare of Arab citizens and particularly the status of its women (Caputo et al. 2015a, b; Mehtap 2014a).

4 The Jordanian Context

The Hashemite Kingdom of Jordan is a developing country situated in the middle of a region torn by strife and turmoil and with an estimated population of around eight million people. More than half of the population is under the age of 24. The unemployment rate amongst youth (those between 15 and 24 years of age) stands at nearly 30% (Central Intelligence Agency 2014). Poor in natural resources, Jordan relies heavily on foreign aid, remittances from Jordanians living abroad and the income from the services sector which accounts for more than 70% of GDP (The World Bank 2015).

Jordan is a collectivist, paternalistic, patriarchal and tribal society, where religion plays an important role in the governance of society. Like most of the Middle East, the majority of Jordanians are Muslim. While the way Islam is practiced may vary from country to country in the region, the Islamic religion has an important influence over societal norms, political systems and is considered to be a way of life. The Jordanian legal system is also based on Sharia (religious) law. Women constitute a significant proportion of the population of Jordan, yet their potential to make a significant contribution to the overall economic development of their country remains largely untapped due to a variety of economic, social and cultural constraints. Arab societies still have the traditional viewpoint that women must be committed to their houses and children (Abdalla 1996; El-Jardawi 1986; El-Rahmony 2002) and that men are the principle breadwinners and solely responsible for providing for their wives and families. Jordanian society is no exception. Therefore, this mind set explains why Arab women constitute only 25% of workers in the Arab World (Barcucci and Mryyan 2014; ILO 2014). In some circles, Islam is also blamed for limiting the basic rights of women and for encouraging gender discrimination (Al-Sadi et al. 2013; Ahmad and Xavier 2011; Itani et al. 2011). However, in reality and when interpreted in the correct context, Islam provides women with many economic and legal freedoms and the power to own a business and manage her own finances independent of her husband. Islam also dictates that a woman is not required to make a contribution to the family income from her personal assets and business dealings. An excellent example of the economic freedom bestowed on Muslim women is Khadija, the wife of the prophet Mohammed (PBUH). Khadija was a prominent and wealthy businesswoman of her time, who employed the prophet on a commission basis. Therefore, it is not Islam that is a constraining factor for women's participation in economic activity. It is social customs and tribal traditions that create barriers for females. Despite the high literacy rates amongst Jordanian females (Barcucci and Mryyan 2014; Majcher-Teleon and Slimène 2009), society still encourages them to find a husband and start a family rather than focus on a career (Hakki and Somach 2012).

With a growing young and dynamic population, one of the Kingdom's principle goals is to increase access to higher education and establish a knowledge-based society. Jordan's steady investment in education over the years has resulted in a dramatic increase in literacy rates to a level of 95.9%. The country is the highest

spender on education in the region, investing more than 20 % of its GDP. Currently there are 10 public, 17 private and 51 Community Colleges offering higher education in the Kingdom. Around 230,000 students are currently enrolled in public and private universities (TEMPUS 2012). Jordan's human capital combined with entrepreneurial activity is believed to be a pathway to growth and prosperity not only at home but in the wider region. Entrepreneurship in Jordan is fuelled by the boom in the ICT sector and with the right combination of encouragement and protectionist measures it can spread through other sectors, bringing prosperity to all sections of the population. In Jordan, fostering entrepreneurship has priority in the national agenda (Caputo et al. 2015b) and education in this respect is believed to significantly impact the creation of new business ventures (Galloway and Brown 2002; Lühje and Franke 2002).

Over the past decade, the number of Jordanian female entrepreneurs is steadily increasing and Hattab (2010) found that many Jordanian women are turning to entrepreneurship as a means of income generation and self-actualization. Yet despite the increasing numbers, Al-Dajani and Marlow (2010) found that women entrepreneurs in Jordan are still expected to pursue their business endeavours without compromising their main responsibilities as wives and mothers. Caputo and colleagues (2016b) recently emphasized the importance of supporting opportunities in order to nurture female entrepreneurship and examined 28 institutions that provide support for female entrepreneurs in Jordan. They expressed the need for a sound entrepreneurial ecosystem that is female friendly and called on the government to encourage entrepreneurship education and better information dissemination on this subject. Mehtap (2014a) highlighted the importance of entrepreneurial education for the economic development of Jordan and provided a case example of how partnerships with European universities under the EU-TEMPUS framework was successful in developing both undergraduate and graduate courses in entrepreneurship in the Kingdom. On a similar note, Caputo and colleagues (2016a) looked at the inclination of Jordanian business students to work for start ups after graduation and found that entrepreneurial education and participation in entrepreneurial events, increase the willingness of graduates to work for start ups.

5 Methodology

5.1 Sample Selection and Data Collection

An examination of previous studies has shown that students have often been used in entrepreneurship research (Fayolle et al. 2006; Liñán and Chen 2009). University students were chosen as the focus of this study because like Dabic and colleagues (2012) the researchers believe that “younger people are more willing to be self employed”. Data was collected from female business students from a private and a public university in Amman, Jordan. The private university is over 20 years old and

its medium of instruction is in English. It has a reputation for providing niche degree programs that are highly sought by the industry and its graduates are known to be amongst the best in the Kingdom. This university is also known for its focus on entrepreneurship and strong ties with the marketplace. The public university is one of the largest in Jordan. Its business faculty is among the top business schools in the country. It is known for its progressive leadership, successful graduates and focus on highly trained human capital. Both universities have developed and embedded a compulsory course in entrepreneurship within their business curriculums, which allows for a comparison. At both universities questionnaires were distributed as part of an in-class activity (130 questionnaires from the private university and 124 from the public university).

5.2 *Questionnaire Design*

As previously stated our aim is to investigate the possible antecedents for female entrepreneurial intention, especially in terms of potential barriers and challenges. The questionnaire used in this study is based on Shapero and Sokol's (1982) model that tries to explain the desirability of entrepreneurial events from an individual, societal and financial perspective and the work of Lüthje and Franke (2004) who looked at environmental factors and their effect on the entrepreneurial intentions of business students. We adapted the questions, to reflect the culture and business environment of Jordan and used a 7-point Likert scale. In order to ensure content validity, we first, revised the questionnaire and submitted it for peer review to a panel of experts in the field, by employing the Delphi method (Okoli and Pawlowski 2004). Second, we conducted a pilot study with a limited number of participants with similar characteristics to our sample. No problems with the questionnaire were detected, and all initial Cronbach's alphas of the several categories of barriers and challenges scored more than the acceptability threshold of 0.70. The average of the set of alphas was around 0.80. The questionnaire is composed of three sections; the demographic characteristics of the sample, the environment and potential barriers to entrepreneurship, and, finally, the business education offered by the university. Reliability analysis for both scales yielded a coefficient (Cronbach's Alpha) of 0.83 and 0.65 respectively.

6 Findings and Discussion

A total of 254 female business students responded to the questionnaire. Over 80 % of the respondents were between the ages of 17–21 and had attended private schooling with 83 % graduating from the Tawjihi stream (National high school system) and a further 8 % graduating from a school that follows the British IGCSE system. Students in their third year of study comprised 38 % of the sample. Nearly

60 % of the respondents came from a family of and all respondents indicated that their family business was run by a male family member. Only 27 % of the respondents were working and studying at the same time. The respondents first heard about entrepreneurship at university (43 %). A further 21 % indicated that they had heard about the concept in high school. Students who had previously taken a course/workshop or training session in entrepreneurship made up 28 % of the sample.

Nearly two thirds of the respondents indicated that they were not aware of any local/national agencies set up to encourage entrepreneurship in the Kingdom. The remaining third who were aware, indicated that they knew about either Queen Rania Center for Entrepreneurship (Non-profit), or INJAZ Al Arabi (Non-profit, youth empowerment program) or Oasis 500 (Seed investment program). A quarter of the students wish to work for the private sector after graduation, and only 27 % indicated that they would like to set up their own business. Nearly 50 % of these students indicated that the size of the business in terms of employees would be between 10 and 50. Only 10 % of the students would like to run a large enterprise with over 250 employees. The most preferred sectors for starting a new business were services (47 %), followed by the Information Technology sector (16 %).

6.1 Analysis of Potential Barriers to Starting a Business in Jordan

Students were asked to assess 25 factors that could be a potential barrier to setting up a business in Jordan. Some of these factors were related to perceptions about their own entrepreneurial capacity and abilities, others were related to government policy, social factors and financial issues. Students' perceive the weak Jordanian economy ($\mu = 5.09$), lack of finance ($\mu = 5.05$), fear of risk ($\mu = 4.87$) and gender issues (male dominance $\mu = 4.82$; difficulty balancing work and home life $\mu = 4.72$) as the five major impediments to entrepreneurship. There was also a significant difference between both groups in all five factors (see Table 1). The literature has identified financial constraints as a problem for both male and female entrepreneurs (Carter et al. 2007; Kim et al. 2006). However, when both genders are compared, it seems that women are faced with more difficulty when it comes to obtaining finance (Ahmad 2011; Itani et al. 2011; Welsh et al. 2014). Furthermore, multiple refugee crises coupled with political and economic instability both at home and abroad are making cautious Jordanians hold on tightly to their hard-earned cash. However, many Jordanians are not aware that despite troubles in the region and bad economic times, there are multiple initiatives, aid programs and funding opportunities available for nascent entrepreneurs. This all points to an urgent need to disseminate information publicly and to raise awareness about this issue (Caputo et al. 2015b).

Researchers have argued that a country's culture, values, beliefs and norms affect entrepreneurial orientation (Hechavarria and Reynolds 2009; Jaén and

Table 1 Students' perceptions of potential barriers to female entrepreneurship

Top five barriers perceived by female students	Mean	T	Sig
1. The economy in Jordan is bad	5.09	3.396	0.001
2. Lack of money/capital	5.05	3.281	0.001
3. Scared of financial risk involved	4.87	4.685	0.000
4. Jordanian business life is dominated by men	4.82	5.648	0.000
5. It's hard to balance long work hours with private life	4.72	6.423	0.000

Confidence level 0.05

Liñán 2013). People living in collectivist cultures like the one in Jordan, tend to be more influenced by the opinions of others (Ajzen 2001; Hofstede 1980; Liñán and Chen 2009). Students were asked whether they perceived that their family and close social relations would discourage them from engaging in entrepreneurial activity. Students' responses show that they do not believe that their family ($\mu = 2.28$) nor their friends ($\mu = 2.36$) would discourage them from becoming an entrepreneur.

Arab societies still have the traditional viewpoint that women must be committed to their houses and children (Abdalla 1996; El-Jardawi 1986; El-Rahmony 2002) and thus Arab women constitute only 25 % of workers in the Arab world. Although many females receive a university education, they are still encouraged to find a husband and start a family rather than focus on a career (Al-Dajani and Marlow 2010; Hakki and Somach 2012). Students indicated that they perceive Jordanian business life to be dominated by men ($\mu = 4.82$). Yet despite this, they did not think that it was culturally unacceptable for women to become entrepreneurs ($\mu = 3.17$). The Forsa Project which is a UK based entrepreneurship and mentorship program states that around 38 % of entrepreneurs in Jordan are women (Al Emam 2014). However, students still feel that within this traditional Arab society, it can be harder for females to strike a balance between long work hours and their obligations as wives and mothers ($\mu = 4.72$). This could be a reason why a growing number of Jordanian female entrepreneurs operate businesses from home or on-line (Al-Dajani and Marlow 2010) giving them the flexibility to spend more time with their families.

Jordanian parents have a strong influence on the career choice of their children. Due to cultural values and the prestige associated with certain occupations, Jordan has a surplus of doctors, engineers and lawyers. A significant number of these graduates are either unemployed, forced to work abroad mainly in the Gulf countries or are working in sectors that are unrelated to their field of study (Caputo et al. 2015a). Liñán (2008) emphasizes that society plays an important role in encouraging entrepreneurial behaviour and that people are more likely to start their own business in environments that look positively at new venture creation. As entrepreneurship is seen as a means to develop human potential and to create employment, students were also asked about the value Jordanian society attaches to entrepreneurial activity. A mean score of 3.85 indicates that students are really not sure about how their society views entrepreneurs and whether this viewpoint would be an actual barrier to any future entrepreneurial activity.

Research has also shown that students who come from a family of entrepreneurs are more likely to engage in entrepreneurial activity (Altinay 2008; Basu and Virick 2008; Gurel et al. 2010). It's interesting to note that in this sample despite the fact that nearly 60 % of respondents came from such a background, only 26 % wanted to open their own business and a further 21 % indicated that they would rather work for the private sector. This is a very interesting point that needs further clarification. Is the lack of motivation for starting a business due to difficulties these females witness in their own family businesses or is it a cultural matter where the business will automatically go to the male heirs and the females in the family are expected to marry and move on? Whatever may be the case, existing entrepreneurial role models in the family need to be further investigated.

6.2 Perceptions of University Education and Readiness for Entrepreneurship

In many countries, the traditional model of higher education fails to adapt its curricula to the needs of the labour market and particularly the needs of SMEs who form the backbone of most modern economies. This often translates into business schools churning out graduates that lack the enthusiasm for starting their own business and have no idea about how to apply their classroom skills set to the real world. It is quite clear that a student's willingness to start their own business mostly depends on their knowledge of entrepreneurship, competency in certain business skills and the development of an entrepreneurial mind-set; factors that can all be taught and nurtured within the right university environment. Autio et al. (2011) found that the image of entrepreneurs and encouragement from the university environment had an impact on university students' entrepreneurial convictions in different cultural contexts. Lee et al. (2005) looked at the attitudes of university students in the US and Korea with regards to new venture creation. They concluded that each country should provide customized entrepreneurship education that reflects the realities of the local economy and marketplace.

In Jordan, fostering entrepreneurship has priority in the national agenda and education in this respect is believed to significantly impact the creation of new business ventures (The World Bank 2015). A majority of business schools in Jordan have a course on entrepreneurship in their curriculum. Over 40 % of the respondents indicated that they had first heard about entrepreneurship in university. Only 21 % of students stated that they had first heard about this concept in high school. In addition to universities, many public and private organisations provide different levels of entrepreneurship training. Both universities in this study offer an entrepreneurship course in their curriculum and respondents were asked if they had ever taken a course/training/workshop on entrepreneurship outside of their university environment. Nearly a third of the sample answered yes and only 38 % of those, indicated that they would like to open their own business after they trained.

Creativity and innovation play a fundamental role in entrepreneurship (Boccardelli and Magnusson 2006; Lee and Wong 2004) and in this respect the respondents felt that they were not lacking the necessary skills in creativity and innovation that is needed to be an entrepreneur ($\mu = 2.71$). Yet when asked to assess the conduciveness of the university environment in terms of starting a new business, most of their answers had a mean score of around 4 which denotes a 'neutral' response. Students are not really clear about what entrepreneurship entails and therefore were unable to provide more precise answers as to whether the environment at the university is conducive to encouraging entrepreneurship or not. Another reason may be that students were afraid to indicate their true feelings even though they were assured anonymity of their answers.

One aspect both groups of students tend to agree on, is the lack of practical application within courses ($\mu = 5.06$). If students feel that their knowledge base is too theoretical, they may be hesitant to try and launch any potential business ideas that they may have. This supports the fact that business courses and particularly those in entrepreneurship should have a more practical approach, with a focus on market needs. That way, students are better able to assess their own abilities, the feasibility of their ideas and are able to recognise opportunities in the environment. This is also being advocated in the global debate about the shape and nature of entrepreneurship education within universities (European Commission 2013; Gurel et al. 2010).

Finally, t-tests were conducted to see if there were any significant differences between both groups of female students. The findings show that there was a significant difference ($t = 3.598$, $p = 0.000$) between both groups of females in terms of their overall perceptions of the barriers to entrepreneurship. Although both universities differ in terms of date of establishment, admissions policy, student numbers, classroom size and availability of certain resources and facilities, it is interesting to note that there was no significant difference between female students from private and public universities in terms of their overall perceptions of the relevance of university education received ($t = 1.451$, $p = 0.148$).

7 Conclusion and Implications for Future Research

A majority of women in the Arab world continue to face restrictions in political, economic and social spheres, despite positive developments that were triggered by the Arab Spring (Hakki and Somach 2012; Mostafa 2005). While women in Jordan enjoy more rights than some of their counterparts in the Middle East and have one of the highest female literacy rates in the region, traditional gender roles and Arab culture force them to remain under-represented in the labour market. According to the World Bank (2015), women's participation in the economy does not exceed 15%. As the region struggles with conflict and instability on a daily basis, the future looks bleak, especially for the younger generation. Over the past 10 years, dramatic steps have been taken to establish a functioning entrepreneurial ecosystem within

the Kingdom. Thousands of people have benefited from boot camps and training, mentoring programs, funding and incubator facilities (Caputo et al. 2015b). Yet these efforts have not been enough.

The finding of this study provides a useful insight into the nature of entrepreneurial environment in Jordan as seen through the eyes of female business students. In a country where female literacy rates and the number of female graduates are high, it is disappointing to note that female labour force participation rates remain low (The World Bank 2015). While this has been attributed to a number of socio-cultural and economic reasons, the major reason is that most Arab women tend to see their role in society as a traditional one of wife, housekeeper and mother—regardless of their level of education. Yet, there has been a trend in recent years of an increasing number of Jordanian women starting and operating businesses from home mainly with the support of technology and social media (Al-Dajani and Marlow 2010). This way they are able to create a work-life balance which is more culturally acceptable. The findings of the study show that the Jordanian government needs to work with different stakeholders in order to put in place a deliberate public policy that encourages female entrepreneurial activity as a means of fostering economic and social development. This will also require a breakdown of cultural taboos and gender stereotypes. Encouraging entrepreneurship from the grassroots level and up, will bring sustainable solutions to injustices that exist within society. Access to micro-financing and encouraging the formation of incubators and accelerators not only in the cities but also in rural areas, could really make a world of difference to a woman, her family and the community at large. Since financial obstacles and risk were perceived to be the biggest barrier to starting a new business, the government needs to provide easier access to capital, reduced interest rates for start-ups, loan guarantees and a revision of the administrative system and business laws. The power of the media should be harnessed to present news and information that delivers positive messages about entrepreneurship—especially successful women. From a religious perspective, the prophet's wife Khadija, sets an important precedence for encouraging female entrepreneurship among young Arab females.

There is much focus on the potential of tertiary education institutions in facilitating business start-ups and fostering an entrepreneurial mind-set. Stimulating entrepreneurship interest among students in these institutions is one way of curbing the high levels of youth unemployment amongst Jordanians and in particular young female graduates (Caputo et al. 2015a). Entrepreneurship education needs to be introduced at the high school level and curricula at Jordanian universities needs to be revised in line with global trends and the needs of the marketplace. An emphasis on skills development and practical applications that compliment theoretical knowledge is needed, if universities are to serve as catalysts for start-ups in Jordan. A new generation of Jordanian youth who are job creators rather than job seekers must be cultivated.

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Islamic Entrepreneurship and Management: Future Research Directions

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1 Introduction

Approximately 26.4% of the world's population is expected to follow Islam by 2030 making it the world's second largest religion (Pew Research Centre 2011). Islam is integrated into society around the world including educational systems in which religious beliefs are taught (Ramadani et al. 2015). The importance of Islam to business is evidenced by Madi (2014: 144) who states "Islamic economies play an increasingly prominent role in the global economy". As the world's second most practiced religion, there are over a billion Muslims in the world (Fattah and Butterfield 2006). People around the world practice Islam but the countries with a majority of Muslim populations are located in Asia, the Middle East and North-Central Africa (Pistrui and Fahed-Sreih 2010). The countries with a Muslim majority are largely located in the Middle East (Iran, United Arab Emirates, Bahrain), Africa (Egypt, Libya) and Asia (Indonesia, Bangladesh, Maldives) (Pistrui and Fahed-Sreih 2010). This means that there is a geographic dispersion of Muslims around the world in both developed, developing and transition economies (Anggadwita et al. 2015). In addition, Muslims come from linguistically diverse backgrounds and cultures, which affects their entrepreneurial behaviour and culture.

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As part of Islam individuals can change their values and behaviour but the external outcome may not be under their control but God's control (Farid 2007). The Qu'ran (13:11–13) states 'never will God change the condition of a people until they change it themselves'. This means that an individual's interaction may be different depending on the external environment in which they practice their Islamic faith. Previous research by Elyacher (2002) has discussed the internal and external locus of control in Islam in terms of the political and economic environment. Elyacher (2002) found that Egyptians viewed money as empowerment but were not likely to express individualism towards financial issues as they were viewed more as community concerns. The role of materialism in a culture is an important part of understanding society and business activity (Diener and Oishi 2002). In countries with materialist societies there is likely to be more emphasis on self-maximising behaviour at the expense of community good (Farid 2007). Furnham and Argyle (1998) describe some cultures as materialist and consumer orientated in which material possession is important. In cultures with more of a collectivist nature that have less emphasis on collecting material goods there is likely to be more emphasis placed on altruism and social goods. Mitchell (2002) argues that in Muslim societies there is less self-maximising behaviour as people place more weight on satisfactory profit. This leads to the suggestion that entrepreneurship in Islamic countries will be different because of the cultural attitudes and behaviours in the society.

The key features of religion are its collectivist nature, beliefs and practices. Most management research has focused on Islamic business or work ethics due to the issue of religion affecting work practices (Rice 1999). Basu and Altinay (2002) examined the role religion plays as a part of an entrepreneur's culture and found that it was integral to work practices. In the past Islam was considered by some to be an impediment to entrepreneurship but in reality is a way to help entrepreneurs in the marketplace (Pistrui and Fahed-Sreih 2010). This is due to the virtues of industriousness being a strong value in Islam, which is similar to the ideology of the Protestant work ethic (Tang and Ibrahim 1998).

Islam is a religion emphasising equilibrium between material and spiritual aspects of life (Elkhouly and Buda 1997). This is embedded in an individual's work and personal life, which is a product of their religious values (Farid 2007). Islamic values are influenced by the historical, political and social context (Adas 2006). Islam differs to other religions because of its principles and practices such as the prohibition of pork, alcohol, gambling, prostitution and usury (Adas 2006). The history of Islam dates back to the sixth century in the Arabian Peninsula and the religion has internationalised since its beginnings.

Different cultures and religions view money differently depending on socially acceptable behaviours (Maruyama 1989). Dana (2009: 87) states "people with different cultural beliefs and religious values have looked at entrepreneurship with varying degrees of legitimacy". The values an entrepreneur has influences the orientation of a business towards social and cultural influencers (Dana 1995). Participation in religious activities helps predict entrepreneurial success (Woodrum 1985). The environment for entrepreneurship is shaped by values and culture that

exist within society (Dana 2009). Religion is a part of a person's culture, which affects their entrepreneurial orientation. Managers should be aware of how culture and religion affect business and the relationship this has on international competitiveness (Farid 2007).

The role of religion in entrepreneurship is important as it relates to innovation, creativity and ability to maintain business ventures. Despite the media attention on religious entrepreneurship there is little written in the academic literature about it. This chapter is an important contribution to the blossoming scholarship about Islamic entrepreneurship and will present the role of Islam in entrepreneurship utilising a religious perspective about business. The aim of this conclusion chapter is to discuss the role of Islam in entrepreneurship by focusing on the spiritual, ethical and innovative elements that apply to business practices. The chapter indicates the entrepreneurial nature of Islam as a religion and provides a framework for future research about religious entrepreneurship.

2 Literature Review

2.1 *Entrepreneurship and Religion*

Religion influences economic and business performance due to its embedded role within society (Pistrui and Fahed-Sreih 2010). This means that the study of Islamic entrepreneurship and religious behaviour is important due to the role it plays in people's life as it affects decisions and choices about how to behave. Islam has an impact on businesses due to its role in influencing working hours and practices. The impact of religion on business is derived from religious beliefs, which are affected by cultural values that relate to entrepreneurship (Dana 2009). This means that the desirability of Islamic entrepreneurship is influenced by religious attitudes of people and society.

Research by Candland (2000) suggests that religious faith is a form of social capital that can be used in a variety of situations. In Islamic culture, religious people tend to hold social responsibility practices of business in higher regard than non-religious people. This is a result of people being influenced by cultural values, which are a result of religious influencers (Dana 2009). Entrepreneurship and religion are related due to the cultural context business plays in society (Dana 2010). Religious aspects in the context of entrepreneurship are important as it includes the practices and traditions that affect everyday life. Religion is a meta-physical source of information and impacts the way people conduct business. Religion and entrepreneurship are interconnected because they are a cause and consequence of business.

Galbraith et al. (1997) found in a study about Catholic entrepreneurs that often business leaders are also religious leaders. Various religions value entrepreneurship differently due to the cultural values such as frugality and thriftiness (Dana 2009).

Culture involves the integrated system of learned behaviours that are characteristic of a society (Hiebert 1976). These learned behaviours can include ideas, products and way of life that is integrated into everyday thinking (Dana 2009). The values an individual has in a cultural setting result from their tendency to prefer certain behaviour over others (Hofstede 2001). This means that values are held mostly by individuals whereas culture is part of the collective society (Hofstede 2001). Values can include conformity, security and tradition that are integral to the functioning of a society.

2.2 *Religiosity*

Religion is viewed as a social phenomenon because of its spiritual and link to cultural identity. Due to increased globalisation and emphasis on culture, the role of religion in business is being discussed more because of its linkage to societal entrepreneurship. Religion is an important phenomenon in business management research that should be acknowledged and discussed in more detail. This is due to religion being a a set of social norms, which has an impact on corporate decisions and individual behaviour (Du 2014). A new interdisciplinary field within religious studies has emerged called ‘the political science of religion’ as it focused on the links between religion and politics (Du 2015).

Scholars know little about how religion influences entrepreneurial involvement and whether Islam is similar or different to other religions in the context of new business creation. The religious influence on entrepreneurship is important given the increasing proportion of Islamic business owners and the interaction between politics and religion. In this regard, it can be inferred that religion has important impacts on entrepreneurial behaviour and business management decisions. Islamic religious beliefs impact an entrepreneurs growth trajectory. Due to the role religious institutions play in business as they contribute to the social system of society and influence group activities.

Religion is a source of business information and can affect a believer’s involvement in society (Jones-Correa and Leal 2001). Greenberg (2000) proposes that the social capital theory of religion can help believers share knowledge. This exchange of information creates social value amongst religious people that affects business involvement. Types of information shared can vary from resource involvement, political resources and business knowledge (Du 2015). Gerber et al. (2008) suggests that attendance at religious gatherings including church can increase information sharing and social compliance. This means religious activities are a form of social networking, which is important for exchanging relevant and timely business information that gives entrepreneurs a competitive edge. The sharing of common value in the weekly ceremonies and rituals of Islamic people is an important part of the building of social capital.

The origin of religious entrepreneurship dates back to Weber (1930) who discussed the role of religion in economic development. As part of Weber’s

(1930) seminal work he argued that protestants had a better work ethic than people from other religions. One of the earliest writers focusing on religion and work ethics was Marx (1843) who linked it to capitalism. Lenski (1961) suggested that religion affects work, politics and family life as it links attitudes with spiritual beliefs. Stulz and Williamson (2003) found in a study about the Catholic religion that the anti-usury culture means that there are low levels of creditor's protection rights.

Religiosity or the use of religion in a person's life affects their work-life balance and economic aspirations (Iannaccone 1998). Guiso et al. (2003) found that religious beliefs are linked with personal attitudes such as trust and commitment. Miller and Hoffman (1995) found that religious people are risk averse as there was a negative correlation between religiosity and attitudes towards danger. Du (2015) supports the view that religious believers acquire more civic skills through their participation in social and community activities. Osaba (2003) looked at self-reported attitudes towards behaviour and found risk-averse individuals attend church more than risk-seeking individuals. Diaz (2000) in a study about religion and gambling in Las Vegas found that religious people gamble less. Barsky et al. (1997) in a study about religious differences in behaviours found that Jewish people are the most tolerant of risk with Protestant people less risk tolerant and Catholics have medium risk tolerance. Another study by Halek and Eisenhauer (2001) about insurance policies found that Catholics and Jews are more risk averse than Protestants.

The prevailing view in religious studies is that people who fear uncertainty are more religious than other people (Miller 2000). This is due to people being interested in religion due to their anxiety about uncertainty (Miller and Hoffman 1995). Religious people are more anxious and rigid in their behaviour than non-religious people. Most of the studies about religion and risk aversion focus on Western religions as this is the cultural background of most scholars (Lerner and Keltner 2001). Western religions comprise Catholicism, Islamism, Judaism and Protestantism, which are among the most widely practised in the world. Eastern religions include Buddhism, Hinduism and Taoism, which are more popular in Asia. Western religions focus on the existence of one God and on the practice of worshipping a God in ceremonies. Part of this involves communicating with a higher authority about their desires. Eastern religions instead of worshipping stress more on teaching about a philosophical way of life. This means that for Eastern religions the goal is understanding and contentment whilst western religions are interested in the evolution of life. Hilary and Hui (2009) found that religion indirectly influences decision making styles of individuals in United States firms and this was a result of the Western influences.

2.3 Islamic Culture and Business

Islamic culture has three ideological groups that affect entrepreneurship: traditionalists, modernists and secularists (Pistrui and Fahed-Sreih 2010). Traditionalists

believe in the strict following of the Koran and in keeping with the original ideology of Islam. This means interpreting the original meaning of Islam and incorporating this tradition into their daily lives. Modernists adapt to changing society conditions that are compatible with Islamic values. As part of this modernist approach, the introduction of new ways of observing Islamic culture is practiced. Increasingly a modernist approach is being taken that combines core Islamic values and new ways of thinking about how to practice religion.

Islam has five pillars that are part of the core values and spiritual beliefs of the religion (Pistrui and Fahed-Sreih 2010). These five pillars of Islam are the creed, prayer, charity, fasting and pilgrimage. The first pillar is the creed which involves the belief that Allah is the only God and Mohammad is God's final prophet. The second pillar is prayer, which involves 'Salat' and 'Du'a', which are a central part of the religion. Salat are ritual prayers that are conducted at specific times of the day. Du'a are personal prayers addressed specifically by a person to God. The third pillar is zakat or charity and involves giving to social causes. This social welfare incorporates a tax to help the needy, which is a form of social security.

The emphasis on social causes helps encourage the development of charitable causes. The fourth pillar is fasting, which relates to the holy month of Ramadan. In Ramadan, there is abstention from certain food, drink, tobacco and sexual relations. The fifth pillar is pilgrimage and refers to the duty to travel to Mecca for Haji. This pilgrimage is a once in a life time obligation to travel to the holy city of Mecca. Part of Islam culture focuses on personal effort as a way to wealth creation and financial well-being is a component but not the sole emphasis of the religion. Muslim culture around the world is changing due to increased internationalisation and economic trends. Allah or God is at the heart of Muslim culture and used to explain decision making within society (Rice 1999). Often uncertainties in life are linked to Allah with the term 'unsha Allah' (God willing) commonly referred to mean 'let the boss decide' (Pistrui and Fahed-Sreih 2010).

2.4 Islamic Culture

Islamic culture encourages people to work collectively rather than individually as part of their collectivist orientation. Culture is an important part of entrepreneurship as it influences behaviour. The development of enterprise is a function of culture and values existing in society (Dana 2009). Values can vary amongst different communities depending on the orientation towards entrepreneurship. Dana (2009) suggests that some religions are less orientated to entrepreneurship because of their culture. Religious beliefs are derived from cultural values, which impact lifestyle choices in a society (Drakopoulou Dodd and Gotsis 2007). This means that religious circumstances affect the desirability and level of entrepreneurship (Dana 2009).

Dana (2009: 88) states "religions teach, promote and propagate cultural value systems within a given society". The propensity of an individual towards

entrepreneurial activity is based on values and ethics. Religion is a source of an individual's morals and expected behaviour. Value orientations are complex but involve rank ordering principles based on an evaluative process (Dana 2009). The values can be separated into affective, cognitive and directive elements based on the interaction with the environment (Kluckhohn and Strodtbeal 1961). Entrepreneurship is linked to values as human thoughts determine actions. Religious beliefs have a significant impact on an individual's view about work (Farmer and Richman 1965). Part of the cultural understanding about human behaviour involves value orientations people have in terms of their motives and relationship with others (Dana 2009). The natural environment interacts with human behaviour to determine the reasons people act in a certain manner. Religion creates needs in society, which leads to opportunities for entrepreneurs (Dana 2009). In a study about Muslim entrepreneurs in London, Altinay (2008) found that religious orientation affects the amount of support and advice given to others. Another study by Dana (2007) supported the view of religious orientation as he discussed how religion is at the core part of Amish business people who establish businesses that incorporate their beliefs.

3 Islamic Entrepreneurship

Entrepreneurs have a higher tolerance for risk and uncertainty, which makes them more energetic people (Farid 2007). The desire for autonomy and pursuit of goals sets entrepreneurs apart from other people. Entrepreneurial opportunity is obtained from the interaction of individual characteristics and environmental conditions (Busenitz et al. 2000). Entrepreneurs have been referred to as decision makers, gap fillers, innovators and organizers (Hoque et al. 2014). In order to exploit opportunities entrepreneurs initiate and organise resources for business ventures (Azim 2011). Entrepreneurship is based on the causal variables that arise from the environment, which influences religious circumstances (Dana 2009). An entrepreneur is influenced by the social conditioning they have received from their environment (Drakopoulou Dodd and Anderson 2007). Entrepreneurs are described as individuals with a vision that can take it to successful implementation in the marketplace (Analoui and Karami 2003). The key features of an entrepreneur are their ability to find and exploit gaps in the market (Kakabadse 2001).

As part of Islam individuals can change their values and behaviour but the external outcome may not be under their control but God's control (Farid 2007). The Qu'ran (13:11–13) states 'never will God change the condition of a people until they change it themselves'. This means that an individual's interaction may be different depending on the external environment in which they practice their Islamic faith. Previous research by Elyacher (2002) has discussed the internal and external locus of control in Islam in terms of the political and economic environment. Elyacher (2002) found that Egyptians viewed money as empowerment but were not likely to express individualism towards financial issues as they were

viewed more as community concerns. Mitchell (2002) argues that in Muslim societies there is less self-maximising behaviour as people place more weight on satisfactory profit. The role of materialism in a culture is an important part of understanding society and business activity (Diener and Oishi 2002). In countries with materialist societies there is likely to be more emphasis on self maximising behaviour at the expense of community good (Farid 2007). Furnham and Argyle (1998) describe some cultures as materialist and consumer orientated in which material possession is important. In cultures with more of a collectivist nature that have less emphasis on collecting material goods there is likely to be more emphasis placed on altruism and social goods.

Islamic entrepreneurship is embedded in social relationships that have a collectivist nature. Family and kinship are part of the culture impacting entrepreneurship. Societal practices towards family determine working relationships and position within society. The societal norms about the role of family in work life are influenced by cultural expectations. Islamic culture has a continued tradition of tribalism that influences family life. Tribalism or 'hamula' involves a group of descendants living in close proximity (Pistrui and Fahed-Sreih 2010). This means that extended families are connected and sometimes this leads to nepotism in the workforce. The loyalty of tribalism culture in Islamic society influences the socio-economic systems, which affect entrepreneurship. Islamic culture encourages loyalty to family as part of the structure of society. This encompasses a moral obligation in Islamic culture for individuals to help their family. Islamic culture expects individuals to be loyal to their extended family and social values reinforce their expectation.

Islamic entrepreneurship has become more known for being a marketing concept rather than a theologically valid term (Guemuesay 2015). There is increasing focus on Muslim customers and entrepreneurs are marketing products based on this demand. Many businesses incorporate religious marketing such as halal certification when selling products. The interaction between Islam and entrepreneurship is important due to the innovations and new business activity developed based on religion. Islam is the belief in the one God and that Muhammad is the messenger of God. Part of Islamic practice involves Iman, which is the belief in Allah (God) and part of this involves his messengers and destiny. Ihsan involves worshipping Allah (God) even though you may not see him, he sees you.

Entrepreneurs are the subject of economic analysis as they are one of the most intriguing characters in business (Baumol 1993). Scholars interested in the role of Islam values in entrepreneurship focus on textual and contextual factors influencing religious beliefs including the Quran, Synnah, Ijma and Qiyas (Guemuesay 2015). The Quran is the primary textual source for most Muslims as it contains the word of God and verses covering a period of 20 years from approximately 600 AD. In the Quran there are more than 114 surahs (or chapters) and 6000 ayat (or verses) that describe behaviour and the way of life for Muslims. The Sunnah is another textual source and it contains the sayings of the prophet Muhammad. This includes the silent and tacit approval of appropriate behaviour as suggested by the prophet Muhammad, which are important in daily life. Contextual sources for Muslims

include the Ijma (or consensus), which involves the agreement from the religious community about Islamic jurisprudence. The Ijma is important in setting the standard about codes of behaviour appropriate for individuals practicing Islam. The Qiyas (or analogy) involves analogical reasoning, which may be debated amongst religious scholars in terms of meaning and terminology.

In Islam, the hoarding of wealth is prohibited (Quran 3:180), which impacts business development. Individuals practising Islam need to purify their wealth by giving Zakat (Quran 9:103). Zakat means that Muslims need to help disadvantaged people by redistributing their wealth. As part of zakat Muslims pay each year the zakatable minimum (nisab), which is usually approximately set at 2.5 %. Worshiping practices of Muslims including having five daily prayers affects working conditions in an organization. In addition, other Muslim practices such as fasting during the holy month of Ramadan affect the ability of people to work. All areas of business are affected by Islamic practices in which socio-economic as well as spiritual welfare is important (Guemuesay 2015). In Islam, the fulfilment of contracts is considered obligatory (Quran 5:1), which affects the perceived trustworthiness of Muslims. In terms of finance-related business practices there are a number of beliefs that distinguish Islam from other religions. These include lying (Quran 5:1), gambling (Quran 5:90) and false measuring (Quran 55:9).

In Islam the taking of interest is forbidden (Quran 30:39), which has given rise to the Islamic finance industry. This has meant interest (riba) is not allowed and means that Muslims need to finance business activities different to those from other religious faiths. In these loans the total price of the contract is included that does not factor in interest rates. This has made Islamic finance also attractive for people from other religions as it gives a total price that is clear instead of uncertain interest rate charges. Another Islamic principle relating to finance is gharar, which refers to uncertainty or ambiguity. In Islam, the lack of clarity about prices in a contract is forbidden. In an Islamic economy the market is shaped by the ethical system existing, which incorporates institutional mechanisms (Naqui 1994). Kayed and Hassan (2010) refer to Islam as an entrepreneurial religion due to its embedded beliefs which encourage entrepreneurial activity. In Islam, the concept of rizq is granted by Allah and refers to wealth creation. This means that Muslims need to have faith and trust in Allah (God) in terms of their business activities. For entrepreneurs who focus on innovation and risk taking this may mean being obligated to do a certain type of behaviour. Essers and Benschop (2009) in a study about Muslim businesswomen found that Islam is perceived as being negative for successful entrepreneurship. Some Islamic legal institutions make it hard for economic development because of their lack of flexibility (Kuran 2012). There is some suggestion by the media that Islam is responsible for less market development because of its religion principles impeding entrepreneurship. This misconception is based on the lack of studies focusing on religion and entrepreneurship.

Religion plays an important role in business management due to its impact on process and strategy (Tracey 2012). Despite the significance of religion to business it has been mostly studied from an ethics perspective. This has limited its development in terms of application and theory in an Islamic entrepreneurship context.

There have been a number of studies looking at the role of religion in marketing practices (e.g., Rinaldo et al. 2013; Roomi and Harrison 2010). The role of religion in society is a sensitive topic due to the lack of understanding about certain issues. This has led to some researchers being afraid to incorporate religion into studies about entrepreneurship because of its contextual nature. Some research around religion has focused on spirituality as it is less debatable and can be interpreted in a different manner (Steingard 2005).

Religious entrepreneurship has distinct practices based on scriptural sources that date back from many years ago. The distinct meta-physical part of religion distinguishes it from other forms of entrepreneurship. Islam has an entrepreneurial character because of its interpretative processes that incorporate innovation. Some religious beliefs associated with Islam give rise to entrepreneurial endeavours. Islamic entrepreneurship is under represented in the mainstream entrepreneurship literature because of its limited study of religious beliefs. This has led to Islamic entrepreneurship being misquoted instead of linking it to other management studies. Religion continues to play an important role in society due to the political and social tensions derived from its beliefs. This has meant that whilst globally we are in a secular society, religion still impacts human behaviour (Habermas 2001). Berger (1999) stresses that whilst secularization exists, religion is still the driving force for many decisions.

The concept of Islamic finance has grown significantly in the past decade as more emphasis is placed on religious values in society (Usmani 2001). More individuals are incorporating an Islam-based approach to their decisions and this includes work practices. Religious studies are popular amongst sociology scholars because of their ethnographic approach. In addition, sociology incorporates the view that human behaviour is environmentally determined based on existing factors within an individual's life. Religion is important for entrepreneurs as it provides a basis to do business by and a way of evaluating critical decisions. Religious entrepreneurship is a dynamic concept that changes depending on prevailing views of society.

Religion is integral to understanding the development and growth of entrepreneurship in society. It is important to contextualise Islam by understanding the beliefs and values associated with this religion. Analou et al. (2009) defined entrepreneurship in Islam as the process individuals on their own or within organisations pursue opportunities without thinking about the resources required or the consequences of their behaviour. Islamic entrepreneurs have proactive abilities to deal with environmental uncertainty by incorporating religion beliefs into their business activity. Businesses need entrepreneurs as they challenge existing norms and standards of behaviour in order to change outdated practices.

Islamic entrepreneurship offers one of the best ways to incorporate religious beliefs with the ability to enact economic prosperity (Analou et al. 2009). Organisations that reform themselves from bureaucratic and traditional to entrepreneurial will be able to incorporate religious entrepreneurship. There has been increasing tension between Islam and capitalism as religious beliefs conflict with societal expectations. This can be seen with the Islamic style of dress, ban of alcohol and

pork consumption and the innovative financial system. Despite the prohibition of charging interest by Islamic religious law, countries with a majority of Muslim population such as Indonesia, Malaysia and Turkey have interest bearing investment accounts.

3.1 Spirituality and Entrepreneurship

Vega (2002) proposes that spirituality in entrepreneurship is when there is a connection between social and financial concerns. Spirituality is an important part of religion as it is concerned with the connection of a higher power (Pio 2010). Kauanui et al. (2006) in a study of entrepreneurs found that spirituality is relevant to the business world. Spirituality is acknowledging a higher force above that currently in the physical realm of a person's existence. This means that spiritual individuals believe that there is a higher authority active in both personal and business affairs (Pio 2010). Religions entrepreneurs participate in business and spiritual endeavours as they integrate their spiritual beliefs with morals and values in business. Iyer (2004) in a study of merchant castes of India found that religiosity has an impact on community consciousness. This means that religious entrepreneurs incorporate merit and honour into business decisions (Iyer 1999).

Muslims view the family as the core part of society and part of the preservation of their identity (Pio 2010). In Islam there are five categories of human actions: commanded, recommended, permitted, disapproved and forbidden (Pistrui and Fahed-Sreih 2010). Muslims believe in Muhammad as the prophet and that the Koran is God's scripture. In a religion people have core obligations that they are required to follow as part of their spiritual beliefs. Muslim ideologies are changing as a result of globalisation and emerging mindsets about expected behaviour. This means that in Muslim cultures there is a different value system, which faces challenges in adapting to societal trends.

The core principle of Islamic finance is risk sharing in that someone who invests in your enterprise takes a share of the profit or loss (Pistrui and Fahed-Sreih 2010). As part of the distinctive development of Islamic finance, Shari'a compliant products have emerged that comply with religious beliefs. Entrepreneurship is encouraged in the Muslim religion and this can be seen in some of the hadiths from the prophet such as "the best gains from honourable trade and from a man's work with his own hands" (Pistrui and Fahed-Sreih 2010: 115).

Zakaria (2001) in a study about Muslim women in Nigeria found that although they had a marginal role in society they made substantial contributions to the economy. Zakaria (2001) highlights that despite popular misconception women are considered equal to men with regards to spirituality, business and political life. Pio (2004) describes spirituality as being the life energy of an individual linking harmony with the universe. Religion and spirituality are complex as they refer to sacred-secular-space, which examines the interaction between work and spirituality (Benfield 2003). Spirituality is concerned with the connection to others in a meta-

physical sense, which has a transcendental nature in meaning (Dent et al. 2005). Some people see spirituality as a form of inner wholeness as it is important to their well being (Gibbons 2000). Others refer to religion in a spiritual way as it links their energy to knowing about a supernatural power (Dean et al. 2003). Religion has been a way for individuals to seek meaning in their life as a way to explain and understand things outside their control (Moch and Bartunek 1990). Spirituality enables people to have a sense of inner calm, which can be good for their overall wellbeing (Neck and Milliman 1994).

The core aspects of spirituality are harmony in self and a holistic understanding between spirit and body. This can involve experiencing a sense of holism in which personal growth is achieved by having a sense of balance (Pio 2010). The central element of the Muslim socioeconomic system is the family and kinship network (Pistrucci 2005). An entrepreneurial mindset is fostered in the Muslim religion when strategic innovation is fostered based on business continuity. This is achieved by focusing on the growth of business based on appropriate financial and management control.

4 Managerial Implications

This chapter has discussed the involvement of entrepreneurs in business activities. Religious-based studies using the Islamic context are necessary given the increasing role Islam is playing in the world economy. Studies from an Islamic understanding about entrepreneurship will further help integrate the role of culture in society. The findings from this chapter can provide managers with important recognition that religious belief is crucial for business growth. This chapter validated the social capital theory of religion (Greenberg 2000) by stating how Islamic values are integrated with entrepreneurial behaviour. This can provide entrepreneurs in firms located in Islamic countries with important inspiration about how they can integrate their religious beliefs with business activity.

Given the increased emphasis on work-life balance for many individuals considering the unique features of Islam will enable better overall business performance. The findings of this chapter suggest the higher chance of long term success for entrepreneurs that utilise their religious beliefs in a positive manner. The emphasis on religion with business involvement in this chapter motivates Islamic entrepreneurs who wish to integrate their beliefs to incorporate their social values into their long term business objectives.

5 Future Research

This chapter can motivate three branches of future studies about religious entrepreneurship and more specifically the role of Islam in entrepreneurship. First, future studies should pay attention to the role of religion on intention to start new businesses. This can include more empirical work regarding religion and the link with different types of businesses that are started by entrepreneurs. More focus should be placed on future research that examines whether being Muslim makes individuals want to start Islamic businesses as part of their link to their cultural heritage. Second, researchers should address cross-cultural differences in religious entrepreneurship in terms of how Islamic business principles may be different based on ethnicity and country-of-origin. Due to the increased international mobility of Islamic entrepreneurs it would be interesting to see whether immigrants based on their religion are more likely to start a business. Finally, as religious entrepreneurship studies are still in their early stages compared to other types of entrepreneurship research, future research, should focus on the historical development of Islamic business. This could include case studies of successful businesses that have marketed Islamic principles as part of their overall business strategy. This would ensure more robust findings that could be potentially compared to other studies about religion.

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