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An Islamic Economy based on *Rizq:*

A Grounded Study on Islamic Economics and Finance through an Everyday Understanding of Muslim Civil Society Representatives in Germany

by

Frauke Demuth

Thesis Submitted in Fulfilment of the Requirements for the Degree of Doctor of Philosophy at Durham University

Durham University Business School

2016

Abstract

An Islamic Economy based on *Rizq*: A Grounded Study on Islamic Economics and Finance through an Everyday Understanding of Muslim Civil Society Representatives in Germany

by Frauke Demuth

Theory development in Islamic economics has largely been based on the foundational texts of Islam, the Qur'an and *Sunnah*. As the main articulation of Islamic economics, the Islamic finance industry was once perceived as the main gateway of building an economic system based on the principles and ideals developed in Islamic economics. However, nowadays, Islamic economics theory has failed to integrate important alternative economic concepts such as sustainable development, and Islamic finance is often criticised for preferring 'form over substance' in terms of ethicality.

In order to address these shortcomings, the present study uses a grounded theory based and transdisciplinary research approach. On the basis of semi-structured elite interviews with representatives of Muslim civil society in Germany on questions regarding the economy in general and businesses in particular in connection with issues of ethics and sustainable development a theoretical model for an ideal Islamic economy is proposed based on the emerging concepts. The framework for the proposed model is located in economic sociology. Furthermore, this study develops an assessment tool for Islamic sustainable investment decisions from the theoretical model in order to address the perceived ethical gap in the practice of Islamic finance.
The research presented enriches the theory development in Islamic economics, because it introduces new concepts such as *rizq* and alternative economic mechanisms that have not been explored in Islamic economics before and that open new avenues of enquiry.

The research presented in this study also enlivens the debate by introducing new voices that have not been considered so far in Islamic economics. Voices, such as those of Muslim civil society actors, are important to give the field a reality check, make the theoretical foundations more meaningful and move them closer to the *lebenswelt* (lifeworld) of Muslims today. They also show the great diversity of interpretations of Islamic concepts in the Muslim community, and, therefore are a reflection of the plurality existing in the modern Islamic discourse.

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List of Abbreviations

f. / ff.	(and the) following (page) / (and the) following (pages)
UNCED	United Nations Conference on Environment and Development
SDG	Sustainable Development Goals
MDG	Millennium Development Goals
CSR	Corporate Social Responsibility
RBV	Resource-Based View of the firm
IBF	Islamic Banking and Finance
AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
IFSB	Islamic Financial Services Board
PLS	Profit and Loss Sharing
SRI	Socially Responsible Investment
ESG	Environment, Social and Governance
ILO	International Labour Organisation
PAR	Participatory Action Research
SGMM	St Gallen Management Model
NGOs	Non-Governmental Organisations
DITIB	'*Diyanet İşleri Başkanlığı*'
LIB	Liberal Islamic League (*Liberal-islamischer Bund*)
ZMD	Central Muslim Council for Germany (*Zentralrat der Muslime in Deutschland*)
NAQ	*Tariqa Naqshibandiya - Haqqaniya*
JOUR	Female Muslim JOURnalist
BUR	*Tariqa Burhaniyya*
IMAM	Imam of mosque in Southern Germany
ANA	Sustainability analyst
OIKO	Oikocredit, two representatives
IFIBAF	Institute for Islamic Banking and Finance
IFEx2	Another German Islamic finance expert
IPE	Islamic Political Economy
GRI	Global Reporting Initiative

Declaration

I hereby confirm that this thesis is a result of my original work. None of the materials in this thesis has previously been submitted for any other degrees in this or any other university.

Frauke Demuth
München, July 2016

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Frauke Demuth
München, July 2016

Acknowledgements

I wish to thank first and foremost my supervisor Prof. Dr. Mehmet Asutay for his incredible support and encouragement, which was especially important as I did the PhD part-time and away from the inspiring academic environment of Durham University. He is a true example of a great, relentless scholar in Islamic economics and finance and exceptional in his dedication to his students.

Secondly, I wish to thank the 'Lakof Bayern' (The Assembly of the Equal Opportunity Officers at Universities of Applied Sciences in Bavaria) for providing me with a scholarship for one and a half years so that I could complete the thesis in comfort and ease (at least financially). The network gatherings also were a great opportunity to meet with other women in the same situation (doing a PhD part-time along other responsibilities of work and / or family).

The PhD would also not have been possible without my employer oekom research AG being incredibly accommodating regarding work-time flexibility.

I am grateful to my family, for their patience with me for this long time of study and for managing without me in times when I was away on 'PhD business'.

And finally, I wish to thank my interview partners whose responses helped me to see the world in a different light and to find new perspectives that I had not thought of before.

I hope this study does justice to the work each of those mentioned have put into supporting me as well as to the faith they have shown in me.

Frauke Demuth

München, July 2016

1. INTRODUCTION

1.1. PROLOGUE: MOTIVATION AND EXPLORATION

At the very beginning of this study, it seems appropriate and perhaps necessary to provide a brief personal account of what instigated this research and explain my own perspective on the issues that will be examined here. While these introductory remarks aim to contextualise the study, it is also important to note that in a social constructivist tradition (Berger and Luckmann, 2013), the researcher's background and experience have a fundamental impact on every step of the research process and therefore need to be understood in order to locate the research within its broader (social) context.

This study is the result of a long journey, which started with a simple question. Being a Muslim and working as an analyst at a sustainability rating agency, I asked myself: 'If Muslims want to invest ethically and sustainably, which criteria do they apply?'

The relevant criteria that can be found in the burgeoning Islamic finance industry, which are mainly exclusion criteria screening out businesses that produce alcohol or weapons for example, seemed to be quite basic compared with the average of around one hundred positive criteria that are used in some sustainability ratings. This observation inspired an enquiry into the area of Islamic finance as well as into Islamic economics as the theoretical underpinning of the industry. It was somewhat startling to observe, however, how little the literature on Islamic finance and economics takes up the idea of sustainable development and that it hardly makes any reference to the research that looks at similar issues that Islamic finance and economics are concerned with from a Western perspective. Instead, most of the theory development in Islamic economics, which developed through the intellectual efforts of revivalists at least in the early stages of the field of study, mainly followed the pattern of researchers conceptualising and interpreting the ontological sources of Islam to derive certain principles that they could then apply to an economic context, claiming that this would make an economic system more in line with an Islamic worldview. Even the Islamic economics literature that takes up the idea of sustainable development mainly adopted the same pattern, explaining how Islamic normative principles could be used to describe the idea of sustainable development.

As mentioned above, much of the existing Islamic finance related literature builds on the theoretical underpinnings of Islamic economics and thus follows this general pattern. This did not seem to be convincing, because coming from a Sufi tradition within Islam I noticed that many of the concepts and principles used in the Islamic economics literature such as *ihsan* or even *tawhid* have a very different meaning in other traditions than how they are used in the Islamic economics context, but there has not been an acknowledgement of this. This seemed to render the predominant reasoning within Islamic economics as somewhat artificial and detached from the everyday experiences of Muslims living today. It also made the discipline look monolithic where the plurality and diversity within Islam or rather the ability to accept ambiguity (*see*: Bauer, 2011) could be seen as one of the main distinguishing characteristics that differentiates Islam from Western notions of modernity. Bauer (2011) highlights that in classical Islamic thought, be it in Islamic jurisprudence, art or recital of the Qur'an, ambiguities and even obvious contradictions were accepted as normal and a 'blessing to the community', and that it was only the so-called revivalists, who also inspired a lot of the early Islamic economics literature, that took up the modern notion of ambiguity being a sign of weakness and a nuisance that needs to be eradicated. It could be argued, therefore, that instead of reviving Islam this approach actually neglects one of the main elements of traditional Islamic thinking. Therefore, one of the main building blocks of this research is to incorporate the plurality in Islam into research in Islamic economics. It should also be noted that when the early Islamic economists spoke of an 'Islamic state', they were full of hope and aspirations for a better place, whereas today the term is only suitable to raise fear and even disdain of the religion of Islam. Therefore, a different perspective is needed that looks at Islamic economics not as a way of demarcating the Muslim world from the rest, but to recognise that present day problems can only be solved when researchers and practitioners from different disciplines and cultural as well as religious backgrounds work together, which leads on to another aspect that should be highlighted when explaining the underlying motivation for this study, as follows:

For someone working in the field of sustainable development, there is always a sense of urgency in one's reasoning and reflections on the state of the world, because the problems humankind is facing today, such as climate change, loss of biodiversity, the degradation of soil and the pollution of the oceans, are imminent dangers, and many of

the processes, once set into motion, are irreversible. Due to this sense of urgency as well as the fact that most of the problems mentioned above, along with further social problems, affect Muslim countries already or will affect them in the future, some of the more technical debates in Islamic finance seem rather frustrating and distracting from the real issues that should be tackled and that are addressed more directly by sustainability research. For example, Huber (2000) describes three sustainability strategies that are available to economic actors to direct their activities towards sustainable development: efficiency, sufficiency and consistency. 'Efficiency' means the strategy of companies to produce in a manner that is more efficient and thus uses less resources and 'consistency' is a strategy whereby industrial activity becomes less harmful to the environment. As for 'sufficiency', it describes an approach to consumption that demands of every consumer to reduce their consumption and it demands of businesses to support such behaviour. As will be seen, the idea of sufficiency is close to the value system outlined in the proposed Islamic economy model presented in this study. Furthermore, the idea of sufficiency is closely related to the notion of a so-called post-growth economy (*see*: Paech, 2012; Jackson, 2009), which means that companies as individual economic actors and economic systems as a whole should not focus on economic growth as unlimited growth is not possible on a planet with limited space and resources. This notion has so far been unthinkable in most conventional economics as well as in Islamic economics, but will seem more feasible in the context of the research results. Apart from such similarities in terms of content, one area where Islamic economics could benefit from sustainability research is to apply some of the methods used in sustainability research that aim at solving real world problems in a manner that involves the input of practitioners and civil society actors as well as knowledge from different academic disciplines, the so-called transdisciplinary research approach. All in all, the integration of sustainability perspectives, especially transdisciplinary research methods, into Islamic economics can be seen as a second important building block of this research.

Finally, as shown by Polanyi (2014 {1944}), today's unsustainable and disembedded economic system has its roots in the industrial revolution of the British Empire in the 18th century, and it is this system that has led to the large-scale environmental degradation we are witnessing today. In a process of what Polanyi (2014) terms the creation of fictitious commodities, both land and labour were, for the first time in

history, considered as goods to be traded on self-regulating markets. He is extremely critical of the consequences of these developments and explains that the creation of the labour market has essentially led to a deterioration of social cohesion within communities, while he calls the commodification of land 'possibly the most absurd undertaking' (Polanyi, 2014: 243, translated by the author), leading to an alienation between humans and nature. He, thus, shows how the expansion of the free market logic into areas that previously had not been exposed to market forces has disembedded markets, while in previous times economic exchanges could always be understood as being embedded in social relations one way or another. He also points out that markets in pre-industrial times were only one among four economic exchange mechanisms and that other mechanisms such as redistribution, reciprocity and householding were the more predominant forms of economic exchange. These types of exchange are today largely neglected in economic research, although it should be noted that Polanyi's work seems to be well received nowadays at least in the fields of economic sociology and anthropology. In a similar manner, Polanyi's research offers many ideas that should resonate well with Islamic economists, yet his work seems to have gone largely unnoticed in this field of study at least until recently. Taking up Polanyi's ideas and other impulses from economic sociology and anthropology in order to expand the theory development in Islamic economics can be seen as the third building block of the study presented here.

After having briefly outlined both the personal motivation as well as the larger research context in which this study should be located, the following section specifies the aims, objectives and research questions of the study.

1.2. AIMS, OBJECTIVES AND RESEARCH QUESTIONS AS WORK IN PROGRESS

In essence, the main aim of this research is to develop an Islamic economic theoretical model and conceptual framework leaning on grounded theory by uniting the epistemological underpinnings of sustainability research of Western social sciences such as economic sociology and anthropology, with the ontological foundations of Islamic economics.

As mentioned, the original question that initiated the research presented here was very practice-oriented and aimed more or less at identifying criteria that could be used in the evaluation of the ethical performance of businesses from an Islamic perspective. However, the development of such ethical criteria needs to be rooted on a sound and coherent theoretical foundation and therefore there are two steps in this research process associated with two distinct research questions. The first research question is:

> How can the concept of sustainable development be used to deepen the understanding of Islamic economics on theoretical grounds?
>
> The second research question builds on the outcome of the first question and focuses on the practice-orientation:
>
> Which implications can be derived from the data and the theory development for the practice of Islamic finance and beyond?

These research questions are closely linked to the research objectives, whereby the *first research objective* is to develop a coherent theoretical model of how a sustainable economy looks like from an Islamic perspective. In order to define this Islamic perspective, a research method was chosen that reflects the two building blocks identified above: the orientation towards the plurality of opinions within Islam and the use of transdisciplinary research methods. Therefore, semi-structured interviews with representatives of Muslim civil society in Germany were conducted in order to ground the theoretical model in empirical data reflecting the plurality of Muslim voices in one specific country. This research objective is related to the first research question and specifies the means that are used to answer the question.

The *second research objective* is to outline an assessment tool for Islamic sustainable investment decisions on the grounds of the data and the theoretical model. This objective relates to the second research question, again detailing more specifically how the answer is going to be found. With its grounding in empirical data it takes up the research methodology of sustainability research, involving civil society actors to solve a real world problem, namely the definition of ethical investment criteria from a Muslim perspective.

Semi-structured in-depth interviews were chosen as method for data collection as large

amounts of data can be generated this way that are tailored to the research questions. Due to the exploratory nature of this study, the analysis was conducted in a grounded theory inspired fashion, whereby the analysis is not based on predetermined criteria, but codes and aggregated categories emerge from the data.

As mentioned above, the initial stages of enquiry resulted in a sense of discomfort with the way theoretical concepts in Islamic economics had been developed in the past. The empirical data in this study seemed to refine and sometimes contradict these concepts and in some instances bring them to life. It was this sense that this research wanted to capture and uphold throughout the study. Yet none of the theoretical models in either Islamic economics or sustainability research offered the breadth and depth that would help to structure the data adequately and put them into a coherent and comprehensive relation to one another.

Such a model eventually was found in economic sociology, and, supported by concepts that have also been developed and used in economic anthropology, especially the idea of embeddedness, it was used to create a theoretical framework for an Islamic economy based on the data collected through the interviews. This move away from the original footing in Islamic economics and sustainability research to a new anchorage in economic sociology and anthropology is mirrored in the structure of the study presented here in that the literature review chapters (Chapters 2 to 4) only introduce the former two disciplines, while the latter two disciplines are mainly covered in Chapter 7, which is the main research chapter, introducing the final analysis and interpretation of the data.

1.3. SIGNIFICANT CONTRIBUTIONS OF THE STUDY

After having explained briefly the rationale and the background of the study, the major findings that can be regarded as the main contributions of this research shall be highlighted now.

The major contributions of this study can be divided into content and methodology. On the level of content, the theoretical model proposed in this research identifies various Islamic concepts such as *rizq* that have so far received little attention in Islamic economics. It also helps to refine some of the concepts that are an integral part of the

Islamic economics body of theory such as the notion of *khilafah*.

It further proposes to move away from concepts such as the *homo islamicus*, arguing that this concept is still based on a narrow understanding of what constitutes rationality in social action and that instead a more sociological understanding of the driving forces behind human social action would help to shift the focus towards how economic action is always embedded in a social context that cannot be explained by instrumental rationality alone.

The assessment tool that can be understood as the practical implementation of the theoretical model contributes to research in Islamic economics and finance in that it proposes criteria for the assessment of businesses that represent the breadth of topics that are relevant when assessing the performance of businesses beyond the financial market. It also shows the level of responsibility expected of businesses from the point of view of Muslim civil society actors and thus can be understood as a first sketch of applied Islamic business principles that would have to be refined and differentiated further.

In terms of methodology, the major contribution of this research is that it has brought new voices into the debate within Islamic economics that have found little consideration before: the voices of Muslim civil society representatives. It has also shown that it is possible to derive guiding principles for an Islamic economy and Islamic businesses through empirical data rather than relying on the primary sources of Islam. The main concern expressed at the beginning of this introduction is that by building theory for Islamic economics mainly from conceptual works based on the primary sources alone, the plurality of opinions in the current Islamic discourse is lost and this may lead to a gap between the theory and the everyday experiences of Muslims. The transdisciplinary research method chosen for this research can help to bridge this gap and it would be interesting to see further research along similar lines in the future.

The grounded theory nature of this research should be considered as an important contribution, as Islamic economics theory building has never attempted using grounded theory as a methodology of knowledge development. While it is true that there are some studies available in Islamic finance constructed through grounded theory, this research remains one of the first if not the only one in Islamic economic theory to date.

1.4. AN OVERVIEW OF THE RESEARCH

To give a brief overview of the entire study, Chapter 2 begins with a short introduction of Islam and Islamic economics as well as a brief description of the concept of sustainable development. It also looks at research in Islamic economics that takes up the idea of sustainability and sustainable development.

Chapter 3 introduces Islamic concepts at the corporate level such as Islamic corporate governance and Islamic marketing. It explains in some detail the different concepts existing in the area of corporate social responsibility and corporate sustainability and then moves on to explore corporate social responsibility from an Islamic perspective.

Chapter 4 focuses on the financial market and introduces both Islamic finance and socially responsible investment (SRI). It also looks at research that examines SRI in Islamic finance and the social responsibility of Islamic banks.

Chapter 5 explains in detail the methodology of the research. It explains the idea of transdisciplinary research and then provides the reasons why this study is designed as a qualitative exploratory study using semi-structured interviews. It introduces the sampling procedures as well as the choice of samples and describes the data analysis process.

Chapter 6 presents the assembled data mainly in the form of tables that collate the answers of the interviewees condensed to categories. Each table is associated with a question asked in the interviews containing the answers of each interviewee. The answers are further explained to transport the main issues and the richness of the collected information. This prepares the ground for the deeper analysis and interpretation of the data that is offered in Chapter 7.

Chapter 7 is the main research chapter in which the data is interpreted and analysed further. The focus in this chapter lies on developing a theoretical model based on a framework derived from economic sociology that unites different lines of enquiry such as a new institutional perspective and a political economy perspective. This framework is adapted for the aim of this study and the data are interpreted and structured to fit into the created model. The result is a proposed model of an Islamic economy that is based on the understanding of sustainable development and corporate sustainability of the

interviewees. This chapter is therefore closely linked to the first research objective explained above and aims to answer the first research question on how sustainable development can contribute to the theory development in Islamic economics. It concludes with a contextualisation of the theoretical model developed in this study with the broader research in Islamic economics and highlights some of the convergences and major differences.

Chapter 8 continues with the interpretation and analysis of the data, but takes a more practice-oriented approach and therefore is linked to the second research objective and the second research question regarding the implications of the idea of sustainable development for the practice of Islamic finance. In this chapter the idea of developing an assessment tool for Islamic sustainable investment decisions is taken up and criteria that could be used in such an assessment tool are proposed. This chapter is concluded with a brief comparison of the criteria proposed in this study with existing criteria that are either being used by the industry or that have been developed in previous studies.

Chapter 9 offers a short overview over the entire study and highlights some of the limitations of the study. It reflects critically on some parts of the study and proposes directions for future research building on the results of the research presented here.

2. ISLAMIC ECONOMICS AND SUSTAINABLE DEVELOPMENT: SETTING THE FRAME

In order to develop the foundation and set the frame for this research, this chapter as well as chapters 3 and 4 present a review of the relevant literature. In these chapters, definitions for important terms are provided and their background and historic development are explained. In this, the research will move from the general to the specific, from the overarching areas of Islamic economics and sustainable development in this chapter to the corporate level in Chapter 3 and the specific setting within the financial industry for Islamic finance and socially responsible investment (SRI) in Chapter 4. Each chapter is structured in a similar manner, examining first the Islamic component, then the sustainability related aspects, and, finally, research that combines the two areas. This last aspect is particularly informative, as it can be seen as the starting point from where the original contribution of this research needs to emerge.

This first of the three literature chapters is divided into four parts: the first part, namely Section 2.1., presents a brief introduction to important terms relating to Islam. It also gives an overview of important differences in modern Islamic thought. In accordance with the literature in this field, we distinguish three schools of thought and examine the distinguishing elements by which they can be differentiated from one another. In Section 2.2, we will introduce Islamic economics by examining its development as an academic field of study and provide an overview of important terms and topics as well as points of discussion. We will see here how the differentiation into the three schools of modern Islamic thought is relevant for understanding Islamic economics and some of its controversial issues. Section 2.3. introduces the term sustainable development. It examines the development of the term and introduces important concepts and terms related to the idea. Finally, Section 2.4 examines the research that can be allocated at the interface between Islamic economics and sustainable development.

2.1. CONTEXTUALISING ISLAMIC ECONOMICS

Although economic issues have been investigated by Muslim scholars throughout the centuries, the development of Islamic economics and Islamic finance as distinctive fields of study is a relatively recent phenomenon. It seems worthwhile, therefore, to analyse the specific context or contemporary Islamic discourse in which this development has taken place. In doing so, this section is divided into two parts: firstly, a brief introduction to the main characteristics of Islam in terms of its defining components and central message is presented. This is followed by a more elaborate discussion of the different schools of thought of contemporary Islam.

2.1.1. The foundations of Islam

Islam is a religion and as such deals first and foremost with the relationship between individuals and God. However, Islam can also be understood as a complete way of life, offering guidance on the relationship of an individual with other humans, with society and its larger environment. This dichotomy between addressing spiritual questions of human life and its more 'profane' aspects is shaping present day Islamic discourse.

The ontological sources of Islam are the *Qur'an*, the holy book of Islam, which was revealed to the prophet Mohammed over a period of over 20 years in the 7th century, and the *Sunnah* of the Prophet containing traditions of his words, or *hadith*, and everyday practice and dealings.

From these two main sources, the *Shari'ah*, which literally means 'the path to the watering-place' (Kamali, 2008: 14), can be derived. The *Shari'ah* is the whole body of guidelines and principles that help Muslims to live their religion, and is generally seen as the path laid out by God for humans. It also constitutes the basis for Islamic law (*fiqh*), which can be understood as the human interpretation and construction of *Shari'ah* (Kamali, 2008: 16). The *Shari'ah* provides guidance for issues directly related to worship, called *'ibadat*, as well as a wide range of social and civil issues, called *mu'amalat*.

'Ibadat addresses those issues relating to the five pillars of Islam, namely the prayers, fasting in the month of Ramadhan, paying *zakat* (or wealth tax), performing the

pilgrimage to Makkah when circumstances allow, and saying the *shahada* or bearing witness that 'there is no God but God and that Muhammad is his Prophet'.

Mu'amalat, on the other hand, deals with issues regulating the everyday practice of life, such as marriage, trade and business, and the conditions of war and peace. Kamali (2008: 17) points out that only *mu'amalat* is subject to judicial rulings and open to consultation as the matters of worship can ultimately only be judged by God. Thus, the field of *mu'amalat* is open to social debate, consultation, interpretation and, to a certain degree, adaptation to the circumstances of time and place (Kamali, 2008: 43). Issues relevant for Islamic economics and Islamic financing are part of this field of the *Shari'ah* and therefore also open to consultation.

Islamic ontology necessitates direct responsibility of humans before God and does not know any intermediary between the believer and his/her creator, which is one of the distinguishing features and key principles of Islam (Waines, 2003: 63). In other words, Islam does not institute an organisational and hierarchical structure such as the church, and, therefore, today there is not one authoritative institution that can define what 'Islam' and 'Islamic' is. Traditionally, *ulama* (Islamic scholars) or other learned persons (for example, *sheikhs*) were seen as being the ones to be consulted in religious matters. However, their role is one of the issues contested by modern schools of thought as shown in the following section.

2.1.2. Schools of thought in contemporary Islam: modernist, revivalist and traditional

As outlined above, Islamic economics and finance as presented today, is very much a modern construct, and therefore, it should be located in the wider context of present day Islamic discourse. In the literature, this discourse is often grouped into three schools of thought: modernist (also referred to as reformist or liberal), revivalist (or fundamentalist, also political Islam or Islamism) and traditional (also called customary) (*see:* Kurzman, 1998; Esposito, 1998).

The first two, namely modernists and revivalists, can be traced back to the same root: the concern of Muslims regarding the increasing importance and dominance of the West on a political, economic and cultural level and the relative decline of Muslim

civilisation since the 19th century (Esposito, 1998: 33). Both schools of thought saw the traditional way, the existing structures of *ulama* and especially Sufi brotherhoods or orders that had substantial influence especially among ordinary Muslims throughout the ages (*see:* Sirriyeh, 2004), as one of the main reasons for the crisis (Esposito, 1998). Therefore, a radical break with the tradition was seen as the only solution to overcome this crisis.

According to Esposito (1998), there are many examples throughout the history of Islam of individual scholars such as Al Ghazali and Ibn Taymiyyah or movements calling for a reform of Muslim practices or a return to their origins. Both modernist and revivalist approaches can be situated within this tradition, although, despite this common ground, the contemporary modernist and revivalist schools of thought differ widely as elaborated now.

Modernists generally mean to break away from tradition by embracing Western thought, accepting its apparent superiority and trying to re-interpret Islam within the Western framework of knowledge or by taking up Western ideas, especially in the sciences (Esposito, 1998). This has led to a wide array of discourses depending on the field of interest of the respective scholar (Kurzman, 1998; Armajani, 2004) and includes politics, human and women rights and of course economics. Their interpretations of Islam have sometimes moved so far away from the general understanding that some modernists have even been accused of apostasy (Kurzman, 1998: 10f.).

As compared to modernists, revivalists take a different stance; as they tend to call for a return to the original sources of Islam with the objective of reversing many of the (controversial) developments made throughout the history of Islam. Revivalists are generally understood as having a literalist approach to the original texts with only their interpretation of Islam being considered correct, and others seen as falsified interpretations. In this context, some revivalists even legitimise the use of force (political *jihad*) to achieve their goals. Revivalists also fiercely promote the idea of Islam being a complete way of life, addressing all aspects of life without much room for separating religious duties from worldly affairs. Therefore, some thinkers of revivalist Islam such as Sayyid Qutb focussed on social and political rather than moral issues and saw Islam as an articulated ideology rather than a spirituality based religion (Takeyh and Gvosdev, 2004) with the objective of establishing an Islamic society based on the

ideas developed by revivalist Islamic principles and ideals (Esposito, 1998).

Both modernists and revivalists also agree that another reason for the crisis and the decline of Islam was the debate, going on since the 13th century among the *ulama,* that led to the proclamation that the 'gates of *ijtihad'* were closed (Esposito, 1998; Waines, 2003: 84ff). *Ijtihad* means independent reasoning or the method to derive new guidelines or rules from the Qur'an and *Sunnah* directly by a qualified scholar in instances where previous rulings or guidelines are missing (Kamali, 2008: 41f.). The call for the rejuvenation or renewed use of *ijtihad* is a common response to the alleged historic decline among both modernist and reformist scholars; however, the degree to which *ijtihad* is restricted to certain persons or can be practiced by anyone can again be seen as a distinguishing feature between revivalists and modernists (Kurzman, 1998).

Although revivalists claim that only the original sources are relevant and classical scholars should be discarded, according to Nafi (2004), Ibn Taimiyyah, a 13th century scholar, can be seen as the founder of this school of thought, also called *salafiyah* for its characteristic of relying only on the *salafis* or 'pious forefathers' of Islam. He also focussed on the original texts, namely Qu'ran and *Hadith*, and saw only the consensus of the Prophet and his companions as binding. He greatly influenced the thinking of most modern revivalists such as Mohammed Abdel Wahhab (Esposito, 1998), whose teachings are the main denomination in Saudi Arabia.

Just as his modern followers, Ibn Taimiyyah was a strong opponent to some practices of Sufism in particular with regard to the meaning of *tawhid*. *Tawhid* literally means unity or oneness of God and can be seen as the core principle of Islam (*see*: Küng, 2004: 117f.) and the expression of its strict monotheism. The understanding of the idea of *tawhid* can help to further differentiate between the different schools of thought discussed here.

Ibn Taymiyyah saw the veneration of saints and their tombs by Sufis as a violation of *tawhid*, as it contradicted his understanding of the concept. The Sufi understanding of the concept goes as far as striving for a union with God and the annihilation of the self in God as the highest state in their spiritual development (Knysh, 1999: 302f.). Mohammed Abdel Wahhab believed all of these practices such as the veneration of saints and the idea of seeking the annihilation of the self, to be a violation of *tawhid*,

and, thus, he considered Sufis as unbelievers that had to be fought against even by force (Sirriyeh, 1999: 23).

Modern reformers also take a critical stance towards Sufism and their attitude towards *tawhid*, although not as aggressively opposing it as *Wahhabis* and Salafists. Their main concern is that Sufism is perceived as being irrational and not in line with modern and intellectual discourse on contemporary issues. A further criticism relates to the relationship between the Sufi *sheikh* and his disciples, which again is perceived as being in contrast with modern ideas of individual independence and freedom (Day Howell and Van Bruinessen, 2007).

Despite the criticism of both revivalists and modernists regarding Sufism, it should be noted that in the 19th and 20th centuries, some Sufi orders such as the Sanussis in Libya or the *Mahdiyyah* in Sudan took on political agendas themselves and thus developed revivalist movements of their own kind (Esposito 1998). Therefore, there is no absolute dividing line between the traditional school of thought and the other two.

Generally, traditional Islam differs from both modernist and revivalist approaches, as it cherishes the heritage of Islamic scholarship and Islamic sciences that were developed over the centuries, and does not see the need to change fundamentally, rather to continue in the way the classical scholars have done. Nasr (1987) states, for example, that a return to the inner purification of Muslims and to Islam as a spiritual path rather than an ideology or political system is needed to bring it out of the alleged crisis rather than strengthening the outwardly and societal implications of the religion.

Lombard (2004) calls this school of thought the *ihsani* intellectual tradition as a reference to *ihsan*, which is the highest state of worship and moral commitment according to a *hadith*. According to this, there are three states with *Islam* being the fulfilment of the five pillars as described above: *iman* meaning the belief in God and his revelation and creation as well as in their inner meaning (Knysh, 1999: 301); and *ihsan*, which literally means perfection being understood as worshipping God 'as though you saw him, for he sees you although you do not see him' (as quoted in Waines, 2003: 103f.). The *ihsani* intellectual tradition emphasises the spiritual development of an individual that requires the purification (*tazkiyah*) of the heart in order to obtain real knowledge. According to Lombard (2004), the heart is seen as the seat of both thought

and perception, and purifying the heart is, thus, equivalent to seeking knowledge in the sense of seeking a better, namely deeper understanding of God. This tradition has throughout the centuries been practiced by Sufis in particular.

Modernists and revivalists have criticised Sufis not only on the ground of the understanding of *tawhid*, but they also claimed that their emphasis on the spiritual dimension led to stagnation on the 'exoteric' ground and a removal from the practical aspects of life. However, as for example Lombard (2004) and Black (2001) point out, keeping the balance between seeking spiritual development and leading an ordinary settled life including sustaining a family and earning a livelihood is an important part of Sufism. According to Lombard (2004), Sufis often were learned in other Islamic sciences such as *fiqh* and *hadith* as well.

Furthermore, Sufis travelling as traders to Southeast Asia played a major role in spreading Islam in these countries whereby the - often widespread - network of the brotherhood or order (*tariqa*) greatly helped to conduct the trade (Sedgwick, 2000: 49). Sedgwick (2000) also notes that Sufi orders in Africa, especially Sudan, are known to have established villages or even towns, where the members were active in construction and working the land so as to support the community with housing and agricultural products. In substantiating this, Wood (2010) discusses the Mouride brotherhood, which is a Sufi order in Senegal that is also very successful economically. There also seem to have been close relations between Sufi orders and the guilds of craftsmen (Schimmel, 1979: 267). Küng (2004: 415) further points to the role of Sufi *zawiyas* or *khanaqahs* (seminaries or religious meeting places) in providing for the poor as important charitable institutions. According to Knysh (1999: 302f.), the Persian Sufi Yahya Bakharzi identified nine methods of devotional practice, which included charity and altruism. Quite clearly, the orders could not be in such a position to provide charity if all its members had to live off charity themselves.

In addition to these practical examples of Sufis being quite involved in worldly, and more specifically, economic affairs, there are also records of famous Sufis in support of this. For example, Al-Junaid, one of the early Sufis, told his students that they should chose a means of earning a living that would bring them closer to God and to concentrate on it as if it was worship and not think of its mere benefit to them (Schimmel, 1979: 134). The most comprehensive account of a Sufi perspective on

economic affairs can be found in Al Ghazali's works, who comments extensively on rightful earning, fair trading and business practices and other economic topics. In that regard, Mehmet (1997) points out that, according to Al Ghazali, humans have a spiritual and a social personality. Each individual seeks perfection through virtuous living and Al Ghazali 'specifies as the end of human action in this life an ethical system for virtuous living in accordance with God's will, and subordinates the economic system as a means to that end' (Mehmet, 1997: 1205).

According to Bauer (2011), traditional Islam is characterised by what he calls a 'culture of ambiguity', by which he means that at a given time and space terms, actions or objects can have different, even contradictory meanings or that within a given social group certain events can be interpreted in very different manners, and it is accepted that not one of these interpretations or meanings is superior or more correct than the others (Bauer, 2011: 27). He explains that in classical Islamic societies (he namely looks at examples from the Seljuk, Mameluk and Ottoman periods), such ambiguities or pluralities were not only accepted, but in certain circumstances even sought, quite in the tradition of a *hadith* that differences in opinions among Islamic scholars are a blessing to the community (Bauer, 2011: 16). He gives numerous examples from different ways of reciting (*qira'at*) and interpreting the Qur'an to Islamic law and the life of Islamic scholars to illustrate how this culture of ambiguity manifested in the teaching of Islam and everyday life of Muslims in the named periods. He also emphasises that the Islamic world differed fundamentally in this point from Western or rather Greek thought that saw ambiguity as weakness that should be avoided or if possible eradicated (Bauer, 2011: 31). He further explains that modern Islamic scholars, both revivalists and modernists, take up this Western stance and take great lengths to show, for instance, that there is only one correct way to recite and interpret the Qur'an (e.g. Bauer, 2011: 94ff.). This can, in fact, be seen as a main distinguishing factor between traditional and Sufi-based Islam on the one hand and revivalist and modernist approaches, on the other hand.

The differentiation of the three schools of thought presented in this chapter is relevant for this study, as Islamic economics as it stands today and to some extend Islamic finance, too, have developed mainly in a revivalist setting (Mahomedy, 2013; El Sheikh, 2008) and the tendency described by Bauer (2011) to accept only one reading

or one interpretation of the primary sources and to see plurality and ambiguity as weakness can be observed in Islamic economics as well. Instead, the research presented here aims at embracing this culture of ambiguity by hearing different voices and opinions and by deriving from this plurality theoretical underpinnings for Islamic economics that reflect the plurality and everydayness of Muslims in Germany today.

To briefly summarise this chapter, three schools of thought were identified that shape contemporary Islamic thought and discourse: modernists, revivalists and traditional/Sufism. The distinguishing features of each school of thought are such that modernists mainly seek to unite Western thought and achievements with Islamic values and the original sources of Islam in an attempt to reform the Muslim world. Revivalists, on the other hand, focus on social and political change brought about by adjusting rules and regulations to *Shari'ah* mostly within the so-called Islamic state or authority as understood by the representatives of this school of thought. Traditional Islam, however, emphasises seeking knowledge through personal, spiritual development in line with practices and experiences that have been developed over the centuries of Islamic history by focusing on individual transformation without neglecting aspects such as earning a living. Finally, as argued by Bauer (2011), traditionally, Islam entertained what he calls a culture of ambiguity whereby ambiguity and a plurality of opinions, interpretations and understandings was actually seen as a blessing and an enrichment whereas modern schools of thought have perceived ambiguity as a weakness that needs to be eradicated. We also established a link between this way of thinking with Islamic economics and finance, which refers to revivalist roots of the Islamic economic movement.

2.2. DEFINING ISLAMIC ECONOMICS

After identifying the revivalist sources of the emergence of the Islamic economic movement, this section outlines those aspects of Islamic economics that are relevant for understanding and contextualising this study.

There is quite a body of research looking at the historic roots of Islamic economics. Some research focuses on classical Islamic scholars that addressed economic issues such as Al Ghazali, Ibn Tayymiyah or Ibn Khaldun (*see:* Ghazanfar, 2000; Bonner, 2001; Islahi, 2004; Hasan, 2007; Makari, 1983). El Ashker and Wilson (2006) point out

that already the so-called rightly guided caliphs addressed economic issues in their time of rule. In substantiating this, El Sheikh (2008) offers an interesting overview of the market and economic legal system in classical Islam. However, as most writers on the subject agree, Islamic economics as a separate field of study only developed in the 20th century (*see:* Mahomedy, 2013 for a recent and succinct overview). It was developed by Islamic scholars on the one hand and Muslim economists trained in conventional economics on the other hand. As so-called 'founding fathers' they addressed the failure of both capitalist and socialist economic systems in improving the economic situation of ordinary people in Muslim countries (Chapra, 1992; El-Ashker and Wilson, 2006). Along with a critique of these two dominant systems, Islamic economics also reflected critically on development economics (Tripp, 2006), which constitutes a major theme within the Islamic economic discourse.

Mahomedy (2013) explains how leading revivalist thinkers were the first to introduce economic issues in their elaborations of a political Islamic system. Asutay (2007, 2012) emphasises that these developments have to be seen in the context of developing an Islamic political identity. Nagaoke (2012) argues that the development of Islamic economics as a field of study was closely linked with developing an Islamic financial system. He explains that the refusal of any kind of interest charged or paid by (Western) banks in Muslim countries can be seen as the uniting element of almost all modern Islamic economists, differentiating them from more moderate scholars who claimed that only usurious interest could be called *riba* and would therefore be non-permissible. It is important to bear in mind these two elements that existed from the beginning of Islamic economics: the link of Islamic economists to the revivalist school of thought and the link to questions of Islamic modes of finance.

Turning now to the constituting elements and areas of research addressed by Islamic economists, we can first of all note that there is not one uniformly valid definition of Islamic economics as different scholars have emphasised different focal areas as succinctly summarised by Kahf (2003) (also: Azid, 2010, Wahbalbari *et al*., 2015). We will therefore approach the topic from different angles before offering a working definition for the context of this study.

The majority of research in Islamic economics, especially when it comes to the main body of research that has developed the theoretical underpinnings of the discipline, has

been conceptual in nature and has relied mainly on reference to the primary religious sources, Qur'an and *Sunnah*, rather than taking empirical data for theory development. All of the studies referred to in this section that are conceptual in nature have this methodology in common, which includes Naqvi (1994), Chapra (1992), Choudhoury (1990), Kuran (1983), Kahf (2003) Mannan (1987), Ghazali (1990), Zaman (2008), Asutay (2007), Salleh (2013), Mahyudi (2015) except for El-Sheikh (2008), who uses historical evidence to develop his understanding of an Islamic economy in the classical period of Islam (see below).

In general, we can distinguish between three different areas that research in Islamic economics usually falls into: the 'systems approach', the 'economics approach' and the 'behavioural norms approach'.

The main body of research in the 'systems approach' aims to draw up a distinctive Islamic economic system, which is valid for the entirety of (a given Islamic) society and requires a dedicated Islamic state that is willing to enforce Islamic principles in case individuals do not conform to the required norms and values (Asutay, 2007; Azid, 2010). The main objective of the Islamic economic system would not be the maximisation of growth (although this does remain an important goal), but the establishment of social justice, where everyone's basic needs are met and income is distributed fairly equitably (Chapra, 1992). The prohibition of interest and the payment and distribution of *zakat* are among the most important operational aspects of such an economic system as well as curbing excessive risks and uncertainties (Ayub, 2007). Azid (2010: 174) states in this context that it is the task of an Islamic economist 'to study the extent of divergence from individual behaviour from the *Shari'ah* and to suggest policy measures which keep the economic system within the constraints of the *Shari'ah*'. Thus, he makes clear that the ideal and therefore also the conceptual theoretical framework need to be derived from the original texts and that the actual behaviour of Muslims is only something that needs to be corrected through policies (see also Mahyudi, 2015). Azid (2010) and Asutay (2007) make clear that in that sense, this approach is more or less a utopian vision and although it was the starting point for the development of Islamic economics, present day research perhaps focuses more on the financial system as an area where such a systematic approach could be realised.

The 'economics approach' reflects critically on the foundational elements of

conventional economics as a science from a distinct Islamic perspective. As mentioned above, Islamic economics developed partly through the confrontation with and response to capitalist and communist ideas. Muslim economists trained in Western economics also address various conventional economic issues and provide their additional insights (El Ashker and Wilson, 2006). Instead of defining an entirely different Islamic economic system that functions only within an Islamic society ruled by an Islamic state, the economics approach looks at certain aspects within the science of (neoclassical) economics and offers an Islamic perspective rather than defining the differences of an Islamic economic system compared to other systems. For example, it is one of the central principles in conventional economics that scarce resources ought to be allocated efficiently and Islamic economists have either accepted this principle or rejected it on religious grounds (Wahbalbari *et al*., 2015). Those who reject the idea of scarcity argue that there is no absolute scarcity due to the abundance given by God to humankind, but a relative scarcity that is linked to unjust allocation and/or excessive wants (Wahbalbari *et al*., 2015). We will come across a similar discussion in Chapter 7.

Another central idea in Islamic economics is to replace the concept of *homo economicus* as being the totally rational being, always maximising his/her utility function with the notion of *homo islamicus* who takes into account the social impact of his/her actions and the impact they will have on life in the hereafter. Thus, the *homo islamicus* is assumed to behave in a more benevolent and charitable manner than the *homo economicus* (*see:* Warde, 2000; Asutay 2007). In this concept, the notion of rationality is extended to include the Islamic belief system. Furqani (2015) states for instance that the *homo islamicus* aims to maximise *maslahah* or social benefit rather than individual utility and therefore appears to act entirely differently from the Western concept of economic man. We will discuss this aspect further in Chapter 7 (Section 7.5). Almost all Islamic economists (such as Naqvi, 1997; Chapra, 1992; Choudhoury, 1990; Azid, 2010; Mahomedy, 2013) criticise the philosophical foundations of conventional economics such as the *homo economicus* and the underlying utilitarian perspective or the lack of ethics in general in the modern reading of the science. However, as we can see in the example of the *homo economicus / islamicus,* Islamic economics has still remained within these philosophical foundations, because we could argue that the utility function has merely been extended to include non-material gains such as entry to paradise or *falah* (as argued, for example, by Ariff (1989)).

In the 'behavioural norms approach', Islamic economics attempts to offer a set of guidelines for Muslims on how to behave Islamic in the economic sphere. This approach does neither address the system level nor the scientific discourse, but the individual level, in the sense of economic actors, such as individual persons and organisations, *etc*. According to Kuran (1983), the main difference between Islamic economics and conventional economics lies in the definition of behavioural norms. Such norms relate to both production and consumption and in Islamic economics they include for example that suspicious sources of income ought to be avoided, hoarding is forbidden, fair wages should be paid, or that one should not indulge extravagantly and openly in luxuries. The main criticism regarding this approach is that Muslims are not only Muslims and in fact in the economic sphere they behave less so, especially in a largely anonymous market environment (Kuran 1983, 1995). As we will discuss further in Chapter 4, the developments in the Islamic finance industry seem to prove him right. However, this debate is best understood in the larger debate regarding the extent to which a modern market economy can be embedded in society that we will also take up in Chapter 7.

Apart from these different areas or approaches to Islamic economics, there is a general agreement on certain philosophical or ethical foundations or axioms that are derived from the Qur'an and *Sunnah* (Asutay, 2007, 2013; Zaman and Asutay, 2009). These foundations are not restricted to the economic sphere but rather claim to describe the ethical framework of Islam as a whole. Therefore, the first axiom of this ethical system is *tawhid.* As described previously, this is the central idea of Islam and describes both the oneness of God as well as the spiritual strife for being in unison with God (in terms of seeing everything as an act of worship in the revivalist sense as well as in terms of achieving a certain spiritual state of being as aimed for by Sufis), which has implication for economic and financial behaviour in the market. For the understanding of *tawhid* from an Islamic economics perspective, Asutay (2013) argues that the concept of *tawhid* encompasses a notion of complementarity and unitarity; and hence, rather than considering the conflict, for example, between capital, labour and land, it considers them as complementing each other, which in turn also proposes an expanded understanding of the idea of stakeholder.

The second axiom is *adl/adalah* or justice, which is another complex and central idea

and encompasses the notion of equilibrium and social equity (Naqvi, 1994; Chapra, 1992). Chapra (1992) explains that it also addresses the issues of fulfilment of basic needs for every member of society, the importance of having a respectable source of income, and general economic growth and stability. It thus suggests that every individual should have equal opportunities in accessing resources. Naqvi (1994) joins the concept of justice with that of *ihsan*, probably based on the Qur'an (16:90) which states that 'Surely God enjoins justice (*adl*) and doing good (to others) (*ihsan*)' (from Kamali, 2008: 31), which unites the notion of justice with a spiritual strife for wisdom.

In addition to these two axioms about which most scholars in Islamic economics agree, there are other foundational axioms articulated by different authors. For example, Naqvi (1994) also mentions 'human free will' (*ikhtiyar*) as well as the notion of responsibility (*fardh*) as fundamental principles, whereas Al-Hasani (1989) suggests further axioms such as *nubuwwa* (revelation, prophethood), *imama* (guidance of the ummah), and *ma'ad* (believing in the hereafter and the day of resurrection). Chapra (1992) adds the concept of *khilafah*, which, according to him, describes the concept of caliphate or vicegerency meaning first of all the leadership of the *ummah*. According to Waines (2003: 99ff.) the early jurists defined a range of characteristics the caliph should have such as being just and knowledgeable. In a modern context, the concept is also applied to describe the personal and social responsibility of dealing carefully with the resources provided to mankind by God in the sense of being a custodian. Chapra (1992) states that *khilafah* also implies further principles such as universal brotherhood and human freedom.

Based on Ahmed (1979; 1994), Asutay (2007, 2012, 2013) suggests that *rububiyah* and *tazkiyah* are important pillars of the axiomatic approach within Islamic economics, whereby *tazkiyah* is translated as 'growth in harmony' meaning that individual growth and economic activities should be in harmony with other stakeholders. *Rububiyah* refers to the idea of a natural, God-given order and is interpreted by Asutay (2012, 2013) in the sense that it implies the idea of sustainable development.

Finally, Zaman and Asutay (2009) have highlighted the more spiritual axioms of *taqwa* (God-consciousness) and *ihsan* (perfection, see discussion in chapter 2.1.2.), which also stress the idea of the individual's development within the religion of Islam. They consider *ihsan* as the ultimate objective of individuals, but allocate a social component

to this concept by claiming that *ihsan* can only be achieved by ensuring that others can also reach well-being (*falah)*.

Based on these ethical foundations, there seems to be an agreement that the main aim of an economic system from an Islamic point of view is to create an environment where people can aim at reaching *falah* (well-being) on an individual and societal level (e.g. Chapra, 1992). Or in a more specific sense it should help to realise the *maqasid al Shari'ah*, the objectives of the *Shari'ah* which focus on furthering 'human well-being'. Kamali (2008) highlights the importance of the *maqasid* in the formulation of modern Islamic laws. Although the life of today has little in common with life at the time of the prophet, the *maqasid* point to the underlying purpose of the *Shari'ah*, and, thus, help to apply it under changing circumstances. Al Ghazali was the first one to define the primary objectives of the *Shari'ah* as safeguarding life, intellect, faith, lineage and property by all means (Kamali, 2008). Other scholars have offered other definitions (*see:* Kamali, 2008: 126; Siddiqi, 2004; Cizakca, 2007), such as Auda (2008), whose contribution mainly focuses on some shortcomings of the Ghazalian *maqasid* and who aims to develop public-policy based *maqasid*. However, this original description will suffice for the purpose of this study.

Considering all the aspects described above, the following paragraph offers a concise and comprehensive definition of Islamic economics (Asutay 2007b: 5):

> Islamic economics aims at a world order, where its ontological and epistemological sources, namely the Qur'an and *Sunnah*, determine the framework of the economic value system, the operational dimension of the economy and the economic and financial behavioural norms of the individual Muslims.

It can, therefore, be summarised that Islamic economics emerged out of the critical evaluation of contemporary economic systems, mainly capitalism and socialism, and their impact on the development of Muslim countries. Three different approaches were identified termed the 'systemic approach', aiming at defining an entirely new Islamic economic system within an Islamic society or state; the 'economics approach', looking at concepts from conventional economics through Islamic lenses; and the 'behavioural norms' approach offering guidance for individual Muslims. We further looked at the so-called axioms or fundamental principles in Islamic economics such as *tawhid*, *adl*, *khilafah* and others. Finally, we described briefly the idea of *maqasid al Shari'ah* and

provided a definition of Islamic economics for the context of this study.

We now move on to the second value base that will be relevant for this research, the guiding principle of sustainable development.

2.3. DEFINITION OF SUSTAINABLE DEVELOPMENT

According to Grober (2008), the term sustainability or 'sustained yield' was coined by European foresters as early as the 17th or 18th century when countries like England, Germany and France faced the first serious shortages of timber. These shortages were due to a combination of increased use of timber and charcoal for mining, ship-building or other industrial activities and a neglect of the wise management of woodlands. As a solution, Grober (2008) outlines, early foresters such as Hanns Carl von Carlowitz suggested that 'only as many trees should be felled as could re-grow' and thus a sustained yield could be maintained endlessly. Interestingly, his advice on how to deal with the problem of diminishing timber supplies also addressed the consumption side. For instance, Carlowitz suggested the introduction of more efficient stoves in homes and industry and better insulation of buildings (Grober, 2008).

Environmental awareness gained momentum in the second half of the 20th century after such publications as Rachel Carson's 'Silent Spring' (1962) dealing with the detrimental effects of DDT in the environment and the first report to the Club of Rome 'Limits of Growth' (Meadows *et al*., 1972), which described a computer model of the world, developed by the authors, showing that current rates of economic and population growth would lead to a collapse of vital environmental systems within a few decades.

The term sustainability or sustainable development was placed on the international political agenda in 1987 when the World Commission on Environment and Development, established in 1983 by the United Nations General Assembly and headed by former Norwegian prime minister Gro Brundtland, issued its report, henceforth called the Brundtland Report. The commission had been established to examine the 'environment and global 'problematique' to the year 2000 and beyond' (World Commission on Environment and Development, 1987:1).

The key concern of the Report was the question how human development could be

achieved to the benefit of all people without putting too great a strain on the environment. According to the report, sustainable development was defined as development 'that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development 1987: 24). This idea of sustainable development, which could also be described as the notion of inter-generational and intra-generational equity, also dominated the negotiations at the 1992 UN Conference on Environment and Development (UNCED) or Earth Summit in Rio de Janeiro (Rio '92) (Meyer 2008: 85f.). From the Brundtland Report and the Earth Summit stems the concept of the three (sometimes four) dimensions of sustainability. Sustainability is thus understood as a balance between the 'social', 'environmental' and 'economic dimensions', with 'institutions' sometimes seen as the fourth dimension (Spangenberg, 2008; Meyer, 2008).

The Earth Summit resulted in the formulation of a framework for sustainable development in several important environmental fields. For instance, the Framework Convention on Climate Change was a result of the summit as well as conventions on biodiversity and desertification as well as the Agenda 21 (Sachs, 2008). The Rio Declaration summed up the key principles the international community could agree upon to encourage sustainable development. Its tenor was that environmental protection always needs to go hand in hand with keeping human welfare in mind, and, therefore, environmental policies and economic instruments should accompany each other (Meyer, 2008: 88). These key principles were looked upon in greater detail in the Agenda 21. This document can be read as a manual on which fields are the most important areas for sustainable development and what should be done to achieve such a development (UNCED, 1992). In September 2015, the UN General Assembly agreed upon the Sustainable Development Goals (SDGs), which can be seen as the main international political framework for sustainable development at present[1]. The SDGs constitute 17 goals and 169 targets (Ahmed *et al*, 2015) and cover a wide breadth of topics ranging from poverty, health and education to industry, responsible consumption and partnerships to realise the goals[2]. The SDGs became effective on January 1, 2016 and aim at achieving the formulated targets by 2030. They are, in a sense, a

[1] Available: https://sustainabledevelopment.un.org/intergovernmental Access date: 25.4.2016
[2] Available: https://sustainabledevelopment.un.org/sdgs Access date: 25.4.2016

continuation and upgrade of the Millennium Development Goals (MDGs) that covered the time period between 2000 and 2015 and that were more focused on health and poverty and thus were not as comprehensive as the SDGs are now (United Nations, 2015). The agreement of the SDGs is meaningful, because we now have concrete and specific guidelines as to what constitutes sustainable development in a wide range of areas and how it can actually be achieved. It will be interesting to observe how they will shape the debate when it comes to the corporate level and the financial sector that is discussed in the following chapters.

One of the great fault lines runs along the question of 'weak sustainability' against 'strong sustainability'. In order to understand this debate, the three dimensions of sustainability, namely social, environmental and economic, need to be seen as capital stocks that should not be depleted, but rather where only the surplus of the capital is consumed and not the stock itself (Spangenberg, 2008). The concept of weak sustainability assumes that the depletion of one capital stock can be compensated by the increase of another (for instance, economic growth could compensate environmental pollution) as long as the net sum of capital stock remains the same or increases (Neumayer, 1999). Supporters of the idea of strong sustainability, on the other hand, state that the characteristics and elements of the various capital stocks differ greatly from one another, and, therefore, cannot substitute one another. They also point out the scientific impossibility of finding valid measures enabling comparison of the three capital stocks with one another (Spangenberg, 2008).

Along similar lines, yet with a greater focus on the applicability of the concept of sustainable development, there are different sustainability strategies, meaning overall approaches that are used to reach sustainable development. Huber (2000) describes them as efficiency, sufficiency and consistency, whereby efficiency means the strategy of companies to produce in a manner that is more efficient and thus uses less resources and consistency is a strategy whereby industrial activity becomes less harmful to the environment, because it avoids potential environmental impacts. Finally, sufficiency describes an approach to consumption that demands of every consumer to reduce their consumption and it demands of businesses to support such behaviour.

Although the definition of sustainable development or sustainability has mainly taken place on the political and public policy level, industry and corporations play a key role

in the realisation of sustainable development. This becomes clear for example in the Agenda 21 pointing out that businesses are major sources for environmental degradation, on the one hand, but key driving forces for environmental innovation as well as main providers of livelihoods and employment for people on the other hand.

This section presented the idea of sustainable development. It showed that the idea of sustained yield goes back to the 17th and 18th century and has evolved in modern times into a comprehensive international political framework that aims to ensure economic and human development within the constraints of the natural environment. The following section draws attention to research that looks at sustainable development from an Islamic economics perspective.

2.4. ISLAMIC ECONOMICS AND SUSTAINABLE DEVELOPMENT

The preceding sections have briefly described Islamic economics as a field of study and the main point of reference for the present research (along with the related areas of Islamic finance and Islamic management that are introduced in following chapters) and introduced the idea of sustainable development as a mainly political framework that has been agreed upon internationally to move towards human and economic development without harming the environment. This section aims to examine the interaction of these two concepts by taking the perspective of Islamic economics and examining how Islamic economists have taken up the idea of sustainable development.

As explained previously, Islamic economics was strongly influenced by the examination of development economics. Therefore, the concept of development and poverty alleviation is frequently discussed in the literature of Islamic economics and we should be able to see strong correlations with the notion of sustainable development that has similar aims. However, as discussed in this section, there is little evidence of attempts to bring the two concepts together and thus enrich the theory development of Islamic economics.

Kahf (2002) can be seen as a good example for how Islamic economists approach the issue of sustainable development. In his publication on 'Sustainable Development in the Muslim Countries' he speaks exclusively about how to *sustain* economic development

and economic growth rather than discussing the concept of 'sustainable development'. Similarly, Nagaoke (2011), in his work on 'Islamic Finance for Sustainable Development', merely examines the different financial products within the Islamic finance industry and aims at showing how they can contribute to sustaining the success of the financial industry rather than addressing urgent sustainability issues and showing how Islamic finance can help to solve these pressing problems. Zaman (2013) calls his paper 'Sustainable Islamic Development', but does not mention the word 'sustainable' once in the main body of his text and instead discusses the idea of trust in development studies.

One example of research that does look at sustainable development in the conventional sense is Yousri (2005). For him, the concept of sustainable development, as defined by the international community, mainly encompasses the principles of conservation of natural resources, intergenerational equity, cooperation in environmental protection beyond nation states, and poverty elimination. He argues that this concept moves the conventional idea of economic development closer towards Islamic economics as the latter already emphasizes a responsible, value-based approach to development. He then sets out to describe how each of the four principles can be derived from the original sources of Islam, the Qur'an and *Sunnah* or, more generally, from Islamic norms. He also gives examples from historic evidence (such as juristic verdicts) that support his view of sustainability having always been part of Islam and the Islamic heritage. In addition, the focus of his research is to point out differences between conventional and Islamic perspectives on sustainability. For instance, he attempts at differentiating between the Western idea of sustainable consumption patterns being based on the concept of sufficiency and the Islamic idea of moderate consumption. Essentially, both ideas express the notion that humans do not need unlimited consumption for leading a meaningful and satisfactory life and that such consumption often rather stands in the way of a good life. Yousri (2005) seems to make differentiations mainly to endavour and prove an alleged superiority of the Islamic concept rather than seeing the idea of sustainable development as a chance to find common grounds with Western scholars to address present day global economic and development problems.

Barom (2013) aims at bringing together the notion of *homo islamicus* with the idea of corporate social responsibility, which is examined in the next chapter. This can be seen

as an attempt to overcome the problem of earlier Islamic economists that their vision of an alternative economic system would only be possible in a completely Islamic society or state. We thus move the concept that underlies the macroeconomic thinking of Islamic economists to the meso-level of individual businesses and other organisations. Barom's (2013: 73) study, therefore, helps to point out how research in Islamic economics and finance could benefit from the growing body of research in mainstream economics that looks at ethical issues. He notes, however, that in the Western understanding, corporate social responsibility is mainly discussed on a strategic and operational level, whereas from an Islamic perspective, it would be important to approach it from a normative perspective as well, which should be the basis for ensuing strategic considerations. As for the normative underpinnings, Barom (2013) seems to refer to the general principles established in Islamic economics as explained above. However, he does not use the concept of sustainable development to actually question or further develop the theory of Islamic economics and Islamic finance. Rather Barom (2013) wants to integrate the theoretical foundations of Islamic economics in order to introduce concepts such as corporate social responsibility and socially responsible investment that are discussed in the following chapters into the practice of Islamic finance.

Platonova (2013) follows a similar line of argument, but then goes on to derive three models of CSR from the Islamic economics literature, which is discussed in the following chapter. There are other works that look either at the aspect of human development, such as Mirakhor and Askari (2010) or environmental issues, such as Rizk (2014) and Islamic economics. However, as the focus in this study lies explicitly on the ideas of sustainable development, understood as the consideration of both human development and environmental factors and Islamic economics, these works are not further discussed here.

We conclude this chapter with the observation that Islamic economics emerged in the second half of the 20th century out of the idea of Muslims to develop an economic system or parts thereof that were more in line with their value system. Sustainable development was established as a guiding principle in international politics also in the second half of the 20th century as an attempt to align human and economic development with the natural limits of the planet. Despite the moral positioning of Islam which was

initially raised in Islamic economics, the literature so far indicates that Islamic economics has not really taken up the concept of sustainable development even though the two concepts have much in common.

In the following two chapters we will move to more concrete levels, looking at the corporate level in general and the specific setting of the financial market.

3. ISLAMIC MANAGEMENT AND CORPORATE SUSTAINABILITY: THE CORPORATE LEVEL

3.1. THE ISLAMIC PERSPECTIVE ON MANAGEMENT AND RELATED ISSUES

In the previous chapter, we saw that there is no uniform definition of or even approach to Islamic economics. Similarly, there is no unified definition of what constitutes an Islamic company or firm. In offering various perspectives, Dar (2005) states that an Islamic company could be one that operates mainly in Muslim countries or it could be one that is owned or run by Muslims or that sells end products that are *Shari'ah* compliant or one that claims to be Islamic, for example by referring to Islam or Islamic values in its mission statement.

In this section this idea of an Islamic company is explored further, whereby several areas of research on Islamic perspectives at the corporate level can be identified. Particularly interesting for the context of this study is research in Islamic business ethics and Islamic corporate governance, including the organisation and supervision of an Islamic firm. There are other areas, such as Islamic marketing, that have emerged as important areas of research (with dedicated journals for example), but they are not so relevant for this study, because they address rather specific issues that this study, being exploratory in nature, does not address in depth.

Wilson (1997: 206ff.) points out that the Islamic perspective can already be applied when choosing the appropriate legal form of a company. He suggests that partnership constructs are particularly appropriate for establishing a company on Islamic grounds. In fact, Lewis (2005) points out that some legal scholars go as far as doubting the compatibility of modern stock based corporations with the principles of Islamic law. However, Gambling and Karim (1991) note that such an approach would have great negative implications for the economic development in Muslim countries and, therefore, they reject this notion as being not practicable. They conclude, though, that shareholders have the responsibility to actively inform themselves about the company's activities and be involved in the decision-making process to a certain degree.

The question of organisation and legal form is closely related to Islamic corporate

governance. Blair (2001: 2797) defines corporate governance as encompassing 'the legal rules, institutional arrangements, and practices that determine who controls business corporations, and who gets the benefits that flow from them'. She explains further that 'Corporate governance issues include how major policy decisions are made in business corporations, how various stakeholders can influence the process, who is held accountable for performance, and what performance standards are applied' (Blair, 2001: 2797).

Lewis (2005) suggests that an Islamic corporate governance structure should be threefold: It should firstly encompass a so-called '*shuratic*' decision-making process, meaning that decision-making is based on consultation of the management with those parties that are either affected by a decision or responsible for its implementation. The second pillar of Lewis' (2005) Islamic corporate governance system is the institution of the *hisbah*. Historically, the *hisbah* or *muhtasib* used to be the central market monitoring agency - an inspector who was responsible for ensuring that weights and measures were correct and business and trading were conducted fairly and honestly and in line with the law. Within the context of corporate governance, the *hisbah* would be the equivalent to the external inspection and supervision of a company. The third pillar in Lewis' (2005) model is a religious audit or *Shari'ah* supervision, which ensures that internal processes of the company are in line with the religious law. Lewis states that the specific roles of this religious audit would be to ensure that contracts and products of the firm are *Shari'ah* compliant, that the management of the business is conducted in accordance with Islamic law and moral requirements and that the *zakat* fund is managed and distributed properly. It is not quite clear whether such a religious audit would be an internal or external audit. However, some authors, among others such as Fontaine (2008) and Muwazir and Muhamad (2006), suggest that an internal *Shari'ah* board should act as an overall control organ to ensure a company fulfils its Islamic duties. Therefore, the company would have one internal control organ, the *Shari'ah* board and/or religious audit(or), and an external controlling body in the form of the *muhtasib*.

Table 3.1 offers a comparison of the Islamic corporate governance approach with Western concepts. The inclusion of a model based on corporate social responsibility (CSR) is particularly interesting in the context of this study.

Table 3.1 Alternative Approaches to Corporate Governance

Decision-making basis	Managed corporation model	Socially responsive corporation	Islamic corporate governance
Legal concept of firm: by whom?	CEO and senior management	Executive and supervisory process	*Shuratic* consultation and consensus-seeking
Economic concept of firm: for whom?	Maximise profits and shareholder value	Stakeholders	Institutions of the *hisba*, role of the *muhtasib*
Accounting concept of firm: to whom and with what	Shareholders and investors (financial governance)	CSR, triple bottom line	*Shari'ah* supervision, religious audit

Source: Iqbal and Lewis (2009: 269), modified version

According to Iqbal and Lewis (2009: 272), the managed corporation model is based on the principal-agent theory whereby the owners of the company - the shareholders and investors - are regarded as the principals who delegate power to the managers who can be considered as the agents. The main task of the agents is to maximise profits and thus the owners' income. However, the CSR concept of corporate governance takes on a generally larger perspective whereby a company is not only responsible for maximising the profit of its shareholders but needs to take into consideration other stakeholders, too. According to the Islamic model, a company should be answerable about its conduct not primarily to its owners or other stakeholders, but to the *muhtasib* as the external control mechanism of *Shari'ah* compliance and the religious audit would be used as a guideline to implement Islamic corporate governance rather than using the interests of shareholders and investors or concepts, such as the triple bottom line, as orientation.

In Islamic corporate governance, in addition to the organisation structure being Islamically compliant in terms of form, the values, which shape the structure, should be Islamic as well. In other words, whereas corporate governance deals with the question of *how* to ensure that a company complies with certain requirements, Islamic business ethics looks at *what* these requirements are or should be. It should be noted that business ethics also focus more strongly on the individual and his/her choices.

Current research in Islamic business ethics is not very comprehensive and often closely relates to topics covered in more general terms in Islamic economics. Bekuun (1997),

for example, attempts to provide a general guideline for Muslims in the business environment and bases his research on the axioms identified in the previous chapter, such as unity, justice and responsibility. The same approach is taken by Gambling and Karim (1991) in exploring accounting and financial management from an Islamic perspective. Ismaeel and Blaim (2012) use the same conceptual foundations and then set out to apply them to *halal* certification practices. Ali (2005) focuses on Islamic work ethics, which he bases on four pillars: effort, competition, transparency and morally responsible conduct. Hanafy and Sallam (2001) identify six principles as part of an Islamic code of ethics, similar to a code of ethics, which many Western companies formulate nowadays as a set of guiding principles for their business conduct. These six principles are: truthfulness, trust, sincerity, brotherhood, science and knowledge, and justice. Hanafy and Sallam (2001) substantiate all of these principles with quotes from Qur'an and *Sunnah*. Ahmad (2001) adds a set of principles, which is directed more specifically towards a business environment including issues such as adherence to contracts, accurate measurement and weights, hoarding and profiteering, fair treatment of workers and the protection of the environment. Again his choice of principles is supported by quotes from Qur'an and *Sunnah*. In offering an interesting comparison of Western business ethics and Islamic business ethics, Wilson (2001) points out that Western business ethics has been developed mainly with managers of joint stock companies in mind that play little role in Muslim countries, where large companies are often state-owned and family-owned businesses play a more important role, too. He also points out that the principal-agent theory should not play such an imporant role as the principal in Islamic business terms should always show an active interest in the operations of a company he owns and not delegate this responsibility to the management of the business. Wilson (2001) states further that personal relationships and loyalties between business actors are more important in so-called *bazaar* economies, which are characteristic for Middle Eastern economies. This leads to various traits of these economies that have implications for business ethics; for instance, long-term and strong relationships are maintained with suppliers and employees rather than displaying 'shopping around' or 'hire and fire' mentalities as well as structuring payment modes along the lines of need rather than performance, which does not rule out wage disparities. It remains unclear to what extent these findings can actually be substantiated by empirical evidence.

Islamic management and leadership as a subject seems to be an emerging area, which is often more practically oriented (*see:* Abeng, 1999; Hamidi, 2006) and places the focus on the values of a successful business leader. Abeng (1999) and Hamidi (2006) also stress that these values are often universal, but correlate with Islamic principles, such as honesty and fairness. Toor (2008) introduces a more theoretically grounded, complete Islamic leadership model focussing on the spiritual dimensions or characteristics required of an Islamic leader. Ali (2009) reviews the idea of leadership from an historic perspective and then also sets out to outline a concept for an ideal Islamic leadership type. Other authors concentrate on more specific aspects. For instance, Hashim (2009) examines the impact of Islamic revival on human resource management in Malaysia, while Saeed and Ahmed (1998) examine the implication of Islam on international marketing whereby they use a broad understanding of marketing, taking into account all aspects from product development to pricing and distribution mechanisms. Gümüsay (2014) proposes a concept of entrepreneurship from an Islamic perspective, where he makes reference to the idea of social entrepreneurship, which will be explained briefly in the next section.

In recent years, the issue of Islamic marketing has emerged, for example with the creation of the Journal of Islamic Marketing in 2010 (Alserhan, 2010) that features both empirical as well as conceptual studies. From the conceptual papers (*see:* Arham, 2010; Sandikci, 2011; Wilson, 2012a; Wilson, 2012b; Jafari, 2012; Koku and Josuh, 2014) we can observe that some (such as Arham, 2010; Sandikci, 2011) link Islamic marketing to the wider field of Islamic economics including its basic assumptions and principles as discussed in Chapter 2. Koku and Josuh (2014) state that there is to date no uniform theory for Islamic marketing, but they describe arising tendencies for the development of such theory refering to conceptual and empirical works by, for example, linking consumption patterns and behaviour and religiosity.

In his attempt to define Islamic marketing Wilson (2012a: 7) explains that Islamic marketing includes or addresses the God-consciousness of both marketers and consumers and the observation of religious norms and how they are practiced by Muslims worldwide. In line with this last aspect, Wilson (2012a: 7) notes the following on the methodology that should be used in Islamic marketing, which seems to fit in very well with the approach chosen for this study:

> The cornerstone to this way of trying to understand such a field is to evaluate cultural-centric strategies, from the outside in, which consider a variety of philosophical and practical standpoints, drawing from social psychological and anthropological standpoints. Therefore, in contrast to traditional Islamic approaches, which study the faith and Muslims from the inside out, giving precedence to scholarly verdicts; a social sciences approach would place a greater emphasis on faithfully preserving aspects of human interpretations and practices, based upon consumption and consensus, from the bottom-up.

As explored in Chapter 7, anthropological approaches are also chosen as a theoretical bracket when it comes to understanding certain aspects of the data gathered for this study and the idea to study the plurality of Muslim opinions and understandings of certain Islamic concepts rather than depending on the opinion of scholars alone also plays an important role.

To summarise the discussion on Islamic perspectives at the corporate level presented in this section, it has become clear that research covers a wide array of topics such as corporate governance and business ethics. Most of the research conducted in this field is based on the principles of Islamic economics although there is some research, especially from South East Asia, that takes on a more practical orientation and often deals with the impact of Islam on management styles. The newly emerging field of Islamic marketing is also introduced to identify theoretical developments.

3.2. CORPORATE SUSTAINABILITY

As could be seen in Chapter 2 (Section 2.3), the concept of sustainable development was shaped and outlined within the international political framework of the United Nations from the late 1980s onwards. This also initiated the debate on corporate sustainability that, in the early stages, focussed mainly on environmental aspects (Crane and Matten, 2010: 33). It should be noted, however, that the relationship between business and society had been subject to debate and study well before and resulted, for instance, in such fields of study as business ethics (Crane and Matten, 2010) or Corporate Social Responsibility (CSR) (*see:* Carroll, 1979).

As there is a wide variety of concepts relating to CSR or corporate sustainability, only some of the more influential ones are introduced here as well as those that will serve as a basis for further developing the thesis.

The development of an initial theory of the CSR of businesses is generally attributed to Carroll (1979), although it should be noted that he himself could already draw upon a number of works that dealt with the subject. These early studies, which developed mainly in an American context, dealt with the fundamental question of whether businesses did have social responsibilities at all. The backdrop to this debate can be well expressed by Milton Friedman's stance that the only responsibility of a business was towards its shareholders and thus to maximise its profits and that everything beyond this would be detrimental to 'a free society' (Friedman, 1970). According to Melé (2009: 58), the shareholder value theory, as expressed by Friedman, fits in well with the prevailing neoclassical economic theory as well as with a 'mechanistic' worldview by which society is simply the sum of its individuals and their respective utility functions. Therefore, it seems that, like in Islamic economics, the early theorists of CSR were in a more or less 'apologetic' situation to explain why they did not agree with mainstream economic thought. According to Moon *et al*. (2010: 519), the 1970s and 1980s saw a move from the more normative discourse on CSR to more applied questions of how to manage CSR.

Carroll (1979) introduced a systematic approach to CSR in what he called the social performance model. There are three basic dimensions to this model relating to different aspects that need to be managed to achieve corporate social performance: (i) social responsibilities need to be defined; (ii) the issues need to be identified for which the company has a responsibility; and (iii), a strategy needs to be established how to deal with these issues. With regard to the definition of social responsibilities (i), Carroll identified four categories: economic responsibilities are those that are required of the company by the economic system, legal responsibilities as those required by society, ethical responsibilities are expected of the company by society, and discretionary or philanthropic responsibilities are desired by society. Carroll (1991) later developed the idea of these four responsibilities forming a pyramid with the economic responsibilities forming the broad base and the philanthropic responsibilities being the tip of the pyramid.

Concerning the issues (ii), Carroll notes that these change both over time and depending on the industry the business operates in. However, at this stage, he did not suggest a way of how to identify issues systematically. He called the third aspect, concerning the

strategy to deal with the issues (iii), social responsiveness. Such strategy could range from not responding at all to the issues to approaching them proactively.

By bringing these three aspects together, Carroll created a framework that could be used as an orientation for managers to increase the company's social performance. The main weakness of this original model is that it did not differentiate further what is meant by 'society'.

This gap was closed by Freeman (2010) who developed the so-called stakeholder theory in 1984. He defined stakeholder as 'any group or individual who can affect, or is affected by, the achievement of a corporation's purpose' (Freeman, 2010: 53). According to Freeman (2010), the term stakeholder had been used by others before him, for instance in the context of organisation theory or systems theory, but he developed a comprehensive management theory on how to deal with the stakeholders of a corporation within a strategic approach. Freeman (2010) especially pointed to the fact that the stakeholder groups should be identified clearly and precisely and that managers should bear in mind that stakeholders could change over time and that individuals could belong to different stakeholder groups and, as such, have varying or even contradicting interests. He also highlights the fact that non-market stakeholders and non-financial factors need to be given enough consideration in the company's organisation and decision-making processes, because they can have a great impact on the company's success. Stakeholder management finally includes analysing the interactions between the company and its stakeholders and the ways the company can negotiate different stakeholder interests.

In summary, it can be stated that, although Freeman (2010) claimed that stakeholder theory would actually be an alternative view to CSR and could replace this concept (Melé, 2009), it can also be seen as complementary to CSR in that it added the understanding that what Carroll (1979) termed as 'society', actually means different interest groups whose requirements and demands on the company could differ and may actually contradict each other. It also provides a solution to the question as to how to identify relevant issues of CSR as it would be the stakeholders that define the issues they have with the company and its activities.

Because it originates in the American context and was developed to suit the particular

business environment there, the concept of CSR often still has a strong emphasis of philanthropic aspects, although more recent developments have added other perspectives (Moon *et al*., 2010: 520). Most notably, work initiated after the Earth Summit in 1992 and the broad introduction of the idea of sustainable development has moved away from justifying CSR and consequently now focuses on the application of the theoretical foundations as well as bringing together environmental and social aspects. The concept has also been adapted to different cultural contexts, such as by Visser *et al.* (2006) for Africa.

An exemplary concept for this 'post-Rio' research is the natural-resource-based view of the firm by Hart (1995). As Freeman (2010) developed the concept of stakeholder, Hart also took on a concept developed before him by other researchers, namely the resource-based-view of the firm (RBV), and developed it further. The RBV linked the competitive advantage of a company with its capabilities or core competencies that, in turn, were formed, maintained and developed by the company's resources. These resources have to meet certain criteria such as being valuable, non-substitutable, rare, and difficult to replicate because they are either tacit or socially complex.

Hart (1995) criticised that the conventional RBV had not given consideration to the constraints posed to companies by the natural environment. He argued that, in view of the great environmental challenges posed to humankind by the exponential increase of the world's population since the Second World War, on the one hand, and industrial activity, on the other hand, capabilities that are concerned with an environmentally sustainable use of natural resources would greatly gain importance for the competitive advantage of firms in the future. Hart (1995) introduced three environmental strategies: pollution prevention, product stewardship and sustainable development, and showed how these strategies can create capabilities and be a source for competitive advantages. For instance, pollution prevention can lead to considerable cost-savings, and product stewardship could help the company to react more quickly to changes on the market, for example, by anticipating changes in the regulatory framework or in customer demands. Other than the theory of CSR, as originally proposed by Carroll (1979), the natural-resource-based view does not differentiate between cascading responsibilities towards society, but rather links core business issues, the competitive advantage of a company, with environmental responsibility.

Apart from Hart's (1995) natural-resource-based view, there are a number of concepts that propose a link between business success and corporate responsibility or corporate sustainability (*see:* Kurucz *et al*., 2009, for an overview). These can be summarised as proponents of the idea of a business case for considering social and environmental criteria in management decisions. In other words, social and environmental factors are seen to be as important to the long-term success of a company as economic variables (creating the 'triple bottom line' as proposed by Elkington, 1997), and, at the same time, social and environmental initiatives should not be undertaken by the company for their own sake, but for strengthening the economic performance of the firm (Schaltegger and Wagner, 2006). This idea is in line with the concept of sustainable development as described in Chapter 2 (Section 2.3). However, it stands in strong contrast to Carroll's pyramid of responsibilities that described the economic responsibilities as the foundation on which all other responsibilities should be built. It is, on the other hand, in agreement with a recent definition of CSR by the European Commission that sees CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (European Commission, 2011).[3] The business case for sustainability has moved the debate on CSR and corporate sustainability away from the legitimising efforts of the older American literature and towards the questions of how to measure the impact of a company's social and environmental performance both in absolute terms and in relation to the economic performance.

Dyllick and Hockerts (2002) even propose to go 'beyond the business case' for corporate sustainability. By adapting the notion of weak versus strong sustainability and the idea of different 'capitals,' introduced in Chapter 2 (*see:* Section 2.3), they argue that true corporate sustainability takes into account not only the 'economic capital', but also the 'natural and the social capital'. They define 'natural capital' as the natural renewable and non-renewable resources and the services rendered by ecosystems, and they define 'social capital' as human and societal capital. As Spangenberg (2008) suggests (*see:* Chapter 2, Section 2.3.), Dyllick and Hockerts (2002) also state that sustainability means living off the income, not the capital stock itself, and that the three types of capital are non-substitutable (strong sustainability). They argue, therefore, that

[3] Available: <http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm>; Access Date: 08.01.2011. (As at 26.7.2015, this link is no longer available. See: Martinuzzi *et al.* (2011) for a discussion of the European Commissions discussion of CSR at the time)

a sustainable company needs to consider the social case and the environmental case along with the business case. They come up with the six criteria for corporate sustainability, which are depicted in Figure 3.1.

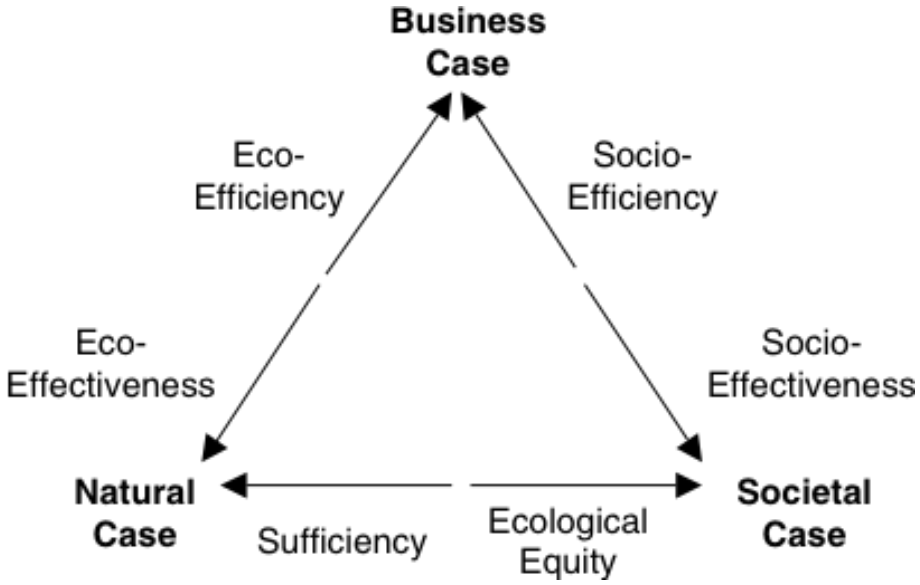

Figure 3.1: Criteria for Corporate Sustainability
Source: Dyllick and Hockerts, 2002: 138

As shown in Figure 3.1, the business case is made up of eco-efficiency and socio-efficiency, which constitute an efficient use of the natural and social resources in order to minimise any negative impact on both types of capital. Eco-and socio-efficiencies are relative to the unit output, which is why increasing efficiency can still mean net negative impact. Therefore, to consider the natural case for sustainability, eco-effectiveness is necessary to reduce the absolute negative environmental impact. Furthermore, Dyllick and Hockerts (2002) propagate sufficiency as the social contribution to the natural case, which means that consumption in markets with high consumption patterns should decrease to achieve environmental sustainability. This also means that companies should support such behavioural changes.

The societal case for sustainability is described by Dyllick and Hockerts (2002) as consisting of socio-effectiveness and ecological equity. The first concept addresses the problem that the majority of people (those at the 'bottom of the pyramid', meaning the mass of very poor people, which was a term coined by Hart and Prahalad, 2002) are not reached by any positive social contributions of a company, because they cannot afford its products or services. The socio-effectiveness, therefore, stands for the absolute positive social impact that should be achieved by a company to be socially sustainable.

Ecological equity means that the environmental impact on future generations also needs to be considered and that high environmental standards need to be adhered to in all countries, irrespective of the existing legislation on environmental pollution, in order to prevent that highly polluting activities are transferred to countries with less stringent regulations to the damage of the people there (Dyllick and Hockerts, 2002). Thus, Figure 3.1. summarises the six sustainability criteria of the 'beyond the business case' scenario of Dyllick and Hockerts (2002). This concept provides a very succinct and clear overview of the approaches and fields of action that need to be considered for a company to become sustainable.

In recent years the idea of the business case for sustainability has been developed further into ideas of social business and social entrepreneurship. Social businesses can be seen as hybrids between profit-oriented businesses and non-profit organisations because in such organisations social targets are equally important or even more important than financial targets, and yet these businesses aim at being financially viable rather than depending on charitable contributions for their long-term viability (for example: Blunck, 2013: 61f.). One early example of social businesses are microfinance organisations that are discussed in Chapter 4, but today a wide range of such businesses, along with start-up support, networking or other supporting organisations, exist.

As the preceding discussion on CSR and corporate sustainability indicates, most authors on the topic agree that there is to date not one definition of CSR (*see*: Moon *et al*., 2010; Barth and Wolff, 2009; Crane *et al*., 2009), but it has become clear in this overview that there has been a shift from the general discussion that businesses do have responsibilities that go beyond the economic sphere and the focus on philanthropic activities towards the notion of corporate sustainability that integrates social, environmental and economic aspects. The most succinct and yet comprehensive proposal for corporate sustainability and CSR has been proposed by Dyllick and Hockerts (2002) with their 'beyond the business case' model. As a recent example of businesses that go beyond the business case we introduced social businesses.

3.3. CSR IN AN ISLAMIC CONTEXT

Other than the idea of sustainable development that has not been taken up widely in the Islamic economics literature, as explained in Chapter 2 (*see:* Section 2.4), CSR has found its way into a wide array of Islamic finance and business related research. One strand of research looks at the CSR of businesses that claim to be Islamic, namely mainly Islamic banks and financial institutions. Another strand of research aims at defining what CSR looks like from an Islamic perspective. Finally, some research looks at specific issues relating to social responsibility. For example, many authors (including Lewis, 2005; Iqbal and Mirakhor, 2005; Azid *et al*, 2007; Dusuki, 2005) emphasise the fact that in an Islamic model of corporate governance, as was discussed above, stakeholders play a leading role. An approach whereby management would purely be responsible towards the shareholders and the maximisation of their profit is seen as not in line with Islamic principles. Azid *et al.* (2007) elaborate that an Islamic firm has an inherent social responsibility towards society, taking into consideration the questions of how its products and/or services impact society and who will benefit from the revenues gained.

The focus of this section is on the first two aspects: defining CSR from an Islamic perspective and analysing the implementation of CSR in companies that are deemed Islamic, such as Islamic banks and financial institutions.

Dusuki (2008) was one of the first to discuss CSR from an Islamic perspective. He takes up criticism against CSR as being grounded in negotiable ethics and, therefore, not providing a firm orientation for businesses who want to engage in CSR, pointing out the alleged Islamic superiority for providing a more fixed ethical grounding based in the eternal teachings of the primary sources. We can discern here the idea that Islamic principles are somehow fixed and unchanging that is associated more with a revivalist understanding of the religious foundations as discussed in Chapter 2. Darrag and El-Bassiouny (2012) follow Dusuki in this evaluation of the difference between Western ideas of CSR and its Islamic counterpart.

Platonova (2013) derives three models of CSR from the Islamic economics literature, whereby what she terms Chapra's model demands that Islamic banks and financial institutions should aim primarily for profit maximisation, which would then help to

achieve socio-economic justice as well as economic development, and that activities aimed at social aspects might accompany the institutions' activities. Platonova (2013) states that this approach is similar to Carroll's (1979) understanding of CSR. She further introduces Ismail's model, which is more or less equivalent to Friedman's stance towards CSR that social issues are no concern for businesses at all. The third model explored by Platonova (2013) is the *Taqwa* model developed by Dusuki, which is more in line with a modern understanding of CSR, whereby social objectives are an integral part of a company's normative fabric and are, therefore, equally important as financial targets.

In further rationalising CSR within an Islamic context, Hassan (2016) elaborates his understanding of sustainable development efforts for business. He states that aspects, such as consumption, ownership and business objects, are important and that in an Islamic context all economic activity needs to pass through a moral filter, but then may be pursued freely on the market. He further discusses how such a moral filter may be implemented in a business, suggesting a four-stages model, called hierarchy of ethical behaviour, ranging from basic (legal compliance) to theoretical (strategic implementation of CSR) and attainable (equivalent to the business case notion of corporate sustainability, but with pure profit orientation in mind) to finally the practical level of behaviour, which would also be a business case for sustainability setting, but with more conviction behind it. Hassan's (2016) model is limited by the fact that he seems to refer mainly to environmental sustainability rather than including social aspects as well. Furthermore, Hassan (2016) states that even businesses that feature this last and allegedly highest form of ethical behaviour are primarily focussed at profit maximisation, arguing that this would be their fiduciary duty. This dismisses ideas of social businesses or any steps described above as 'beyond the business case'.

The idea of social business is taken up by Aydin (2015), who argues that social business is in line with Islamic moral economy and who sets out to outline an Islamic social business. Important instruments for such an Islamic social business would be interest-free loans, charitable funds and a business model that is based on profit-and-loss sharing. He further bases his model on the idea that human nature can be divided into different categories or dimensions, such as heart, mind, conscience and free will, and thus he moves away from the idea of mere utility maximisation and the *homo islamicus*

as outlined previously (Aydin, 2015: 498f.).

Two further conceptual papers, which should be mentioned here, link ideas of CSR with Islamic marketing. The first one by Koku and Savas (2014) argues that Islamic marketing inherently includes CSR, because like CSR it pursues equity, justice and fairness (Koku and Savas, 2014: 41). In order to substantiate their argument, they quote directly from the Qur'an and refer to other conceptual works in the field such as Wilson (2012a, 2012b), which is mentioned above, but also works of non-Muslim scholars on CSR such as Dyllick and Hockerts (2002), as discussed above. One of the important realisations they make is that businesses can be consistent with Islamic principles although they only follow a secular CSR agenda, and they consequently conclude that multinational companies might consider including the idea of *Shari'ah* compliance in their general CSR efforts, as there is such a considerable overlap between the concepts.

The second study, which should be mentioned, is Hassan (2014) who undertakes to examine how Islamic values influence environmentally conscious purchasing decisions. This study is worth mentioning, because it is an empirical study, whereby it also derives its conceptual assumptions from the Qur'an directly and then tests these in the field. The study finds a positive correlation between religious values (from the description the focus lies on religiously grounded environmental consciousness actually) and green purchasing decisions.

More empirical studies can be found that look at the implementation of CSR and the disclosure of it in Islamic businesses such as Islamic banks. Early works in this field are for instance Maali *et al.* (2006), Dusuki (2005); Sairally (2006); Mohammed, (2007) as well as Haniffa and Hudaib (2007).

Among the more recent works, Mallin *et al.* (2014) examine the relationship between CSR and financial performance of Islamic banks. They are using an index with ten dimensions based on previous studies of Maali *et al*. (2006) and Haniffa and Hudaib (2007). Issues covered in the index are not explained in detail, but the authors explain that all 84 items used in the two previous studies just mentioned are included, which cover issues such as the underlying philosophy and values, provision of interest-free products and services, *Shari'ah* compliance of products, disclosure on *Shari'ah* supervisory board, *zakat* paid as well as issues more generally associated with CSR,

such as focus on development and social goals and reporting on issues relating to the environment, community involvement and staff. Mallin *et al*. (2014) state that the size of the *Shari'ah* supervisory board seems to play an important role with regards to the social activities of an Islamic bank and they found the lowest levels of disclosure with regards to environmental issues. On a similar line, Platonova et al. (2016) also examine the relationship between CSR disclosure and financial performance of Islamic banks using a CSR index developed on the basis of previous studies and the respective AAOIFI standard on CSR for Islamic banks.

In expanding the empirical base, Kamla and Rammal (2013) examine as to how the issue of social justice features in the social reporting in Islamic banks, while Farook *et al.* (2011) aim to analyse the factors that determine CSR disclosure in Islamic banks. Hanzaee and Sadeghian (2014) look beyond the Islamic finance industry and focus on the CSR performance within the automotive industry in Iran.

Most of these studies develop their own index to measure the CSR disclosure or performance or the particular area they focus on. Often the results regarding the degree of disclosure or performance against these indices show that Islamic banks do not perform very well. Thus, these studies support the criticism raised on a conceptual level against IBF institutions that they take form over substance that is discussed further in the following chapter.

This section has provided a brief overview over studies that examine CSR from an Islamic perspective, which shows that there are both purely conceptual papers as well as empirical studies and that the main focus of the latter lies on the CSR performance and disclosure of Islamic banks, whereas the conceptual papers aim at defining CSR from an Islamic perspective. There seems to be no study that actually uses empirical evidence to develop a conceptual model of CSR or corporate sustainability as will be attempted in the present study. In addition, the literature presented in this chapter will be an important point of reference when developing criteria for sustainable businesses from an Islamic point of view as will be attempted in Chapter 8.

In this chapter, the corporate level was explored from an Islamic perspective and the perspective of CSR. In addition, research that looks at CSR in an Islamic context was

explored. The next chapter turns to the financial industry as a sector-specific example for implementing Islamic economics and CSR.

4. THE FINANCIAL MARKET: VARIATIONS IN ETHICAL FINANCE

In exploring the foundational issues by means of reviewing the existing literature, this research so far explored the macro-level of Islamic economics and sustainable development as well as meso-level discussions on Islamic and sustainability perspectives on the corporate level. In this chapter, an attempt is made to narrow our point of view even further by looking at one specific industry, the financial industry. The objective is to demonstrate how the issues defined in the previous chapters manifest themselves in relation to the financial industry. Following the structure of the previous two chapters, first the Islamic perspective is explored by rendering a brief overview on Islamic banking and finance (IBF), starting with the key concepts and products and then moving on to introduce some of the main schemes and challenges that are of relevance in the context of the present study. The chapter further develops with a short introduction to the field of Socially Responsible Investment (SRI), which can be seen as the wider context of Islamic finance. Finally, a review of the literature at the nexus between Islamic finance and SRI is provided. In the end, a brief summary of all aspects discussed in this literature review is provided in order to lay the ground for the ensuing research chapters.

4.1. FOUNDATIONS OF ISLAMIC FINANCE

As explained above, the main task of this section is to provide a brief introduction to Islamic finance, especially its key concepts, its main products and services and the criticism raised against some of the practices of the Islamic finance industry today.

Islamic banking and finance (IBF) is the term used for financial institutions and markets that operate within an Islamic framework. Within Islamic economics, Islamic banks and financial institutions are considered as the operational part of an Islamic economic system. Therefore, the reshaping of the banking sector according to Islamic principles has been identified as being of high priority (*see:* Sairally, 2005: 422 for an overview of this argument). The *Qur'an*, being the ontological source, clearly states prohibitions of some very concrete aspects of economic activity including banking and financing,

which amongst others include *riba* (interest) and *gharar* (uncertainty, risk, speculation) as well as *maisir* (gambling), which also contains uncertainty (Warde, 2000). Therefore, there are clear 'instructions' available on how to operate financing and banking according to the tenants of Islam, while at the same time, the global financial system as it exists today clearly breaches these prohibitions. On a more general level, Islamic banking and finance can be understood as being in accordance with the *Shari'ah* (El-Gamal, 2006: 7f.) or *Shari'ah* compliant, and the products and services offered must, therefore, be approved by a board of *Shari'ah* experts to ensure their *Shari'ah* compliance.

According to Warde (2010), three phases can be identified that mark the development of the Islamic banking and financial industry: The first phase lasted from the 1970s to around 1990 and marks the beginning of contemporary Islamic finance. Already in 1963 the Mit Ghamr bank had been set up in Egypt based on the example of German local savings banks, which principally worked according to Islamic criteria, but was not called Islamic (El Ashker and Wilson, 2006: 335). Islamic banking first gained significant momentum when the first oil crisis led to an increase in available capital in the Gulf countries (Tripp, 2006). According to Warde (2010: 72), the establishment of the Islamic Development Bank by the Organisation of the Islamic Conference (which now is known as Organisation for Islamic Cooperation) in 1974 can be seen as a cornerstone for the development of the IBF industry, as it was meant to promote developmentalist objectives in line with Islamic finance among the member states and offer both practical support and training in IBF. This first phase also saw the foundation of a number of commercial Islamic banks, the first one being the Dubai Islamic Bank in 1975 as well as the 'Islamisation' of the entire banking sectors of Pakistan (1979), Sudan and Iran (both 1983). Warde (2010) points out that this phase was still very much inspired by the ideals of Islamic economics and the principle of profit-and-loss sharing (PLS) arrangements. However, moving into the second stage, which lasted from around 1991 to 2001, this ideal was questioned by the bad economic performance associated with such arrangements during that time, which was increased by the general slow economic development and low oil prices during the 1990s (Warde 2010: 80f.). Warde (2010) therefore describes this second phase as being one of increased pragmatism with regards to the interpretation of *Shari'ah* rules that was further enhanced by the entering of the stage of Malaysian actors, driven by the Malaysian government that wanted to

establish IBF as an alternative to the conventional banking sector in the country. He also points out that Islamic finance at this stage diversified greatly in terms of institutions getting involved in Islamic finance. In this period, many conventional banks opened so-called Islamic windows, and IBF institutions were now available in most countries with Muslim majorities and even beyond. According to Warde (2010), the beginning of the third phase of Islamic finance can be traced to the September 11 2001 attacks on the World Trade Centre in New York. As a consequence, many Muslim investors removed their funds from Western sources and invested them in their own countries and through IBF institutions. Since then, the IBF sector has experienced unprecedented growth rates. Warde (2010) further states that this particular situation led to a convergence of the Gulf and Malaysian approaches that had been very different previously mainly due to the different Islamic legal schools adhered to in the two regions.

A number of institutions were founded in the 2000s that can be seen as supportive structure to the sector such as the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), Islamic Financial Services Board (IFSB) (founded 2002), whose main task is to establish standards to increase the stability of the industry; the Liquidity Management Centre (founded also in 2002) that organises the interbank exchange; the International Islamic Financial Market that was founded in 2002 to support the development and trade of *Shari'ah*-compliant securities; and the International Islamic Rating Agency (founded in 2002), which provides credit ratings of Islamic financial institutions (Nienhaus, 2005; Mahlknecht, 2009). The emergence of these infrastructure-related institutions can be seen as an indication that the industry is maturing and becoming a fully-fledged financial market, although it still is very much a niche market.

After describing the development and some of the actors of Islamic finance, we shall now turn to the products and services offered by IBF institutions. Based on the prohibitions of *riba*, *gharar* and *maisir*, IBF institutions have developed a number of specific products or concepts. The original working and operating mechanism of Islamic finance is that instead of charging interest, IBF institutions engage in profit and loss sharing schemes (PLS), whereby depending on the exact kind of contract between the parties, the finances of a project are entirely provided by the IBF and the financial

risk is equally borne entirely by the bank (*mudarabah*) or they enter into some other form of partnership where both parties bring in capital and share the risk accordingly (*musharakah*) (Ayub, 2007). Although this idea of PLS is one of the central pillars of Islamic finance in terms of its theoretical underpinnings, in practice such products do not play a significant role. For example, Chong and Lui (2009: 127) state that only 0.5% of Islamic financing in Malaysia is based on profit-loss-sharing principles on the asset side. Nagaoke (2012) provides a similar figure, although it seems that *mudarabah* and *musharakah* are more widespread in the Gulf countries. *Mudarabah* and *musharakah* do not only work with the bank as the giver of capital and individuals or companies as receiving party, but also the other way round. *Mudarabah* deposits, which account for about 70% of all Islamic deposits in Malaysia (Chong and Liu, 2009: 127), also work on a PLS basis, in which the deposit holders bear the financial risk on their own.

Apart from these schemes based on partnership, IBF institutions also offer debt-based services, whereby the loans mostly have to be paid back with a so-called 'mark-up' that is charged instead of interest. Such products are called for example *murabahah* (cost-plus sale), *salam*, *istisnah* (two forms of forward buying) and *ijarah* (leasing) (Ayub, 2007). These debt-based instruments of Islamic finance constitute the bulk of financial transaction within the industry at present (Asutay, 2012).

According to Ayub (2007), Islamic investment banking does not differ from conventional investment banking in terms of services and products offered. For instance, IBF institutions manage portfolios and funds for a variety of private and institutional investors. They also offer venture capital and corporate finance whereby the *Shari'ah* compliance has to be ensured in all these services. El-Gamal (2006: 123ff.) elaborates that common stock is usually seen as an actual share or part of a company, and, therefore does not pose any problems to *Shari'ah* jurists as long as the company meets certain criteria. Preferred shares as well as bonds seem to be not compatible with the *Shari'ah*, unless they are adapted to the Islamic requirements of avoiding interest and uncertainty. Having said that services and products do not differ in principle from conventional investment banking, it should be noted that they are limited with regards to the objects that can be invested in. There are two types of screens that are applied to determine whether it is permissible to invest in a company. The first screen is applied to rule out companies that are active in certain non-permissible industries or business

fields such as the production and distribution of alcohol. The second type of screen is a financial screen used to determine whether a company generates excessive amounts of income from debt or interest. Companies whose main business (over 50% of assets) is constituted by conventional financial dealings are also excluded (El Gamal, 2006). A recent review of *Shari'ah* screening practice (Bin Mahfouz and Ahmed, 2014) shows that there are variations in the application of screens at Islamic index providers; for instance the Standard and Poor's index does not exclude weapons, but does exclude the trading of gold and silver. It also shows that in terms of financial screens, none of the indices comply fully with the relevant AAOIFI standards.

In general, the decision of whether an Islamic financial product is *Shari'ah* compliant or not is usually made by a so-called *Shari'ah* board. This is mainly relevant at the development stage of a new product (El Gamal, 2006: 11). DeLorenzo (2000) points out that *Shari'ah* Boards also serve the function of controlling the *Shari'ah* compliance of the general operation of the IBF institutions.

The structure, composition and function of *Shari'ah* boards have been subject to research and criticism in recent years. Ünal (2011) undertook a network analysis of *Shari'ah* scholars and found that some of the most active scholars serve on up to over 70 boards, which raises the question of how effectively they can really control the *Shari'ah* compliance of products and services. Further findings that can give rise to concern include the fact that many *Shari'ah* scholars serve both IBF institutions and regulatory bodies such as AAOIFI and the IFSB, thus blurring the borders between controlled and controlling organisations (Ünal, 2011: 4) and the realisation that new posts are often filled based on recommendations by existing scholars rather than based on objective recruiting criteria (Ünal, 2011: 28). This does not only mean that it will be very difficult for young and unknown scholars to find posts, but it can actually pose a threat to the creativity and innovation of the whole industry, because it makes it difficult for different and new approaches and perspectives to be introduced.

Ullah (2012) found out that the relationship between *Shari'ah* departments and managers of IBF institutions is complex and that *Shari'ah* scholars are not completely independent and determined when deciding upon the *Shari'ah* compliance of new products. It rather seems that managers might negotiate with the scholars or use a number of different strategies ranging from avoidance to coercion to achieve results that

are in accordance with their own intentions. The independence of *Shari'ah* scholars has also been doubted based on the fact that they are being paid by the institutions they are supposed to supervise, which creates a conflict of interest (Bin Mahfouz and Ahmed, 2014). This is aggravated by the lack of external supervision and the fact that some *Shari'ah* scholars hold positions in standard setting bodies such as AAOIFI and in *Shari'ah* boards of banks as mentioned above.

There are further critical aspects regarding the way IBF is practiced at present. For example, El Gamal (2006) claims that the industry is not genuinely innovative, but rather tries to remodel successful conventional products into *Shari'ah* compliant or Islamic viable products, a process he terms *Shari'ah* arbitrage. For example, he states that there are now Islamic finance products that are similar to controversial conventional financial products, such as derivatives, and this may lead to a loss of credibility and distinctiveness of the Islamic finance industry.

Rethel (2011) explains this convergence between Islamic and conventional finance from a political economy perspective. She points out that a number of factors significantly support this development: the regulatory framework (both internationally and nationally), the epistemic foundations of the global financial markets based on indices and ratings, both of which are geared towards the logic of the conventional financial markets with their mainly debt-based instruments; and the lack of personnel trained in both areas *Shari'ah* and finance equally, which leads to the situation where the Islamic finance industry is heavily reliant on conventional bankers who have merely received basic training in the Islamic aspects of Islamic finance.

El-Gamal (2006) also criticises the focus on the form of contracts (based on pre-modern readings of Islamic law) underlying financial products and neglecting the substance of the same. With regards to Islamic investment activities, he criticises the focus on negative screens and the lack of positive screening, which is also an expression of this 'form over substance', because the development of positive screens would require dipping deep into Islamic ethics regarding a number of issues, such as work and the environment, whereas negative screening can be defined clearly from existing definitions of what is considered *haram*.

Asutay (2007, 2010, 2012) points out that Islamic finance has developed so rapidly that

it has moved away from the theoretical and ethical foundations of Islamic economics, especially the notion of social welfare. He argues that 'commercial' Islamic banking should be accepted as a given fact and that a solution to 're-unite' Islamic finance with the normative requirements of Islamic economics would be to create new institutions within the IBF industry that focus on social banking. These would provide access to financial services to the general Muslim public and also focus on ethical issues and substance rather than legal aspects or 'form'. As discussed in a later section (Section 4.3), recent developments in the field of Islamic microfinance can be seen as first steps towards such Islamic social banking.

Ethnographic research conducted by Rudnyckyj (2014) in Malaysia can be used to explain possible reasons behind this divergence of the predominance in the Islamic finance industry of adhering to the formal aspects of Islamic law on the one hand, and the aspiration to fulfil the *Shari'ah* also in substance or spirit, which seems to be supported more by academics rather than by practitioners themselves. Rudnyckyj (2014) examines how the economic rationality, expressed in the sense of *homo islamicus* (as discussed in Chapter 2), is conceived of by different Islamic finance experts in Malaysia. His research shows the plurality of approaches and opinions existing among these experts, ranging from almost neoliberal Islamic bankers whose economic objectives are clearly dominated by profit orientation alone to those that claim that the focus on self-interest and profit maximisation within the Islamic finance industry is a wrong development and that the industry needs a fundamental reform in that sense.

The contribution of Rudnyckyj (2014) is interesting as it uses empirical data to build its arguments and it thus in line with an observation made by Pollard and Samers (2007: 325) who state that 'whether or not different variants of IBF are window- dressing for conventional economics or more inclusive and 'ethical' than other forms of banking remains an empirical question.' Taking up this lead, the present study also uses empirical data for tracing the ethical within both Islamic economics and Islamic finance. However, this research mainly focuses on the theory development rather than use the data to evaluate the ethical performance of IBF institutions, although the data could be used to that extend as well.

In summary, this section has examined the basic assumptions in Islamic finance and

how the Islamic finance industry developed. We introduced the main modes of financing instruments used in IBF institutions and then moved on to examine some of the criticism raised against the practice of Islamic finance today. There are two main areas of criticism, the first can be summed up in the formula 'form over substance', meaning that most Islamic financial products are geared towards fulfilling the demands of the *Shari'ah* on a contractual basis, neglecting the more complex issues of social justice in the sense of making a generally positive contribution to society in terms of generated output. The second area of criticism relates to the role of the *Shari'ah* boards and its individual members.

This section introduced the business sector of Islamic finance and focused particularly on research that engages critically with the sector. The following section introduces the sector of socially responsible investment (SRI).

4.2. SOCIALLY RESPONSIBLE INVESTMENT AND CORPORATE ETHICAL RATINGS

Islamic finance can be embedded into the broader field of ethical or socially responsible investment (SRI). Both can be differentiated from conventional finance in that they consider non-financial aspects in their financial decisions; and therefore, a parallelism can be considered (Demuth, 2014). This section, therefore, aims to demonstrate this parallelism.

SRI has many different varieties from single exclusion screens to community investment projects. At the same time, there is not one uniform approach or definition to what is actually assessed in order to determine whether an investment, such as the shares of a company or a bond, is ethical. The European Social Investment Forum (Eurosif), which is a European association for SRI that has chapters in most Western European countries, offers the following description of SRI: 'Methods and approaches in the valuation and incorporation of Environmental, Social and Governance (ESG) issues into fund management' (Eurosif, 2010: 8). It further states that the topic is almost defined by a richness and diversity of both terms to describe it as well as views of what actually constitutes SRI. Eurosif itself prefers the term 'sustainable and responsible investment', and states that all approaches have two factors in common, they are

concerned with long-term investment and they see environmental, social and governance factors as having a relevant influence on the long-term performance of an investment.

The beginnings of SRI are usually traced to religious groups like the Quakers, a Christian religious movement, that started in the 18th century to exclude companies from their business dealings, which were involved in the slave trade, alcohol, tobacco and gambling (Schwartz, 2003). In line with such principles, one of the first modern SRI funds was initiated by Methodists in 1971 (Kurtz, 2009) that excluded arms producers as a reaction the Vietnam War (Osthoff, 2009). Other events that supported the development of the SRI industry were the boycott of South African companies to end apartheid in the 1980s as well as the strengthening of the environmental movement and the general debate on sustainable development.

It becomes clear from these examples that the first steps towards SRI were to identify and screen out companies that violated in one way or another the ethical principles of investors, a process called negative screening. As was described previously, this is the method used in Islamic investment to date.

A next step in the development of the different SRI methods was inspired by the realisation that individual investors do not have a great impact on companies if they simply do not invest in them. Thus, applying negative screening to an investment portfolio might ease the conscience of an ethical investor, but on an individual scale does not help to change the company's behaviour. Therefore, a different approach was developed, known as 'shareholder activism' or 'engagement', whereby investors use their rights and influence as shareholders to engage with the company and try to make it change its ways so that they are more in accordance with the investors' ethical principles (Osthoff, 2009). According to Gabriel (2007: 92), this form of ethical investment was mainly developed in the U.S., where it is still one of the main SRI strategies. Zarbafi (2011: 42-45) argues that 'shareholder activism' can be associated with a more formal approach of making use of shareholder rights and raising resolutions in annual general meetings, whereas 'engagement' describes more informal approaches of investors to engage in dialogue with corporations on issues of concern. She states further that the latter approach is more common in Europe and shareholder activism is more widespread in the United States.

According to Gabriel (2007), SRI developed later in Europe in general and was more strongly influenced by the environmental movement and the debate around sustainable development. This also gave rise to the third main SRI strategy, namely 'positive screening'.

The idea behind positive screening is to identify those companies that contribute positively to a certain cause, such as excelling in environmental protection or having particularly high labour standards. This requires the definition of a more or less complex set of criteria as well as the analysis and evaluation of company information with regard to this set. Very often an industry-specific approach is chosen. This method, known as 'best-in-class', has the advantage of not excluding whole sectors from one's investment portfolio *per se*, but to invest only in those companies that tackle the industry-specific challenges particularly well.

These three main strategies of SRI - negative screening, shareholder activism/ engagement, and positive screening/best-in-class - can be grouped as 'active (engagement)' or 'passive strategies' (negative and positive screening) (Schäfer and Peller, 2003; Gabriel, 2007). Kurtz (2009) also points out the difference between strategies that simply 'exit' an investment, if it does not meet certain ethical criteria (screening) and those that 'voice' their concern (engagement).

In recent years, yet another investment strategy called 'impact investment' has been added to the toolbox of SRI. Impact investment differs from the other investment strategies fundamentally, because it is not only geared towards shares and bonds of more or less large corporations/organisations, but means an investment in companies, organisations, projects or funds that explicitly aim at generating social or environmental impact as well as financial returns (*see:* Schäfer and Bauer, 2015: 4). Such social and environmental impact is actually measured, and, thus, gains an equally important status as the financial aspects.

After having described in some detail the different methods or strategies commonly used in SRI today, the second important question shall be addressed: What are the criteria used for SRI investment decisions and how are they chosen. It will become evident that there are a wide variety of different approaches to this question with greatly varying outcomes. One of the reasons for this variety is that the motivations of investors

to choose SRI strategies differ. In this, the type of strategy chosen also influences the criteria to a certain degree. For instance, engagement often focuses on single issues, whereas positive screening and best-in-class approaches often require a complex set of criteria covering a broad range of topics.

In terms of motivation, we can distinguish investors that use SRI solely because of their own ethical convictions (value-based investors) from value-seeking investors (seeking portfolio performance improvements through SRI) and value-enhancing investors (trying to improve investment value actively through engagement) (Kurtz, 2009: 251).

As explained above, the first actors in the SRI market were value-based, mainly religiously motivated groups or individuals that excluded a few business activities from their portfolios and dealings, such as production of tobacco, alcohol, and weapons. The focus later moved to more political agendas, such as human rights and environmental protection. Such value-based investors still exist, but the large number of especially institutional investors active in the field today are probably value-seeking or value-enhancing investors. In a similar line, Renneboog *et al.* (2008: 1725) point out that modern SRI accommodates for the varying ethical and social convictions of individuals and one could add, the different motivations of investors as defined by Kurtz (2009).

Not only motivation and investment strategies differ, but there is also no agreement on the content or set of minimum criteria for SRI. Some authors, such as Hawken (2004), criticise this lack of a common definition and demand binding standards as to which investment can be called socially responsible, whereas, among others, Dunfee (2003) acknowledges that there is just no consensus among practitioners and academics alike on standards that would meet everyone's expectations and that this is not a negative development as long as certain fundamental human principles are not violated (otherwise one would have to include also funds that invest in 'sin stocks' or particularly 'bad' industries such as weapons, alcohol, gambling and tobacco into SRI as they too apply non-financial criteria for their selection of investments). Sparkes and Cowton (2004) see this development as a sign that SRI has entered mainstream investment, which, for them, indicates the maturity of the SRI market. They state that due to the diversification of investors using SRI, the complexity of the matter has increased greatly and one set of beliefs would not be sufficient to serve the different interests of all investors. Such a conclusion takes into account the different motivations

of investors outlined above as well as different cultural backgrounds. Thus, it can be deduced that there is no easy answer to the question as to which criteria are used for SRI investment decisions and how they are chosen. Because of this lack of a common definition of what constitutes the content of SRI, there is also no underlying theory that can be used as a guideline for the development of criteria.

This is substantiated by Schäfer and Peller (2003) as well as Schäfer *et al.* (2006), who provide some information on the underlying approaches of SRI rating agencies in choosing their criteria. The studies found that many of the agencies refer to the concept of sustainable development with some also making reference to Freeman's stakeholder model. Others understand their role as collectors of relevant information only and emphasise that they do not base their research on any specific 'ideology' or 'philosophical' position. One of the rating agencies taking such an approach is EIRIS, which does, however, offer so called 'convention watch' services, whereby the organisation examines companies' (non-) compliance with international conventions such as the UN Global Compact or ILO core labour standards (EIRIS, 2016).

Schäfer *et al.* (2006) point out that there are two rating agencies, the Italian ECPI and the German oekom research, that refer to distinct ethical frameworks. The ethical framework that is the basis for oekom research's SRI research are the so-called 'Frankfurt-Hohenheim-Guidelines', which were developed by a working group including theologians and business ethicists using a so-called 'value-tree analysis' (Gabriel, 2007:115ff.). The value-tree analysis collates the input of various stakeholders regarding their interests and values in a specific context. These values are translated into specific 'criteria'. In the case of the 'Frankfurt-Hohenheim-Guidelines', there are around 800 criteria grouped into environmental, social and cultural dimensions. Gabriel (2007: 117) points out that among these dimensions, the cultural dimension is particularly difficult to work with in the context of SRI ratings. In present times, oekom research's corporate ratings are divided into a social and environmental dimension only (oekom research, 2016). In fact, despite the different underlying approaches, Schäfer *et al.*'s (2006) research reveals that on the operational level, the subjects of the rating methodologies do not vary a great deal with staff, suppliers, human rights, product responsibility, environmental management, and eco-efficiency being analysed by most rating agencies. This is not to say that their detailed methodologies may not vary a great

deal and they may also come to very different conclusions regarding the sustainability performance of individual companies (*see:* Renneboog *et al.*, 2008, for an overview of the literature in this field).

To sum up, in this section, we briefly outlined the development of SRI, explained the different investment strategies available to socially responsible investors, looked at their motivations to invest socially responsible and finally examined the development and selection of criteria for socially responsible investment. The next section attempts to point out the parallel lines and nexus between Islamic finance and SRI.

4.3. COMMON GROUND FOR ISLAMIC FINANCE AND SRI

This section focuses on the convergence between Islamic finance and SRI. Islamic finance can be seen as being part of SRI, although it offers a broader range of products, being not only investment based, but serving customers with a full range of banking products. We examine conceptual academic papers that have been published in recent years on the issue and also cover studies dealing with specific social problems and the role Islamic finance may play in solving these problems. Finally, reference is made to some recent performance studies in the field.

It seems that that the convergence between Islamic finance and SRI has mainly been addressed in recent years and that this trend has been spearheaded by practitioners that are active or take an interest in both fields (*see*: Novethic, 2009; Ferruelo, 2012; Hayat, 2013; Hayat and Malik, 2014; Aktan, 2014; Thomson Reuters, 2015).

Recent years actually saw the rise of the first financial instruments that can be allocated at the nexus between Islamic finance and SRI, one of which is the green *sukuk*, which means *sukuks* that are raised to finance for example renewable energy projects in Muslim countries such as the Gulf states, Malaysia or Indonesia (Bank Negara Malaysia, 2016). Another product that can be seen as a hybrid between SRI and Islamic finance is Islamic microfinance (*see:* Kustin, 2015 for a practitioner's view and below for academic contributions).

In terms of academic research on common ground for Islamic finance and SRI also much research has been conducted in recent years and the following highlights some of

the issues raised in order to gain a good understanding of the *status quo*. Among the early contributions on this issue, Wilson (1997) can be considered. As this is an emerging field of research and this research is moving right in the midst of it, this literature review gives a cursory glance rather than claims to be a comprehensive analysis of the field. In addition, the focus of this research lies in the development of the theoretical underpinnings particularly of Islamic economics rather than the practice of Islamic finance - which plays only a comparatively minor part - and therefore such comprehensive analysis is somewhat beyond the scope of the present study. As outlined above, a review of conceptual papers is presented below.

An early attempt to unite the two areas of Islamic finance and SRI was undertaken by Forte and Miglietta (2007) who aim at allocating Islamic finance within the broader field of SRI based on the underlying principles of the two fields. In furthering the debate, Pitluck (2008) compares the organisation and regulatory framework for Islamic finance and SRI in Malaysia and in the US. He notes that whereas SRI mandates are usually based on individual agreements between the fund manager and their customer in a social contract style manner, Islamic finance in Malaysia is government regulated and therefore the constraints in which fund managers work are much stricter. He argues further that such resulting standardisation can lead to the effect that ethical investors such as Islamic finance investors in this case can actually influence the behaviour of corporations.

Bennett and Iqbal (2013) examine the gap between SRI and Islamic finance on a conceptual level. Their research is a comparative study, highlighting the high growth rates of both sectors and looking at what the respective fields can learn from one another. They suggest that Islamic finance could adapt other investment strategies beyond negative screening (which is what the research presented here suggests in Chapter 8), especially impact investment, which would counter the criticism of form over substance. They propose the development of SRI *sukuk* as suitable instrument.

Gilani (2015) sets out to analyse how ethical Islamic banks are, using a qualitative exploratory approach based on interviews with managers and customers of Islamic banks. The definition of ethical in the context of Islamic banks that he proposes centres around the avoidance *riba* and *gharar*. He also follows the argument that Islamic banks need to be primarily profit-oriented as this is expected by stakeholders and parent

organisations, whereby the question remains which stakeholders are referred to here, because one would assume that customers as one important stakeholder group choose Islamic banks for their ethical orientation and not the profit. The study conducted by Nor and Asutay (2011) indicates that there is indeed a large gap between customer expectations regarding CSR, which can be understood as the ethical orientation, and the actual performance of Malaysian Islamic banks in regards to CSR.

Ng *et al.* (2015) suggest to develop Islamic finance further through implementing a four-dimensional framework that aims at building social capital, which they define as ethics and trust. They acknowledge that developing institutions, by which they also mean the above mentioned values of ethics and trust (regarding the differentiation of these terms see: Section 7.1.), should be a bottom-up process rather than a top-down act (*see:* Evans, 2004 for an elaborate discussion of this issue). However, they then set out to further define their four-dimensional framework, which would require just such a top-down approach. It should be noted that the definition of social capital offered by Ng *et al*. (2014) narrows down the concept of social capital, which in its original sociological context, according to Portes (2010: 27), means 'the ability to gain access to resources by virtue of membership in networks or larger social structures'. In that sense, it would have been interesting to examine the social capital that exists in Islamic finance and Islamic financial markets and then develop a framework based on these empirical findings. However, there is no evidence from their study that such a method was chosen.

Ullah *et al.* (2014) use interviews with members of *Shari'ah* supervisory boards to examine the criteria used for *Shari'ah* screening, with their argument being that *Shari'ah* screening is the act that makes Islamic banking part of socially responsible investment. The findings are more or less in accordance with the discussion of *Shari'ah* screening practices discussed in Section 4.1., although they differentiate between required, expected and desired SRI aspects, with issues such as environmental protection featuring vaguely in the last category. Ullah *et al.* (2014: 228) is an interesting study, because it shows that although issues such as social justice and fair dealings with all stakeholders are seen as expected SRI aspects in *Shari'ah* terms, interview respondents claimed that their Islamic bank did not have the responsibility to actually actively rule out that exploitation was happening in companies the bank held

any interest in. They also suggests that *Shari'ah* boards are not even aware of the methods and processes used for example in SRI ratings in order to address such issues (media screening, collaboration with NGOs that monitor such activities, use of shareholder engagement *etc*.).

As mentioned above, apart from the conceptual papers, we can also find a number of studies that look at certain problems and examine the role Islamic finance can play in solving these problems: Ahmed *et al.* (2015) examine the role Islamic finance can play in meeting the Sustainable Development Goals discussed in Section 2.3., while Hasan (2011) looks at the basic need of housing and shelter and how this is often not fulfilled especially in urban areas in developing countries. He examines the role Islamic finance could play here and concludes that the role is negligible but mainly puts this down to regulatory reasons.

The subject of social justice and contributing to economic development and providing access to financial services to the general Muslim public has also been discussed in the context of Islamic microfinance (*see:* Segrado, 2005; Ahmed, 2002; Wilson, 2007; Abdul Rahman, 2007, and Samad, 2014). Microfinance provides access to financial means to people that would not normally have access to loans or in fact any financial services. It has become an important development tool to enable the poor to develop capacities and has proven to be quite successful in supporting them to realise a better life for themselves for example in terms of business ideas or housing projects (Segrado, 2005; Yunus, 2006). The main criticism levelled against conventional microfinance from an Islamic perspective is the charging of interest even of the very poor (Abdul Rahman, 2007). It has also been suggested that typical Islamic institutions or structures are very suitable to provide microfinance (Wilson, 2007; Abdul Rahman, 2007). Alam *et al.* (2015) examine Islamic microfinance programmes and how well they perform in meeting the *maqasid al-Shari'ah*. They use questionnaires with microcredit borrowers in Malaysia and find that out of five *maqasid* dimensions only one, the dimension of knowledge (*al aql*) did not improve through the microfinance programme. They also give some suggestions how Islamic microfinance could be improved. When recalling some of the criticism discussed in Section 4.1., their findings seem supportive of the idea that Islamic microfinance is well suited to address social justice issues and provide substance to Islamic finance. Asutay (2010) argues that the axioms of Islamic

economics should provide the normative framework for Islamic microfinance.

Finally, there are a number of studies that compare the performance of SRI and Islamic finance, looking at different focal areas. Some of the most recent studies are for instance Abdelsalam *et al*. (2013) who compare the financial performance of SRI funds and Islamic mutual funds, while Bin Mahfouz and Hassan (2013) examine how the inclusion of SRI criteria would change Islamic investment portfolios with regards to risk exposure and performance.

In this section, we looked at research that examines the relationship between Islamic finance and SRI. We saw that both practitioners and academics have looked at issues at the nexus between Islamic finance and SRI in recent years and that first products have entered the market that can be seen as hybrids between SRI and Islamic finance, such as green *sukuk* and Islamic microfinance. In the case of the latter, academic research suggests that this is well suited to improve social justice and the *maqasid al-Shari'ah* and thus add substance to the Islamic finance product range.

The conceptual papers introduced above seem to be mainly geared to introduce the idea of convergence between Islamic finance and SRI without providing a comprehensive comparison of all aspects of the two fields. Such a comparison is still missing in the research on Islamic finance and SRI. In Chapter 8 some criteria are suggested, which could be used as positive screening, thus extending the toolbox used in Islamic finance to include instruments that were developed for SRI.

4.4. SUMMARY

The aim of this literature review was to set the frame for the present study and to draft the context in which this research should be understood. Because the study is exploratory in nature and addresses both theoretical as well as practical aspects, the literature review also is very broad in terms of subject area, which means that most aspects could only be covered in broad terms. A central element of this study is that it takes the idea of sustainable development and corporate sustainability and examines it from an Islamic perspective. Therefore, the literature review covers both areas, namely Islamic economics and sustainable development, as well as their more specific

counterparts of Islamic management and finance and CSR and SRI.

As for the research so far, this study commenced with a brief introduction into the basic principles of Islam. The so-called three schools of thought in modern Islamic thought were also covered: the revivalist, modernist and traditional/Sufi. This seemed important to lay the ground for one theme of this research, which is to trace the plurality of opinions and approaches within Islam rather than to depict it as monolithic and uniform in all aspects of life. We then moved on to an introduction to Islamic economics. We saw that the foundations of Islamic economics have been derived from *Qur'an* and *Sunnah* without taking into consideration the plurality described above. We also saw that despite the attempt to come up with genuinely Islamic principles regarding the economy, certain central ideas within economics such as the focus on self-interest and the utility function have remained unchanged within Islamic economics. The following section explored the idea of sustainable development, which was established as a guiding principle in international politics in the second half of the 20th century as an attempt to align human and economic development with the natural limits of the planet. We saw that Islamic economics has not really taken up the concept of sustainable development even though the two concepts have much in common.

In Chapter 3, Islamic perspectives at the corporate level were addressed, including topics such as corporate governance and business ethics. The newly emerging field of Islamic marketing was also introduced. We then looked at CSR and corporate sustainability, introducing a number of concepts and ideas. Concluding with the idea of social businesses, we saw that businesses today may actually allocate the same importance to social or environmental objectives as they do to financial targets.

We then looked at CSR from an Islamic perspective through purely conceptual papers as well as empirical studies. As the examination depicts, the main focus of the latter lies on the CSR performance and disclosure of Islamic banks, whereas the conceptual papers aim at defining CSR from an Islamic perspective. We noted that there seems to be no study that actually uses empirical evidence to develop a conceptual model of CSR or corporate sustainability.

When looking at Islamic finance, the focus of this literature review lay on research that examines the workings of the industry and their underlying theoretical assumptions

critically. As was the case with the Islamic economics literature, we saw that basic assumptions known from economics prevail in the Islamic finance industry to a certain degree. Introducing SRI, we saw that there is a range of different investment strategies available in this field. We also examined the development and selection of criteria for SRI. In addition, in this final chapter of this literature review, we looked at developments and research at the nexus between Islamic finance and SRI. This research area has only emerged in recent years and there are still many gaps in the research.

The literature review mainly aims at giving an overview of the field, whereas specific questions and research that relates to these questions is covered in Chapter 7 and Chapter 8. This is owed to the exploratory nature of the study as well as its grounded theory approach, whereby it only emerged in the course of the data analysis, which topics would have to be looked at in more detail. As is discussed in Section 7.1., it also emerged during the data analysis that research in economic sociology and anthropology is actually important to 'make sense' of the data. Therefore, relevant studies are introduced in subsequent chapters to address more specific aspects of the research rather than presenting the context at large.

In the next chapter the research methodology will be explored.

5. RESEARCH METHODOLOGY

The present research is a qualitative study, using a case study design and depending mainly on semi-structured interviews for data collection. The data analysis is based on coding. In addition to describing in more detail all of these terms and concepts, this chapter also explores the theoretical and operational framework, which informs the research methodology. This framework includes concepts such as transdisciplinarity, grounded theory, participatory action research and systems thinking, all of which will be introduced in the first section of this chapter. Furthermore, addressing the issue of sampling, the chapter gives an overview of Muslim civil society in Germany and the organisations represented by interviewees.

5.1. THEORETICAL AND OPERATIONAL FRAMEWORK

In this section, the overarching theoretical framework of the research methodology is outlined. This is done in some detail, as the research cannot be placed straightforwardly into one specific academic discipline, but rather needs to be allocated in various disciplines and, thus, has an interdisciplinary foundation. However, it crosses the borders of disciplines such as economics and finance, sustainability research and social sciences and also goes beyond sole academic positioning to incorporate input of non-academic practitioners. Therefore, it can be described as being transdisciplinary. Transdisciplinarity and the consequences arising from it are discussed in Section 5.1.1. In addition, Section 5.1.2. offers a description of the model used as an operational framework, primarily for drafting the interview guidelines, which is discussed at a later stage (Section 5.3.3). Section 5.1.3. renders a succinct overview of the research questions.

5.1.1. Transdisciplinary research

As indicated above, the research cannot be allocated within one specific academic discipline, but instead is informed by a number of different disciplines as will be explained in this section. First and foremost, the research can be placed within the

context of Islamic economics and finance, which can be seen as a disciplinary field (Tripp, 2006: 104) with associated organisations and research institutions as well as publishing houses that help to disseminate research in this field (El Ashker and Wilson, 2006: 351ff.). The disciplinary field of Islamic economics and Islamic finance can be linked to the broader discipline of economics. Mahomedy (2013) explains for instance that Islamic economists use the methodology and analytical tools that are used in conventional economics. This has led to a situation where fundamental assumptions used in economics are not questioned by Islamic economists, which actually narrows down the potential of this new field of study to offer an alternative view on important present-day economic problems (see for instance Kahf, 2003) (refer also to Chapters 2 and 7). Fom the beginning of Islamic economics as a modern field of research, scholars from the traditional Islamic sciences, especially Islamic jurisprudence, also played an important role (Kahf, 2003; El Ashker and Wilson, 2006). But this has not changed the predominance of economics within the disciplinary field.

In that sense, Islamic economics has always used Western epistemology and aimed to combine it with Islamic ontology. This research remains within this tradition, but expands the epistemological foundations towards the social sciences in general. Why this is an important step can be explained as follows:

Although Islamic economics and finance can be understood as the main backdrop of this study, the research deviates from some of the basic assumptions prevailing in the field. For example, as shown in previous chapters, Islamic economics emerged mainly in the context of political Islam and, therefore, it has a specific understanding of Islam being an ideology or complete set of rules that can be equated to a legal framework covering all aspects of life. Kahf (2003) postulates this as a widely accepted fact. However, it is not the perspective on Islam that underlies this research. Instead, Islam is seen primarly as a religion, providing its followers with spiritual guidance and sources for informing personal ethics and moral decisions. In terms of methodology, this differentiation is highly relevant, because in order to answer the research questions outlined further below, actual people to whom their religion is so important that they take on certain responsibilities in a religious organisation or within their religious community in a broader sense are used as the main point of reference rather than legal texts or original sources. This approach is necessary to acknowledge the plurality

inherent in Islam that provides room for personal interpretation and ambiguity (see Bauer, 2011). This relates to the fact that there is a social dimension to Islam, and this is discussed in some detail in Chapter 7. Thus, the difference in understanding of existing research and the research presented here pertains mainly to the ability or usefulness to draw general propositions from the original texts of Islam alone without taking into consideration how they are understood and practiced by ordinary Muslims in their everyday life. The everydayness of this study already points towards two further foundations of its theoretical underpinnings, transdisciplinarity that is discussed shortly and sociology (including economic sociology), which is discussed in Chapter 7, and which has a long tradition of research on the 'everydayness' (*see*: Bourdieu, 1977; Lefebvre and Levich, 1987).

Coming back to the line of disciplines shaping the research methodology, the present study can be positioned in the ongoing debate on corporate sustainability as elaborated in Chapter 3. As shown there, corporate sustainability looks at problems at the interface between business and society. For the purpose of this study, corporate sustainability is allocated within the emerging field of 'sustainability science' and 'sustainability research'.

Sustainability science is a rather new field of research that according to Kates *et al.* (2001: 641f.) 'seeks to understand the fundamental character of interactions between nature and society'. This science faces a number of particularities such as addressing particularly complex questions, often affecting very large systems (e.g. when dealing with climate change related issues), which is not discussed in greater detail here. Among the core questions of sustainability science, suggested by Kates *et al*. (2001), some directly address corporate sustainability, for example the creation of incentive structures in markets that help to move society towards sustainability and the improvement of social and environmental monitoring and reporting. This suggests that corporate sustainability is part of sustainability science. Recent bibliometric research by Buter and Van Raan (2012) supports this. This research shows that sustainability science is grounded in a very broad knowledge base with particularly strong input from environmental sciences and economics, but also further natural sciences such as ecology and agricultural studies as well as social sciences such as business and management. Corporate sustainability, therefore, seems to be an integral part of sustainability science

and research although it might not belong to the most constituting part of it. Closely linked to the field of corporate sustainability or corporate social responsibility is the field of business ethics. In fact, judging from a common textbook in business ethics (Crane and Matten, 2010), there seems to be little difference between business ethics and corporate social responsibility, at least in the English speaking countries. They define ethics as follows: 'Ethics is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for a given situation. These rules and principles are called ethical theories.' (Crane and Matten, 2010: 8). Thus, as the present study is focused on using empirical evidence to elucidate certain principles rather than the mere application of reason, it seems more appropriate not to include business ethics in the list of disciplines that explicitly form the basis for this study.

Coming back to the disciplines and fields of study that can be included, namely Islamic economics and finance and sustainability research, the presented literature review in this study shows that there is little cooperation and interaction in academic terms between the two disciplinary 'blocks' discussed, although a certain degree of convergence can be observed in recent years.

The present study is rooted in both these disciplines, because Islamic economics and finance are the main points of reference and sustainability science offers the foundation for developing the research methodology, namely the interview guideline and the approach towards the interviewees, which is influenced by the idea of transdisciplinarity. In such a context, sustainability science is particularly suited to be used as a reference point for the research methodology in this study, as it places particular emphasis on the close link between research and practical implications to bring about societal change (Kates *et al.*, 2001), which makes it particularly prone to transdisciplinary research, which is discussed further now.

There are slightly varying definitions of transdisciplinarity (*see*: Schweizer-Ries and Perkins, 2012 for a recent overview). For instance, Fairclough (2005) suggests that transdisciplinary research is research that has theoretical and methodological implications beyond disciplines in contrast to interdisciplinary research that brings together theories and methodologies from different disciplines without actually changing 'disciplinary boundaries'. Mittelstraß (2005) differentiates between practical

transdisciplinarity, defined as transdisciplinary research which is focussed on the solution of 'real world' problems, and theoretical transdisciplinarity, which aims to solve problems within the scientific circle that are beyond individual disciplines, for example complex entities such as 'the environment' or 'health'.

As indicated above, within the context of sustainability science and research, the concept of transdisciplinarity stresses the aspect of close cooperation between researchers and practitioners (Lang *et al*., 2012; Pohl, 2011; Godemann, 2005; Hirsch Hadorn *et al*., 2006). It is this definition that is of particular relevance for the present research. In this sense, transdisciplinary research is often associated with project teams made up of researchers from different disciplinary backgrounds as well as practitioners (Lang *et al*., 2012). Hirsch Hadorn *et al*. (2006: 121) sum up their notion of transdisciplinarity as follows:

> … transdisciplinary research is seen as part of a social process with strong elements from the bottom up. These social processes are about making explicit and negotiable values and norms in society and in science, and they are also about attributing meaning to knowledge that comes from science, for societal problem solving.

In this context, Hirsch Hadorn *et al.* (2006) also point out the close relationship between transdisciplinary research and action research. Schweizer-Riess and Perkins (2012) actually go so far as to claim that transdisciplinarity and action research belong together, as both aim at bringing about social change and finding solutions to real-world problems. As Stokols (2006) points out, action research has a relatively long history of integrating communities into research when dealing with questions of social and environmental problems. Contributors such as Kindon *et al*. (2007) and Kemmis and McTaggart (2003) emphasise the participatory element of what can also be called Participatory Action Research (PAR).

A main characteristic of PAR or action research is the application of cyclical research phases that consist of some form of initiating change within a real-world context, the change itself and reflection upon the change (Greenwood and Levin, 1998; Burns, 2007; Kindon *et al*., 2007: 15). The same authors also emphasise the role of action research in empowering communities and giving them the opportunity to actively participate in changing their circumstances to the better. Thus, PAR/action research often has an explicit or implicit political agenda in the sense of aiming for social change.

It should be noted that elements of PAR/action research approach can be found in the current research as the results could be used to introduce new methodologies of ethical screening and investment into the Islamic finance industry that would enable investors to participate more directly in the definition of what is '*Shari'ah*-compliant' investment from their point of view - in an ethical, not a 'legal' sense. This study can also be seen as a form of reality check for the Islamic finance industry to see whether its products and business approach are in line with ethical expectations of Muslims that have some influence in their community and that in general do not use Islamic finance products. Further discussion on this is provided in Chapter 8.

Greenwood and Levin (1998) and Burns (2007) emphasise the theoretical grounding of action research in systems theory. As can be seen in the next section, this research also uses a framework for developing the interview guideline that is grounded in system thinking.

Typically, research projects that are described as being transdisciplinary constitute of research groups and encompass large research projects (Lang *et al*., 2012) and, therefore, the current research cannot be called purely transdisciplinary. However, it does have transdisciplinary elements, because, as explained above, it is interdisciplinary and aims to solve real world problems. More importantly, the contribution of practitioners is sought to answer the research questions. This means for instance that the motivation or the social context behind their responses does not play a role in the analysis of the data. In terms of (participatory) action research, there is a notion that ideally the entire research process, from the formulation of research questions and the choice of research methods through to data analysis and evaluation, should be conducted collaboratively by all participants, although it is acknowledged that different degrees of participation are possible (Kindon *et al*., 2007). The current study does not fall under the category of fully fledged participatory action research, as many of the parameters, such as the research questions and the model used as interview guideline as well as the analysis of the data are predefined or conducted without the aid of the interview partners, and in that sense, participating interviewees have only little influence on the overall course of the study. Yet, the notion of respecting participants, in this instance interviewees, and their opinions and treating them as 'partners' rather than research 'objects' is an important underlying principle for the current research,

which should be kept in mind especially for the analysis conducted in Chapters 7 and 8.

A problem of a transdisciplinary design of a research project such as a doctoral thesis, which after all needs to generate some form of original contribution in the academic field, is that it can prove to be difficult to refer the findings to the general theoretical debate or even to further the understanding of one particular theory. This problem is increased when the research touches on such diverse, young and practice-oriented 'disciplines' as Islamic finance/economics and sustainability science that have not focussed very much on generating theories. In fact, it could be argued from the description of the two fields given in previous chapters that both disciplines are highly diverse within themselves and somehow lack clear definitions of their own theoretical foundations. For instance, it was shown that the foundations of Islamic economics, the so-called axioms, are not a fixed, uncontested set of principles and similarly there is little accord as to what corporate sustainability is and how it is best described. Such lack of an evident theoretical point of reference plays an important role in the following chapters.

In summary, the theoretical framework of the present study can be described as being essentially transdisciplinary with academic disciplines integrated in the study ranging from Islamic economics and Islamic finance to disciplinary fields associated with sustainability science, mainly corporate sustainability research.

One further argument for as to why transdisciplinary research is well suited as a theoretical framework for the present research is that it often deals with complex systems in line with action research that is similar in this respect. Human organisations, such as corporations, can also be described as complex systems and this aspect is elaborated in the following section.

5.1.2. Systemic management: The St. Gallen Management Model

In the debate on corporate sustainability, one concept that has contributed greatly to integrating social and environmental aspects into 'mainstream' management studies, at least in the German speaking countries, is the systemic management approach developed by Hans Ulrich at the University of St. Gallen in Switzerland. It is based on cybernetics and system theory (Schwaninger, 2001). These two scientific disciplines

were developed in the second half of the 20th century.

Cybernetics can be understood as the science of the steering and communication of complex systems (Schwaninger, 2004: 4), which was first developed in an engineering context and focussed on problems of information transmission within systems (Francois, 1999). System theory was first introduced by von Bertalaffny (1950), a biologist, who suggested in his 'general systems theory' that in modern science similar conceptions and problems could be encountered across a wide range of disciplines, mainly associated with questions of the organisation of various elements and their relationships with one another. Von Bertalaffny (1950) stated that general laws could be formulated on how systems behave and that such a system view would help to develop a common language that could be understood across disciplines. Boulding (1956), an economist, further suggested that apart from looking for similarities in behaviour among various disciplines, for example by analysing growth patterns, systems could also be grouped according to their basic units and that these would constitute levels of systems. For instance, at the first level there would be static structures or frameworks that could be studied by cataloguing and describing patterns, the second level would be simple dynamic systems, which could adequately be studied by examining and describing the mechanisms behind these systems. According to Boulding (1956), this level is the level of classical natural sciences, which he calls the 'clockworks level'. Higher levels of systems include cybernetic systems and finally various levels of open systems as well as social organisations. The final level, described by Boulding (1956), presents transcendental systems, which he does not elaborate on. He points out that using clockwork level theories or approaches to explain higher level systems, as it was common in economics at the time, would not lead to understanding the functioning of the more complex and dynamic higher level systems adequately.

Research in system theory later focussed on the characteristics and behaviour of complex and dynamic open systems. This led for instance to the development of cybernetics. Systems theory was also applied in a corporate context, for example by Hans Ulrich at the University of St. Gallen, Switzerland. His work eventually led to the development of the St. Gallen Management Model, which is introduced in the following.

Schwaninger (2009: 60f.) states that the St. Gallen Management Model (SGMM) is a

transdisciplinary framework that shows different aspects of a corporation, which can be used to systematically structure and assess problems or issues relating to the management of a company. Figure 5.1 shows the St. Gallen Management Model.

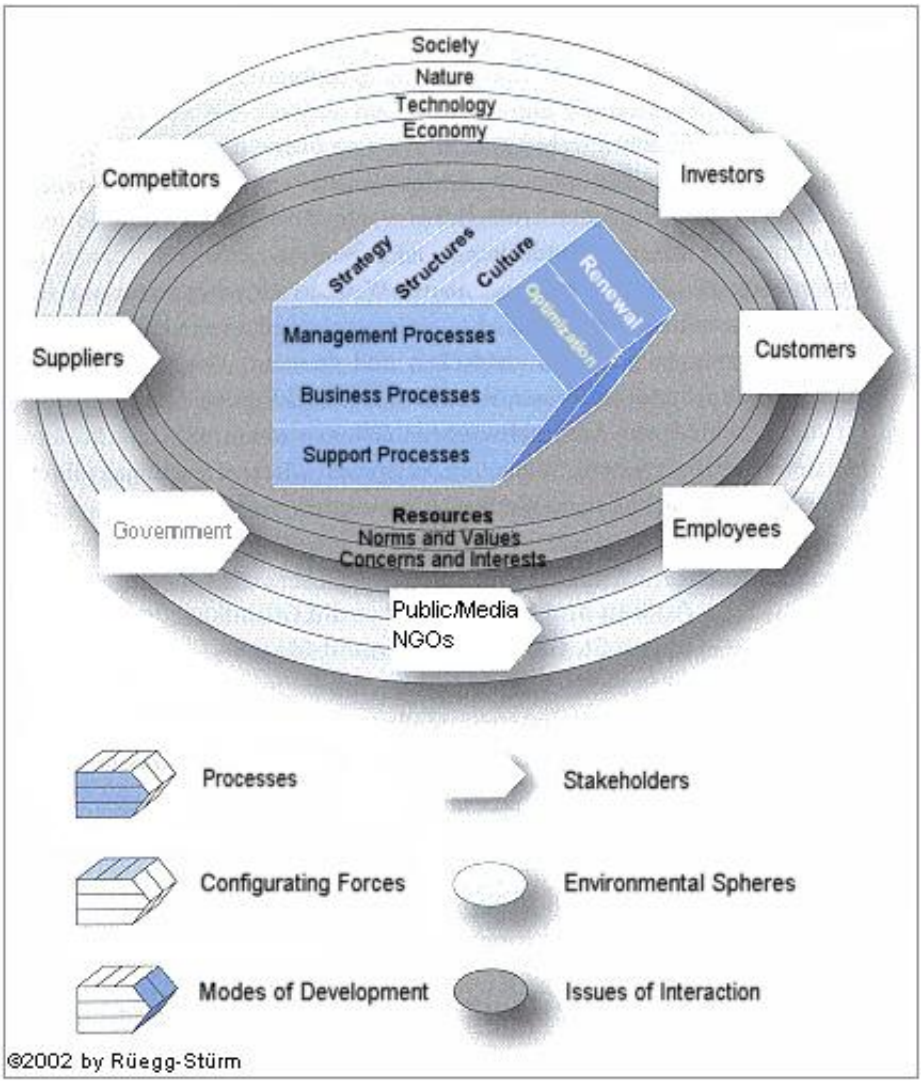

Figure 5.1. The St. Gallen Management Model
Source: Rüegg-Sürm, 2005: 12

As depicted in Figure 5.2, this model was used in a somewhat modified version as the foundation for structuring the interview guidelines for collecting primary data in this study in order to ensure that all possibly relevant topics and issues are covered. Therefore, the remainder of this section will be used to introduce the model in some detail. The following explanations will refer to the original model first and then explain briefly the changes done to it to make it work for the purpose of this study.

The St. Gallen Management Model was developed at the University of St. Gallen in

Switzerland and is used there in management and business administration education. It should be noted that most information on the model is taken from individual chapters from the handbook on the model (Dubs *et al.*, 2009).

The model shows a company (blue in Fig 5.1.) with its different processes (relating to the different tasks that have to be fulfilled within a company), configurating forces (meaning the means of structuring and shaping a company), and modes of development. The focus is placed on those aspects that represent an interaction between a company and its broader environment. For an ethical investor, who is for instance a shareholder of a company, it is probably the outcome and concrete actions and effects a company has on the different fields of interaction that are of primary concern and not so much the ways and means of getting there, which are signified by the internal processes and structures. Therefore, this degree of detail was omitted in the modified model and no questions relating to this level were asked in the interviews when collecting primary data for this study. However, in terms of assessing a company's behaviour and possibly aiming to make some sort of prediction of how a company is likely to behave in the future with regard to certain issues, it becomes important to look at these internal processes and structures to determine, for instance, how serious a company takes these issues and how robustly it deals with them. Therefore, they are discussed briefly at the end of this section as well.

The SGMM depicts three different dimensions describing the fields of interaction. The first one, coloured grey in Figure 5.1, are the issues of interaction. There are three issues of interaction in the model: 'resources', 'norms and values', and 'concerns and interests'. The company interacts with stakeholders with regards to these issues and therefore, in the modified version, these issues are attached to the stakeholder groups rather than being spheres by themselves. All information on the issues of interaction and stakeholders in the model is based on Wilbers (2009). The stakeholder concept was already discussed in Section 3.2. Resources that the company is competing for with other market actors and that need to be fostered and considered by a company are mainly labour, capital, land, raw materials, and knowledge. The management of a company needs to ensure the access to these resources, but also the sustainable use of them.

Issues surrounding 'norms and values' are concerned with the legitimacy of the

company's business activities *vis-à-vis* the different stakeholders. In Chapter 7, norms and values and how they influence the expectations and perceptions of stakeholders towards businesses on a fundamental level are explored further.

Finally, 'concerns and interests' stand for issues taken up by stakeholders from the environmental spheres as causes, such as environmental organisations like Greenpeace campaigning for protecting polar regions or against pesticides in food.

The second dimension, describing the interaction of a company with its environment, is represented by its stakeholders. The SGMM differentiates between seven groups: employees, customers, investors, suppliers, competitors, government, and public media and non-governmental organisations (NGOs). From a management point of view, putting public media and NGOs together makes sense as they represent those groups that are most relevant for influencing a company's reputation on a large scale. However, the interests and concerns as well as the motivation to interact with a company and the means to do so vary greatly, so that, when dealing with this stakeholder group in the following methodology, two groups are used in this research, NGOs, on the one hand, and, the public, on the other hand. The media are seen as part of the public.

The third dimension constituting the environment of a company consists of the so-called environmental spheres, which are subdivided into four spheres in the St. Gallen Management Model: 'society', 'nature', 'technology' and 'economy', which are explained as follows:

According to Von der Heyden (2009: 232), the 'societal sphere' defines the boundaries of what is deemed legitimate business activities. It is the sphere that determines the values in which a company operates, for instance with regard to work ethics and what is important to people in general, but that also determines what is expected of companies in terms of social responsibility (Walter-Busch, 2009). With regard to the interview guideline, questions concerning this sphere aim to find out how businesses are expected to behave within and towards society in general.

The 'nature sphere' is very significant, as it is both ultimate source, and sink for most economic activities. It provides the necessary resources, but is also negatively impacted by emissions generated during production, use and disposal of products (Von der Heyden, 2009: 234).

Dyllick (2009) describes in some detail the interaction between this sphere and a business as understood in the St. Gallen Management Model. He points out that from a business' point of view, environmental problems hardly ever have a direct impact on business activities, but they are rather articulated through various stakeholder groups such as affected communities, NGOs, governments, customers or employees for instance when emissions lead to health problems or have negative impacts on other activities such as farming. Within a company, environmental concerns are usually considered as part of an environmental management system and, depending on the type of product or service offered, also within product development. There is a wide array of instruments available to businesses to improve their environmental performance, for instance lifecycle assessments and eco balance sheets.

It is important to examine this field of environmental protection in the Islamic context, as it has not played a significant role in the Islamic economics and finance discourse at all. Relevant questions in this regard examine the general relationship between human beings and nature and, in a sense, the value of nature from an Islamic point of view, especially in the context of business activities.

The third 'environmental sphere' of the St. Gallen Management Model is the technological sphere. According to Von der Heyden (2009: 235), the technological sphere is very much shaped by companies, often being the main actors in developing new technologies, but it also has direct influence on a company's activities, as it opens up chances for new business areas or working processes. From a societal point of view, issues relevant with regard to this sphere are related to questions of risk and the general attitude towards new technologies, whose impacts can often not be anticipated in advance.

With regard to the interviews conducted to collect primary data for this study, there are a number of issues that should be addressed, such as the question whether there are any technologies that are not deemed acceptable from an Islamic point of view. Further questions relating to this sphere concern the degree of responsibility for risks associated with technologies and the issue of liability.

The last environmental sphere in the St. Gallen Management Model is the 'economic sphere', which according to Jaeger and Dubs (2009) constitutes the macro - and

microeconomic framework conditions for both producers and consumers as well as the different (factor) markets. Jaeger and Dubs (2009) continue to point out that the economic sphere is influenced by factors such as demography, income distribution, availability and qualification of employees, as well capital flows including savings ratios. This sphere is the immediate environment for any company, but, as with the other environmental spheres, one single company cannot change the general direction of this sphere, but instead can make certain choices offered within the possibilities given by the framework of the sphere.

In the context of the current study, relevant questions in this sphere relate to issues such as the relationship between the state and the economy and individual companies. These questions help to shed light at as to how the framework for business activities should be formed, for instance.

In order to make the St. Gallen Management Model fully applicable to the purposes of the current research, a fifth environmental sphere is added, dealing with questions of 'religion and spirituality'. Aspects covered in this sphere include the integration of religious practice into business activities such as allowing employees to pray during their work and providing respective facilities. This sphere also addresses further issues that are less clear-cut such as the competition between religion in general with modern, consumption-oriented lifestyles and the role businesses play in this development.

The complete interview guideline developed on the basis of the St. Gallen Management Model for collecting data for this study can be found in Appendix A.

As was explained before, the St Gallen Management Model serves as orientation for the interview guideline in order to structure topics and issues and as such, the interaction between a company and its environment is of particular interest. Nevertheless, as was also explained at the beginning of this section, the internal processes do play an important role when it comes to managing those issues and topics, and, therefore, the internal processes are described in more detail now.

Those areas of the SGMM dealing with internal processes are subdivided into three categories as outlined above: the 'modes of development', 'configurating forces' and 'processes'.

With regard to the 'modes of development', they are subdivided into renewal and optimisation, which represent two different ways of bringing about change and development within a company (Rüegg-Stürm, 2009: 122ff.). These modes will not play a significant role in the current research.

According to Rüegg-Stürm (2009), the 'configurating forces' in the SGMM signify the overall framework of a company that answer three relevant questions: the strategy of a company defines *what* it aims to do on a long-term basis; the structure defines *how* to do this, and, the culture determines *why* something is done. Ethical issues as identified through the interviews need to be addressed at all of these three levels in order to be comprehensively rooted in a company's activities. For instance, environmental protection needs to be part of the strategy to ensure that business activities are chosen that help to minimise negative environmental impact. It needs structures to make sure that qualified personnel is available to implement environmental protection, and, above all, there has to be a corporate culture so that every employee, from the top management down to the workers, knows that environmental protection is part of the company's fabric and is taken seriously.

Rüegg-Stürm (2009: 104ff.) states that 'configurating forces' help to introduce routines into activities and that they can be described as being the fixtures of a company that remain relatively constant over a long time, whereas 'processes' describe the dynamic side of a company. The SGMM differentiates between management, business and supporting processes, which can be subdivided again. According to Rüegg-Stürm (2009: 113), management processes are subdivided into processes giving 'normative orientation', 'strategic development processes' and 'operational management processes', which include issues such as financial management and quality management. Business processes are subdivided into 'customer related processes', 'processes relating to production', and those 'processes dealing with innovation of products and services' (Rüegg-Stürm, 2009: 116). Supporting processes combine processes concerning human resources, training and education, facility management, information and communication, risk management as well as compliance issues (Rüegg-Stürm, 2009: 117). It is important to state that neither environmental management nor sustainability management are mentioned among the processes in the SGMM, although such great emphasis is put on the interaction of a company with its

environmental spheres. Ulrich (2009: 145), when describing in greater detail the normative management process, stresses that at the top level, management should be guided by ethical decision making. Ulrich (2009) strongly objects to the notion of an ethically 'neutral' management, basing its decisions on purely economic terms. He states further that the utilitarian view based on the concept of *homo economicus* should be replaced with an ethical view emphasising the importance of acknowledging the rights, dignity and value of all humans and the moral obligations that come along with this acknowledgement (Ulrich, 2009: 146). The fact that the new SGMM takes this approach as a basis for economic activities (at the lowest level, the individual management decision making process) makes it particularly suitable for analysing corporate sustainability and responsibility from an Islamic perspective and Ulrich (2009) is referred to again in Chapter 7.

The St. Gallen Management Model offers a comprehensive view on a company and its interaction with different environmental spheres and stakeholders, which is helpful to draft the interview guidelines. Discussing the model in some detail, it has become clear that there is a great number of topics and issues that are covered in the interviews. Such breadth fits well with the exploratory nature of the present study (as explored below) and proved to be useful when formulating the theoretical model used in the analysis of the data.

5.1.3. Research questions

The two preceding sections contextualised the study by elucidating the theoretical and operational framework based on transdisciplinarity and the St. Gallen Management Model. On these foundations, this section develops the research questions that guide the ensuing research.

Research questions are those questions that the research aims to answer and that therefore guide the entire research process. Flick (2011: 132f.) emphasises the importance of formulating clear research questions to ensure efficient and meaningful data collection. He also states that the social context and personal interests and experiences of the researcher often influence the formulation of research questions. Upon reflection, the initial idea for this thesis is based on the combination of a

professional background in ethical investment and corporate sustainability and a personal interest in Islamic finance. From this arose a realisation that, compared to ethical investment, Islamic investment only uses one investment strategy, negative screening, and only screens for very few exclusion criteria such as alcohol, pork, tobacco, weapons and some financial indicators (*see*: Section 2.2.3.), whereas in ethical investment there are a number of strategies ranging from simple exclusions to engagement; and, very often, a large set of ethical criteria is used for guiding investment decisions.

The underlying assumptions in Islamic economics theory did not at all resonate with the expectations and assumptions expressed by the Muslim interview partners. Therefore, it became clear that sound theoretical foundations need to be developed before moving on to the development of ethical criteria.

Based on this realisation, the main research question developed in this research is:

> How can the concept of sustainable development be used to deepen the understanding of Islamic economics on theoretical grounds?

And as a result of this:

> Which implications can be derived from the data and the theory development for the practice of Islamic finance and beyond?

The concept of sustainable development is integrated into the research process mainly in two ways. Firstly, the questions posed to the interview participants make constant reference to sustainable development and corporate sustainability and ask the interviewees their opinions and expectations regarding the realisation of these concepts.

Secondly, methodologically sustainable development plays a role as primary data collected from civil society actors as well as some Islamic finance and SRI experts is utilised in order to answer the research questions rather than conducting a more conceptual study, as has been common practice within the theory development of Islamic economics so far (*see*: Sections 2.2 and 7.5). Within the concept of sustainable development, as outlined for instance in the Agenda 21, civil society plays an important role and it was also influential in developing the idea of ethical investment as outlined in Chapter 4. Therefore, the choice of methodology and interview participants is an

important aspect of achieving to answer the research questions.

The remainder of this chapter describes the research strategy and methodology including the process of data collection and analysis in order to answer the research questions defined above.

5.2. RESEARCH STRATEGY AND DESIGN

The present study uses a qualitative research strategy. According to Bryman (2008: 22), qualitative research is characterised by an inductive approach. Thus, the purpose of qualitative studies is often to generate theory rather than to test it (the deductive approach). He also states that qualitative research is based on an interpretive epistemological view in the sense that it sees the role of the researcher as always interpreting the data resulting from his research depending on his/her personal experiences and worldviews rather than following a positivist approach that claims that science can be totally objective and reflecting 'reality' as fact.

In the same line, Bryman (2008: 22) also associates qualitative research with constructivism, which is an ontological concept claiming that social reality itself does not exist as such, but is constructed (*see* also: Sander *et al*., 2009:190f.). Bryman (2008: 23) continues to point out that such categorisations of qualitative research are only approximations and that other approaches can be assumed, for instance qualitative research can be used to test theories and not only to formulate them.

Flick (2011: 122f.) emphasises that in qualitative research, the object of study is put first and then an appropriate research design and method are chosen. According to this, qualitative research also should be seen as a circular rather than linear process with no fixed theory standing at the beginning of the research that the researcher aims to test and analyse. This process leads to the principle of 'grounded theory', whereby the theory emerges from the research process (Flick, 2011: 124f.). The concept of 'grounded theory' requires that data analysis and data sampling go hand in hand and influence one another. He points out that samples are not chosen for their representativeness, but for their relevance to the topic and the aim of data collection is not the reduction of complexity, but the aggregation of it (Flick 2011: 124).

Marshall and Rossman (1999: 33) describe the different purposes of (qualitative) research, whereby exploratory research examines phenomena that have not been well researched so far and that often create hypotheses for further research rather than test them. Explanatory research tries to explain patterns or identify relationships between phenomena, descriptive research primarily aims at documenting a certain phenomenon, and emancipatory research attempts to empower people to take social action as is done in action research.

The current study can best be described as exploratory research, as it takes a completely new perspective within the body of theory in Islamic economics and thus moves in an area that has not been researched well at all. This effort aims to lead to formulation of a coherent theoretical model as explained in Section 7.1. Because of this coherent theoretical model, a wide range of issues is explored, but each individual issue is not analysed in great detail, so that future research will have to test some of the hypotheses proposed by this study.

The research questions identified above are best answered by a qualitative research strategy, because there is no initial theoretical hypothesis as such that might be tested by using quantitative methods such as surveys. Because of the very open set-up where no predetermined topics or issues are developed in order to formulate hypotheses, the research is inductive in its nature and the concept of grounded theory, as described above, is well suited to channel this open approach. Some of the issues described in relation to grounded theory will be taken up at later stages when dealing with sampling and the interview guideline (*see:* Section 5.3.) as well as with the data analysis. As generally known, the general research strategy influences the research design.

Bryman (2008: 31) defines research design as providing a framework for the research method, meaning the collection as well as the analysis of the data. According to Flick (2011: 176), research designs are means to plan studies in a sensible manner that allow to achieve the objectives of the respective study. He states further that factors that need to be considered during research design include the initial research questions, the degree of generalisation aimed at, the available resources (such as time) and sampling. He introduces a number of basic research designs, which can also be combined if it suits the objectives of the research. Flick (2011: 176ff.) differentiates between ‘case studies’ and ‘comparative studies’, on the one hand, and, ‘retrospective’, ‘momentary’ or

'longitudinal designs' on the other hand. A case study examines in detail one specific case, such as one bibliography or one specific situation, whereas a comparative study examines several cases that have some similarities and some varying factors. Flick (2011) emphasises that case studies and comparative studies should be understood as the two ends on a continuum and that intermediary research designs are possible. The main difference between the two lies in the degree of depth and detail with which one specific case is examined. The second dimension determines the time frame of a study with a longitudinal study conducting research over a certain time period, a momentary design examining the current situation and a retrospective design examining the past.

The present research focuses on the momentary situation, being based on one interview per interview partner and asking them for general opinions and reflections rather than asking them to recount past events.

Initially, the idea was to use the data from different Muslim organisations as the input for a comparative study, but eventually, the data was used to create one theoretical model that leaves room for the differences that could be associated with the different organisations or at least with the different individual interview participants. Therefore, the whole study is allocated somewhere in the middle of the continuum between case and comparative study described above. It could be described as a case study of Muslim civil society in Germany with comparative elements.

To sum up the research strategy and design of the present research, this research is framed as a qualitative, inductive and exploratory research strategy that takes a grounded theory approach in that it aims to build a theory from the data without having a pre-defined hypothesis to test. The research design is a momentary case study of Muslim civil society representatives in Germany with comparative elements. Further details regarding the research methodology are discussed in the following section.

5.3. RESEARCH METHODS

The research method deals with all questions relating to data collection. This section is subdivided into three subsections. The first section introduces the research method of semi-structured in-depth interviews, which is used as the data collection method in this

study, and explains why this method is particularly suitable in this context. The second section addresses the issue of sampling and provides a brief description of the sampling context. In the third section, the interview guideline is described briefly.

5.3.1. Choosing the research method

As was explained in the previous section, the choice of research method(s) determines how data are actually collected. In qualitative research, methods most commonly used are participant observation, interviewing, focus groups and various forms used for analysing documents rather than collecting data from the direct interaction with people (Bryman, 2008). The method used in this study is that of semi-structured in-depth interviews as will be explained in this section.

According to Flick (2011: 203ff.), the interviewer poses questions to the interviewee using a variety of different types of questions, such as open questions, questions that take up themes from the academic literature and sometimes, depending on the type of research carried out, so-called confrontational questions that aim at confronting the interviewee with opposing opinions to those they proposed throughout the interview. All of these questions have been employed in the current research as can be seen in the interview guideline in Appendix A.

According to Marshall and Rossman (1999: 108ff.) in-depth interviews have various strengths and weaknesses. The strengths are that it is possible to quickly and efficiently gather large amounts of data that are ‘tailor-made’ to the research questions. In particular, when focussing on a small number of participants, it is possible to explore one subject in great depth with this method. Marshall and Rossman (1999) continue that the weaknesses of semi-structured in-depth interviews are that the researcher is depended on the cooperation of potential interviewees, and it requires a certain degree of practice and skill, particularly in situations where participants are asked to talk about own, and even possibly negative, experiences. Because interviews allow to gather large amounts of data quickly, the analysis of data can be very time-consuming and great care has to be taken in interpreting the data.

Marshall and Rossman (1999: 113) introduce a specialised form of in-depth interviews termed ‘elite interviewing’, which refers to interviewing influential and well-informed

members of an organisation or a community. They state that the advantages of elite interviewing are that the interview partners are familiar with the political and financial aspects of an organisation, and that they are especially suited to present an in-depth insight into the fabric of an organisation and possibly what it stands for. At the same time, Marshall and Rossman (1999: 113f.) point out that the disadvantages of interviewing such 'elites' are time-constraints, accessibility and the fact that these people are probably quite experienced in conversing with people and not giving away too much.

Essentially, it is this type of semi-structured in-depth elite interviewing that was chosen for the present research as the main type of data collection method. The interviews were conducted with high-ranking representatives of Muslim organisations in Germany and other opinion leaders. The reasoning behind this choice of interview participants is explained further in the following section on sampling.

The advantages of using interviews are discussed above. Especially with a study that has such an exploratory character looking at issues that have not been researched well previously, it cannot be assumed that written information would be available to answer the research questions. In addition, it has become clear in the section on the St. Gallen Management Model that the topic at stake is rather complex involving many different aspects that Islamic economics theory has not considered so far. Therefore, only very focussed and specified data collection as offered by semi-structured in-depth interviews could produce the data necessary to answer the research questions adequately in terms of range and depth of topics covered. The question of accessibility and cooperation of participants is also discussed in the following section that looks at sampling methods in general as well as choosing the sample for this particular study.

5.3.2. Sampling and context

After having determined the research method, a further choice has to be made in terms of where or how to collect the data. For this research this means with whom to conduct semi-structured interviews. According to Bryman (2008: 333), a very common strategy to define the sample, is the so-called convenience sampling. Marshall and Rossman (1999: 77) state that in convenience sampling a researcher starts with the most easily

accessible source, which results in snowball sampling with clues and connections made in these convenience samples, which are then taken up for further data collection.

Bryman (2008*:* 333f.) suggests that a better approach to sampling for interviews is so-called purposive sampling. In this strategy, sampling is conducted to identify those participants that are most relevant to the research or that can best help to answer the research questions. A third strategy or rather a refined version of purposive sampling is so-called theoretical sampling, which is a technique applied in the context of grounded theory (Flick, 2011). In theoretical sampling, the overall sample is not determined in advance, but is defined within the process of data collection and analysis. As Flick (2011: 158f.) explains, one set of data is collected and analysed and the next sample is chosen as a result of this. The main criterion for deciding upon a sample is the question of what or who can contribute most to the research in terms of new insights. In this, the criteria to say what these new insights are only emerge as part of the research process. Flick (2011: 161f.) states that at some stage a point of 'theoretical saturation' will be achieved, meaning that at some point, nothing new can be added to the development of the theory. Certainly such approach to sampling requires some degree of skill and experience in order to define the degree of new insights and to recognise the saturation point. The process might be quite useful, when there is a large set of possible sources/participants from which a sample has to be chosen.

In the case of the current research, however, a more predetermined approach, such as purposive sampling, seems to be adequate, and, the different elements that led to the particular interviewees contacted and chosen for this study is discussed as follows:

In correspondence to the development of socially responsible investment, as explained in Section 3.2. whereby Christian churches and other civil society actors, such as the environmental movement, played an important role in shaping SRI, the primary basis for the interview sample in this study are Muslim civil society organisations that can be seen as equivalent to church communities in a Christian context as a similarly organised body does not exist in most Muslim countries and communities. This is the overall bracket for our search of interviewees.

To narrow down the sample base further, Germany is chosen as the setting for the present study for two reasons. First of all, the question of accessibility has to be

considered and with Germany being my current place of residence, it seemed to be the best choice to ensure such accessibility. Secondly, a shared cultural background was deemed to help to make it easier for researcher and interviewee to speak a common language in the literal as well as the figurative meaning. For example, one interviewee referred to certain news stories prominent at the time of the interview or another interviewee hinted at a project to build a mosque in a German city he was involved in. Such details and undertones could be understood only because of this shared cultural background.

It should be noted that so far Germany has not been greatly in focus of Islamic finance despite a substantial Muslim population of around four million of whom around 2.5 million are of Turkish descent (Haug *et al.*, 2010: 11f.). A study by Schoenenbach (2012) claims that there are various barriers to establishing Islamic finance in Germany such as the relatively low income within Turkish households compared to an average German household. This at least would be a barrier for investment products, but does not address the potential for other financial products. For instance, a study by Hayen *et al.* (2005) found out that migrants with a Turkish background used credits and loans more often than the average German so that there could possibly be a need for Islamic equivalents. As a recent development, the first Islamic bank, Kuveyt Türk, started its operations in Germany in July 2015 after a long period of seeking a banking license from the German banking supervision authority BaFin (Handelsblatt, 2015). It is important to note that Kuveyt Türk positions itself as an ethical bank with an ethical advisory board rather than a *Shari'ah* board (KT Bank, 2016). This bank became operational after the data collection had been completed for this study, and, thus, at the time when the interviews were conducted, there was no Islamic bank active in Germany.

As explained, sampling focuses on Muslim civil society in Germany. A few studies, such as Haug *et al.* (2010), Rosenow-Williams (2012), Meyer and Schubert (2011) have looked at Muslim organisations in Germany. There is not one official body representing all German Muslims. Instead, there are several organisations that can be understood as representative bodies, mainly associated with the different ethnic communities of Muslims in Germany. The largest organisation is the '*Diyanet İşleri Başkanlığı*' (DITIB), which is the representative of the Turkish authority for religious affairs in

Germany, and which runs around 870 mosques in the country (Haug *et al.*, 2010: 174).

The second largest Muslim organisation in Germany, in terms of mosques operated by the organisation, is the International Community Milli Göruş (Internationale Gemeinschaft Milli Göruş, IGMG), which is described by Schiffauer (2004) as being a religious community in Germany and the grass root organisation of a political party in Turkey, at least in its early stages in the 1970s. Schiffauer (2004) describes further that the political agenda and the orientation towards Turkey has become less important in Germany over the years. The IGMG is a major force behind a second representative body, the Islam Council for the Federal Republic of Germany (Islamrat für die Bundesrepublik Deutschland) (Rosenow and Kortmann, 2011).

The organisation of Islamic Cultural Centres (*Verband Islamischer Kulturzentren*, VIKZ) is the third largest Muslim organisation in terms of mosques operated. It also represents mainly Turkish communities and is associated with the *Süleymancılar* movement, which was founded in Turkey in the 1920s (Rosenow and Kortmann, 2011).

A representative organisation that is not primarily linked to the Turkish Muslim community in Germany is the Central Council for Muslims in Germany (*Zentralrat der Muslime in Deutschland*, ZMD), which is an umbrella organisation for a number of other Muslim organisations with different ethnic affiliations (Rosenow and Kortmann, 2011). All these organisations were included in the sample base. As explained above, (potential) interviewees were high-ranking representatives of these organisations such as the president or financial officers.

A web search produced further organisations that represent small groups of Muslims such as the *Deutsche Muslim Liga* (German Muslim League, DML), which was founded in 1954 and is a representative body mainly for German converts (DML, 2013), but which is also a member of the Central Council for Muslims in Germany, ZMD. Another representative body is the Liberal-islamischer Bund (Liberal Islamic League, LIB), which was founded in 2010 and is the only German Muslim organisation that claims to take on a modernist, liberal perspective (LIB, 2013; Nowak, 2013).

In addition to these representative organisations, Sufi organisations were included in the sample. Even though they might not represent a great number of German Muslims, they were included, because they represent a distinct school of thought within Islam and

therefore add to the plurality of Islamic perspectives regarding the subject matter.

It should be noted that there is relatively little research on Sufism in Germany. Schleßmann (2003) seems to be the only comprehensive academic work in recent times and there are several articles on different Sufi orders in Germany focussing on different aspects and generally only one specific Sufi group (*see:* Lassen, 2009; Klinkhammer, 2009; Jonker, 2006; Frischkopf, 2001). Schleßmann (2003) only examines those Sufi *tariqas* that are grounded in Germany in the sense that they actually have German followers and organisational structures rather than being practiced only in private by migrants living in Germany. He also only examines those orders that actually can be affiliated with Islam, as some orders active in Germany have a universalist orientation and do not understand themselves as Muslim at all (Schleßmann, 2003: 23 ff.). Schleßmann (2003) states that the *Naqshibandiya-Haqqaniya tariqa* is the largest Sufi order in Germany that understands itself as Muslim and that has German as well as migrant followers. Another significant transnational order is the *Tariqa Burhaniya* that has a large membership in Sudan (where the order originates) and Egypt, but is also present in many other countries including Germany and other Western countries, but also Pakistan (*see:* Lassen, 2009). Both Sufi orders, the *Naqshibandiya-Haqqaniya* and *Burhaniya*, actually share a common history in Germany dating back to the 1970s (Schleßmann, 2003; personal observations), but this will not be elaborated on further, because as can be seen in the following chapters, the answers of the two representatives varied greatly.

Haug *et al*. (2010) who investigate how well the representative bodies discussed above actually do represent the Muslim community in Germany conclude that only 37% of German Muslims feel represented by a representative body. Similarly, the Sufi orders also only represent a small fraction of Muslims in Germany. Therefore, in order to capture Muslim voices that are not affiliated with any of the organisations described above, this research also sought to interview individuals that play a role one way or another in the public life of Muslims in Germany.

Table 5.1 provides an overview of those potential and actual interview participants in anonymised form that were eventually selected as the sample base. Those that actually were interviewed are highlighted in italic letters.

Table 5.1: List of Contacted and Actual Muslim Sample for Interviewees

No.	Organisation name	Type of organisation / details	Status of (preferred) interviewee
1	Diyanet İşleri Başkanlığı (the Turkish authority for religious affairs in Germany, DITIB)	Representative body	President and/or main theological/Shari'ah scholar Financial officer
2	Organisation of Islamic cultural centres (Verband Islamischer Kulturzentren, VIKZ)	Representative body	President and/or main theological/Shari'ah scholar Financial officer
3	*Central Muslim Council in Germany (Zentralrat der Muslime, ZMD)*	*Representative body*	*Financial officer*
4	Islam Council for the Federal Republic of Germany (Islamrat) (dominated by Milli Görüş)	Representative body	President and/or main theological/Shari'ah scholar Financial officer
5	Weimar Institut	Sufi order associated with Murabitun movement	President and/or main theological/Shari'ah scholar Financial officer
6	*Liberal-Islamischer Bund (Liberal Islamic League, LIB)*	*Representative body*	*President*
7	*Tariqa Burhaniya (BUR)*	*Traditional Sufi order headed by Sheikh Mohammed based in Sudan*	*Delegate of board of directors of the foundation*
8	*Naqshibandiya-Haqqaniya (NAQ)*	*Traditional Sufi order headed by Sheik Nazim, based in Cyprus*	*Delegate of German representative of sheikh*
9	Islamische Zeitung	(Islamic Newspaper) Muslim thinker / opinion leader	Editor, Journalist
10	*Free-lance journalist (JOUR)*	*Muslim thinker / opinion leader*	*Individual*
11	Professor of Islamic Theology	Muslim thinker / Opinion leader	Individual
12	*Imam (IMAM)*	*Muslim thinker / Opinion leader*	*Individual*
13	*Islamic bank (IFEx2)*	*IBF*	*Senior member of staff*
14	Islamic bank	IBF	Senior member of staff
15	*IFIBAF*	*Islamic financial consultants*	*CEO*

The following organisations or anonymised participants were willing and found time to participate in the current study (the abbreviations behind the name will be used in the following chapters):

(i) A representative of the board of directors of Liberal Islamic League (*Liberal-Islamischer Bund*, LIB),

(ii) The Central Muslim Council in Germany (*Zentralrat der Muslime*, ZMD),

(iii) A representative of the *Naqshibandiyya-Haqqaniya* Sufi order (NAQ),

(iv) An analyst of a rating agency specialised in supplying sustainability ratings

to socially responsible investors (participating as a private person, not as a representative of her organisation) (ANA),

(v) Two representatives of a regional head office of Oikocredit, a cooperative that provides funds for microfinance institutions in developing countries and invests in cooperatives (OIKO),

(vi) A young female Muslim journalist with a background in Islamic Theology (JOUR),

(vii) One representative of the country committee of the *Burhaniya* Sufi order (BUR),

(viii) One Imam at a mosque in Southern Germany (IMAM),

(ix) One director of a Swiss bank responsible for the field of Islamic finance (IFEx2), and

(x) One Islamic finance consultant based in Germany (IFIBAF).

Further six Muslim representatives and community leaders were contacted by email (sometimes several times), but did not respond. As ten in-depth interviews seemed to be a good number of interviews, considering the large amount of data generated in every single interview, and with the participating organisations already covering a spectrum along the three schools of thought mentioned previously, no further efforts were undertaken to expand the circle of interviewees.

Most of the interviews were conducted over a period of just over a year with the majority of interviews conducted in spring and summer 2013, followed by a period of intensive data analysis. The final three interviews with the imam and the two Islamic finance experts were conducted in spring 2014.

This procedure allowed for the integration of some preliminary insights of the data analysis into the questions asked to the last three participants. For example, the interview with the imam was used to get clarification and a deeper understanding of some of the key Islamic concepts that emerged from the previous interviews. In addition, information on the ethical investment preferences of the Muslim representatives of organisations (the two Sufi orders as well as the two representative bodies) was fed back to the Islamic finance experts to find out how they respond to these expectations.

5.3.3. Interview guideline

The guideline used for conducting the interviews can be found in full in Appendix A. As was described in Section 5.1.2., it is based on the St. Gallen Management Model and focuses primarily on the different levels of interaction between a company and its environment. An illustration of the St. Gallen Management Model, modified to reflect the specific focus of this study, is shown in Figure 5.2.

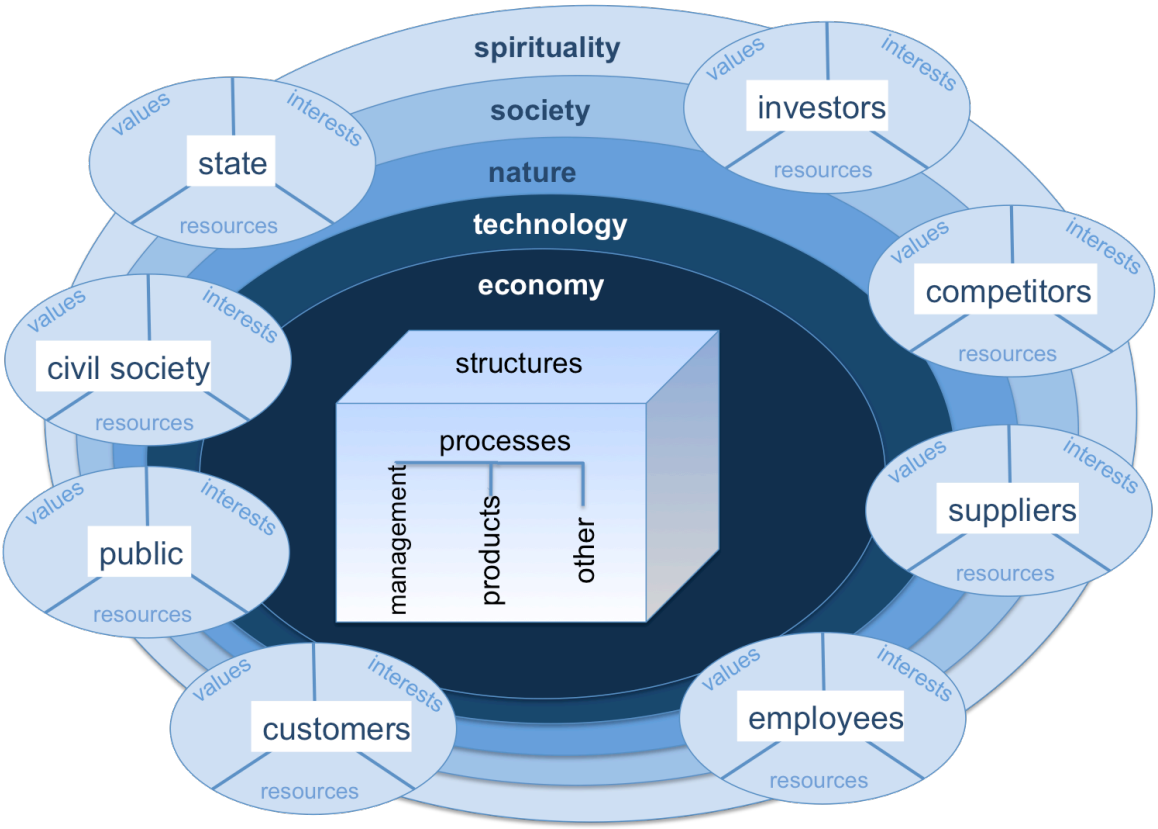

Figure 5.2: The St. Gallen Management Model as shown to interviewees

(Source: own illustration)

As was outlined above, the internal elements of a company are disregarded and the questions focus on the interactions of a business with the different spheres and actors as explained above. The internal elements are still indicated briefly in the model in order to give interview partners the opportunity to get an understanding of the model. For

reasons of practicability[4], interviewees were asked to identify two out of the eight stakeholder groups displayed, which they thought most relevant in terms of the sustainable and ethical performance of a company and only those questions relating to the identified stakeholder groups were asked. This had the added effect of grading the importance of stakeholder groups among the interviewees (For instance, all interviewees chose employees as a relevant stakeholder group showing the importance of this group).

In addition to the questions relating to the levels of interaction (environmental spheres) and the stakeholder groups, further questions were asked regarding sustainable development in general and various specific aspects of ethical investment where appropriate. Of course, interview partners could disregard questions, which they were not comfortable with or deemed irrelevant and in some cases, previous answers made questions irrelevant so that they were not posed in the first place. In addition, sometimes it was necessary to clarify certain aspects raised by the interviewees or to delve deeper into arguments, so that additional questions were asked that are not included in the original guideline. As can be seen in the following chapter, the answers to those questions are included in the table with the original question for reasons of clarity, apart from very few questions that applied only to one interview partner, and which was added as an additional question in the findings. Thus, the interview guideline presented in Appendix A contains 74 questions (not all of which were posed to each interview partner) and the findings in Chapter 6 contain 70 questions altogether.

5.4. DATA ANALYSIS AND EVALUATION

In previous sections of this chapter, it was established that the general approach of this study is informed by transdisciplinarity (uniting both academic and professional perspectives from a number of disciplines). It also became clear that it is a qualitative study with an exploratory, interpretative strategy, aiming at developing theory (as well as practical solutions to a degree) and using an approach influenced by grounded theory.

[4] These reasons were for example to strike a balance between covering all those issues deemed relevant and completing the interview within a time frame that was estimated as being still acceptable to the interviewees (two hours), given the fact that the interviews dealt with issues most of the interviewees (apart from the experts) were not quite familiar with, and considering that most of the interviewees gave their spare time for this.

It was explained further that the research design of this study is a case study, looking at the answers from different Muslim civil society actors and other experts from Germany. Semi-structured, in-depth elite interviews are used to collect primary data with the interview guideline being based on the St. Gallen Management Model. Sampling and context of the interview participants were explained.

The purpose of this section is to describe the steps taken to extract meaning from the collected data in the process of data analysis. Bryman (2008: 554) states:

> Regardless of which analytical strategy you employ, what you must not do is simply say -- 'this is what my subjects said and did -- isn't that interesting'. It may be reasonably interesting, but your work can acquire significance only when you theorize in relation to it.

He continues to point out that data analysis means reflection on, interpreting, and, theorising the data even against the risk of understanding them in a different way as they were originally meant or intended.

The choice of data analysis method essentially depends on what the researcher wants to get out of the data and also on the ontological and epistemological foundations of the research to a certain degree. Research that examines people's values and attitudes, such as the present study, could principally use narrative analysis, discourse analysis, qualitative content analysis or theoretical coding based on grounded theory, to name some of the most common types of qualitative data analysis (Flick, 2011). After carefully studying these types of data analysis and comparing their suitability to the objectives of the study and the overarching research methodology, theoretical coding based on grounded theory was chosen, because, according to Mayring (2002: 107), grounded theory is particularly useful for exploratory studies.

It should be noted that, as described above, grounded theory is actually not only a method for analysing data, but a complete research methodology. Therefore, the whole process of grounded theory is described here in some detail before focusing on the analysis part of it.

Bryman (2008: 541ff.) describes the process of grounded theory as follows: Theoretical sampling should be applied meaning that sampling continues until a category of data has reached a level of saturation where it is not expected to gain more new insights through further samples. Data is coded continuously as soon as it has been collected in

order to be able to identify this point of saturation. The actual coding process is divided into different processes. According to Strauss (1998), there is open coding, axial coding and selective coding, with open coding being used as a first approach to sort through the data and the other types of coding being used to develop and substantiate categories. Categories can be understood as aggregated codes. The coding process is accompanied or even, to a certain degree, conducted through the writing of memos, which are extensive notes on thoughts and observations that come to the researcher's mind while doing the coding. Strauss states (1998: 51) that the analysis in grounded theory does not necessarily aim at generating and arranging large amounts of data, but rather at organising a researcher's thoughts during data analysis.

The present study does not use a purely grounded theory approach, because most of the literature review was actually conducted prior to the interviews and theoretical sampling was not conducted, but rather depended mainly on the availability of interview participants. As explained, grounded theory was used primarily during the stage of data analysis.

The steps taken to analyse the data in this study were the following: The interviews were transcribed with both questions and answers. Transcribed data were organised into paragraphs and numbered for better identification. Other than in the original concept of grounded theory, coding was only started after the first seven interviews were completed. This was due to pragmatic reasons mainly. As purposive sampling was used as sampling method, a number of potential participants were contacted at the same time and once some of them had agreed to be interviewed, the most prudent way seemed to be to conduct the interviews as soon as possible, which then did not leave much time for the analysis in between. For each question all available interviews were coded and then the next question was coded, again for all available answers. As in most cases the same questions were asked, codes were then grouped according to the questions. When a question was not asked or not answered, this was indicated accordingly. When additional questions were asked to clarify a point, these were still gathered under the same original question (as explained in 5.3.3.). This resulted in a table of 74 questions with their respective codes for all the interviewees who answered the respective question, which can be found in Appendix B. In order to identify patterns and make comparisons as well as to summarise the results for each question to an extent, memos

were written for almost each question. In a next step, categories were created from the codes. These categories are displayed and described in detail in Chapter 6, as they form the basis for the actual analysis and interpretation of the data as mentioned above. It was only in this final, theorising, step that the thesis took its current shape. Prior to this step, it did not seem possible to develop a coherent 'theory' in its grounded theory sense from the data and the research was still leaning heavily towards a practice-oriented reading of the data. This included for instance the idea to look more closely at the Islamic concepts and sustainability concepts that could be derived from the data as well as define ideal business types for each of the interviewees. However, it seemed that the richness of the data could not be accounted for by these means. The next step was to differentiate the categories into three rough areas: theoretical implications of the findings, methodological implications and organisational implications. This was in line with the headings of the three main research chapters intended at that stage. Thus, colour-coded notes were attributed to the data depending on the allocation to the three areas just mentioned. At the end, this step of the analysis seemed to have opened more questions than answered them and there was still no key to understanding the data. The difficulties associated with this step are described more closely in Section 7.1. To briefly summarise the issues expressed there, at that stage it became clear that neither disciplines nor fields of study presented in the literature review and in chapter 5.1.1., Islamic economics and finance on the one hand and sustainability research and corporate sustainability on the other hand, did actually help to make sense of the data. Instead such orientation and 'sense-making' tools were found in the disciplines of economic sociology and anthropology. Especially a model used by Portes (2010) to describe in a succinct manner the different perspectives and fields of enquiry in current economic sociological research finally provided the tool to draft a coherent 'theory' or, as it is now termed, an Islamic economy model without shedding the richness and breadth of the gathered data.

In order to reflect this process and the journey it took to reach that point, the literature review chapters provide the background information for the theoretical framework as described in Section 5.1.1. and focus on Islamic economics and finance as well as sustainability related research and the relevant literature relating to the disciplines that eventually helped to make sense of the data and thus complete the analysis is included in Chapters 7 and 8. In both chapters reference will be made to the literature review to

contrast the findings of this study with existing research especially in Islamic economics and finance.

In this chapter, the research methodology used in the present study was explained in some detail. First, the theoretical background of the study with its footing in transdisciplinarity, Islamic economics and finance and sustainability studies was outlined. Then the St. Gallen Management Model, and its origins in systems theory, was described that formed the basis for the interview guideline. It was further explained that this research is based on a qualitative, inductive and exploratory approach using semi-structured in-depth elite interviews. Moving on to the issue of sampling, the German Muslim civil society was introduced briefly. A mixture of purposive sampling and accessibility lead to the final selection of interview participants. Finally, the data analysis and evaluation was described in some detail, focusing on the problems associated with the different steps and the journey that eventually led to the development of the models and concepts that will be introduced in Chapters 7 and 8. Prior to that, the data collected in the ten interviews is introduced in some detail in the following Chapter 6.

6. PRESENTATION OF FINDINGS

The main purpose of this chapter is to present the data. This sets the ground for understanding the theoretical model and the assessment tool developed in the following chapters. The tables presented here introduce the categories that came out of the data analysis to this point. This step is a crucial element of the grounded theory based approach of this study, because there were no predefined categories that help to organise and analyse the data, but instead these categories were developed inductively from the data. Further explanations accompany the tables.

As explained in the previous chapter (Section 5.4.), the interviews were transcribed and coded against the respective questions and then categorised, aggregating the emerging codes. In some instances overarching, established concepts were used as category, which were not actually mentioned by the interviewees, but which met all the characteristics of this concept. For instance, in some cases, an interviewee would speak about the role of humans on earth as a custodian or trustee of God, which equates to the Islamic concept of *khilafah* (vicegerency or trusteeship) and the category *khilafah* would thus be assigned to this section, even if the interviewee did not mention the actual term itself.

As some of the categories are very general and the original data might have carried different meanings than can be expressed in the categories, each table of categories is accompanied by a brief summary or elucidation of the answers based on the codes (which can be found in Appendix B), also pointing out specific differences or patterns where possible.

Following the structure of the questionnaire, this chapter is divided into three parts grouping the questions and answers around the main topics of sustainable development in general (Section 6.1.), corporate sustainability, in the sense of focussing on companies and their interaction with their environment and stakeholder groups (Section 6.2.), and ethical investment (Section 6.3.).

As discussed in Chapter 5, not all the questions were answered by all interviewees. In some instances the interviewees could not relate to the questions (this was the case for two interviewees regarding the first part on sustainable development). As explained

above with regards to the stakeholder groups, the interviewees were asked to select two groups out of eight which they thought most relevant in the context of corporate social responsibility. Also, some questions were not asked when they had already been answered in previous questions or due to time constraints. As will be seen in this chapter, often there were recurring concepts and themes across the interviewees that did not necessarily emerge in the same context or questions asked. For example, one interviewee might have referred to the concept of *khilafah* when asked about important topics with regard to sustainable development and another would have described the concept when talking about the relationship between humans and nature. As was said above, the main task of this chapter is to present and briefly describe the data. It will be the task in the following chapters to extract the concepts and discuss various responses, opinions and connotations in more detail.

In order to ensure anonymity of the interviewees on the one hand and differentiate between the different interviewees on the other hand, each interviewee was assigned an abbreviation (see: Section 5.3.2.) to easily identify them. In the next chapters, the abbreviation together with the question number given in the heading to each table - marked as Qx - will be used as reference so that each statement on the data can be traced clearly to a specific person and question.

As a reminder, Table 6.1 lists the abbreviations used:

Table 6.1: Abbreviations for the Organisations of the Participants

Interviewee	**Organisation (in English and German where applicable)**
LIB	Liberal Islamic League (*Liberal-islamischer Bund*)
ZMD	Central Muslim Council for Germany (*Zentralrat der Muslime in Deutschland*)
NAQ	*Tariqa Naqshibandiya - Haqqaniya*
JOUR	Female Muslim JOURnalist
BUR	*Tariqa Burhaniya*
IMAM	Imam of mosque in Southern Germany
ANA	Sustainability analyst
OIKO	Oikocredit, two representatives
IFIBAF	Institute for Islamic Banking and Finance
IFEx2	Another German Islamic finance expert

6.1. GUIDING PRINCIPLES WITH REGARD TO SUSTAINABLE DEVELOPMENT

This first section centres on the general idea of sustainable development. The tables presented here contain the categories derived from the answers of interviewees relating to issues such as the main topics for sustainable development and the role the economy and individual companies can play in achieving sustainable development. As outlined above, the tables present the categories in a succinct manner, followed by further explanations of the meanings of these categories.

Table 6.2: Main topics for sustainable development (Q1)

Interviewee	Statements
LIB	Destruction Pollution / exploitation
NAQ	Spiritual development
JOUR	*Khilafah*
BUR	Securing basic needs Environmental protection Moderation
ANA	Three pillars Intergenerational and intragenerational
OIKO	Climate change Its impact on the poor
IFIBAF	Specific industries and their main sustainability solutions / areas of action Issues of niche versus mainstream Financial industry: transparency
IFEx2	Resource efficiency (*Israf*) Vicegerent (*Khalif*)

The topics listed in Table 6.2, as being most important in terms of sustainable development, are very varied, as are the levels of detail. For instance, LIB's answer is very broad. He focuses on social and human aspects of sustainability and emphasises issues such as destruction and exploitation. On a different line, NAQ is very clear from the beginning that he represents a Sufi perspective, focusing on spiritual development, whereby spiritual development pertains to the individual *and* society. JOUR mainly understands sustainable development from an environmental perspective and groups most of the answers around the concept of *khilafah.* She identifies this as a guiding principle meaning the responsibility of humans towards creation. She explains further that humans have the freedom to shape the world, but also the responsibility to protect creation and guard it from destruction. BUR takes yet another stance and defines one

very clear guiding principle for sustainable development: meeting basic needs. He further defines basic needs as housing, work and food. In addition, he relates the notion of basic needs to environmental considerations and cautions that economic action has to be in line with environmental concerns. ANA's answer could be straight out of a textbook on sustainable development and shows how the concept has been internalised by a professional working in the field. OIKO's view is more focussed on one area perceived as the most eminent and immediate threat: climate change. They relate this to the work of their organisation in the areas of development and international cooperation. IFIBAF approaches the question by listing four specific industries and their main sustainability challenges as well as concrete solutions to these challenges. For example, he states that for the financial industry transparency is one of the main issues. As regards to IFEx2, he names two concepts as main topics without going into any further detail or explanation. This pattern is repeated throughout the entire interview and is probably down to the fact that he provided his answers in writing rather than in a face-to-face interview.

The next question asked interviewees about the role the economy plays in moving towards sustainable development. The following table (Table 6.3.) gives an overview of the categories derived from the answers to this question.

Table 6.3: Role of economy for sustainable development (Q2)

Interviewee	Statements
LIB	Economy all encompassing Satisfying basic needs
NAQ	Not important
JOUR	Economy all encompassing On an organisational level And a systemic level Power struggles for self-interest obstruct sustainable development
BUR	Consumer society Creation of artificial needs Incompatibility with sustainable development
ANA	Major stumbling block Positive force Change needs size
OIKO	Different actors with different impacts Everyone is part of an economic cycle (gives examples)
IFIBAF	Sustainable development as economic issue
IFEx2	The honourable merchant provide benefit (rather than profit / growth)

As can be seen from Table 6.3, all interviewees apart from NAQ agree that the economy

plays a major role for the realisation of sustainable development. For example, both JOUR and LIB introduce the idea of the economisation of society and the all-encompassing nature of the economy, whereas OIKO emphasises that everyone is part of the economic system one way or another, but that the exposure can be very different from the perspective of a small farmer as opposed to a large company, for example. BUR highlights the idea that people live in a consumer society that has created artificial needs and this is the reason why sustainable development is not achieved. On a similar line, LIB also raises the issue of needs. He highlights the role of the economy to satisfy basic needs.

In her reflections on the role of economy for sustainable development, JOUR introduces 'the state' as another main actor because of a high degree of regulation especially on a European level, while at the same time also pointing out the responsibility of large corporations. ANA is the only one pointing out the positive influence of the economy, coming to the conclusion that only the large corporations would be able to move the whole system towards sustainable development and also highlighting their innovation potential. She also agrees that corporations currently play a major negative role.

IFIBAF was actually not asked this question as his answer to the first question on sustainable development in general made it clear that for him, sustainable development was closely linked to the economy. Finally, IFEx2 refers to the concept of the honourable merchant as a role model for economic behaviour leading to sustainable development as well as defining the basic role of the economy within society. This concept will be explained further in Sections 7.2.3. and 7.4.2.

The next question aimed at finding out which role the interviewees allocate to individual companies in the achievement of sustainable development; thus it does not look at the macro-level anymore, but the meso- or organisational level. The categories derived from the answers to this question are shown in Table 6.4.

In his response, LIB states that individual companies do not play a role as such, as sustainable development can only be achieved through changes on a systemic level. He does not dismiss the importance of individual choices, but states that in the end, they will not make a significant impact. JOUR takes the exact opposite view and emphasises the importance of individual, informed consumer choices, and the awareness of

controversies around products and topics. She states that from a consumer perspective boycotting individual products is sometimes sufficient rather than boycotting an entire company.

Table 6.4: Role of individual companies for sustainable development (Q3)

Interviewee	Statements
LIB	Problem more of a systemic nature Available modes of action / influence
NAQ	Only concerned with eternal things
JOUR	Consumer point of view: Least thing is to be informed Examples (topics based) Specific product Informed consumer decisions
BUR	Role models
ANA	More up to politics / state Supply chain Influencing consumer choices Power divide
OIKO	Impact of size Social responsibility Shareholder value Changing expectations Greenwashing
IFIBAF	People within company matter Companies play great role Greenwashing versus sincere interest Change of culture needs to be implemented Sustainability means sustainable processes, management and responsibility Success only pecked to short-term financial indicators
IFEx2	Greatest responsibility

ANA states that politics sometimes has the greater influence on sustainability issues, but that there are some areas where the responsibility lies primarily with the company such as the way it manages its supply chain. Similarly, OIKO emphasises that large corporations could make a significant positive impact towards sustainability, for instance when keeping to social standards throughout their supply chain. But the interviewees also point out that the concept of short-term shareholder value counteracts this positive impact.

BUR stresses the positive role businesses could play and that it would be important to have exemplary businesses as role models. In line with other interviewees, IFIBAF also

acknowledges that individual companies play an important role. He highlights various aspects relating to this role. For instance he points out that sustainability needs to be rooted within a company's structure and processes and that at the same time it needs individuals within the company as sustainability drivers. He further describes that from an Islamic point of view, the consequences of decisions need to be taken into consideration. In brief, IFEx2 states that actually the greatest responsibility with regard to sustainable development lies with individual companies.

In a next step, the participants were asked to reflect on the aspects of business activity that are particularly important in the context of sustainable development, and the categorised individual responses are presented in Table 6.5.

Table 6.5: Aspects of business activity that are particularly important in relation to sustainable development (Q4)

Interviewee	Statements
LIB	Main problem: profit maximisation as sole driving force behind economy Chain of exploitation
JOUR	Handling / Use of resources Complexity and interconnectedness of economic system Protection of basic needs supplies
BUR	Tradition of family businesses Good relations with workers, sense of partnership Right to work Make a living
ANA	Main impact Identify risks and impacts Depends on the type of business
OIKO	Social and environmental sustainability Resource efficiency Social standards throughout supply chain
IFIBAF	Corporate culture: corporate governance and internal processes Supply chain Committed to their standards or only shareholder value
IFEx2	Market orientation of products while considering social and environmental concerns

With regards to individual business activities and their impact on sustainable development, LIB sees the main problem in the notion of profit maximisation as driving force for businesses, which leads to exploitation of people and the environment. He claims that even well-paid employees would not be spared from such exploitation. In addition, he states that the problem has accelerated, because top executives do not need

to carry the negative consequences of their actions. For JOUR the main focus lies on how companies deal with resources in general. She emphasises that the responsibilities of companies go beyond the direct impact of their activities. She points to the financial crisis that showed the interconnectedness of the economic system. She particularly mentions the example of food speculation and highlights that some of these issues are too complex for normal consumers and therefore businesses and politics have the main responsibility here. BUR takes yet again a different perspective in his response, as he refers to family businesses as role models that have high ethics and that seem more dedicated to their staff and securing jobs. He points out that creating jobs is one of the main social responsibilities of companies. ANA points out that the most important aspects of business activities are those that have the greatest impact in sustainability terms and that the main responsibility of companies is to identify these impacts and associated risks. These would depend on the business activities and type of business. In contrast to this, OIKO specifies resource efficiency and ensuring social standards throughout the supply chain as the main aspects. IFIBAF introduces yet another perspective by pointing out the importance of corporate culture, including corporate governance and internal processes.

Eventually these decide whether a company genuinely pursues a sustainability strategy or applies greenwashing only. He also states that consumers often cannot evaluate the performance of companies, but only see the end result and the price-tag. Briefly, IFEx2 generally demands a balance between meeting market requirements and taking social and environmental considerations into account.

The next table summarises the data on the question of the role of Muslim civil society in furthering sustainable development. This question concludes the first section looking at sustainable development in general. Other than previous questions, it does not focus on economic actors, but aims to look beyond the economy.

Table 6.6: The role of (Muslim) civil society in furthering sustainable development (Q5)

Interviewee	Statements
LIB	They do not understand Islamic ethics Raising awareness Educational role Religion not only private Political activism
NAQ	Islam is a social religion But Sufi seeks divine essence
JOUR	Too little role Many lack knowledge Disinformation Information divide Educational background Too concerned with political issues One thing is to know about things, the other to adjust activities accordingly Common sense as argument Mosques generally irresponsible
BUR	Spiritual well-being of people Take on social responsibility Take over role of family businesses Create jobs
ANA	Public pressure Small impact, but important role
OIKO	Influence politics and consumers initiate change
IFEx2	Little role, not well organised, finances not sound

Throughout the answers depicted in Table 6.6, there is a general agreement that the main role of civil society in general is to raise awareness. Only NAQ refers solely to a Sufi seeking divine essence, despite acknowledging that issues relating to sustainable development are important in Islam principally with it being a social religion. Apart from the aspect of raising awareness, interviewees emphasise different points of view regarding the role of Muslim civil society in advancing sustainable development. For example, LIB states that Islamic civil society organisations should educate people in Islamic ethics, but he claims that they often do not understand Islamic ethics themselves. In general, he describes different types of protest possible and available to civil society in the sense of political activism. Being similarly critical, JOUR claims that Muslim civil society organisations play too little a role with regards to sustainability issues, but also points out that many people, not only Muslims, lack knowledge concerning such issues and that there is an (intended) information divide between

corporations and the public, which is influenced by the educational background of people as well. In addition, she states that knowledge should lead to actual change of behaviour, but that in general, people and organisations, including mosques do not become active in this respect. BUR sees the role of Islamic civil society organisations as to look after the spiritual well-being of people, but that it would also make sense if they campaigned for basic rights. For example, Muslim civil society organisations could help people to look after one another and possibly even create jobs, thus take on the role formerly played by family businesses. IFEx2 is sceptical of the role of Muslim civil society organisations referring to internal problems such as poor organisation and little funding.

The question on the role of civil society with regards to sustainable development was modified when posed to the two SRI experts in that they were asked about the role of civil society in general. ANA highlights the power of civil society organisations to influence the reputation of companies, although she thinks the impact of these organisations is currently relatively small. OIKO see the role very similar to ANA, but do believe that NGOs can initiate social change through raising public awareness.

In this first section, five tables were presented showing the categorised responses of interviewees to questions relating to sustainable development in general. The questions moved from the main topics of sustainable development to the role of the economy and the role of individual businesses in achieving sustainable development to the question of specific business activities that are relevant in this regard. The final question looked at the role of civil society in the context of sustainable development.

The next section moves away from such a broad outlook and focuses more specifically on the role of individual businesses using the St. Gallen Management Model as orientation.

6.2. CONCEPTUALISATION OF CORPORATE SOCIAL RESPONSIBILITY TOWARDS ENVIRONMENTAL SPHERES AND STAKEHOLDERS

In this second section, those questions are included that used the St. Gallen Management Model as orientation. As a reminder, the model looks at a specific business within its different environmental spheres and with regards to different stakeholder groups. The environmental spheres encompass the areas 'economy', 'technology', 'nature', 'society' and 'spirituality'. For each sphere, a number of questions were asked, resulting in several tables per sphere as indicated below. In terms of stakeholder groups, most interviewees were asked to identify two stakeholder groups, which they found particularly relevant with regards to corporate sustainability. As not all interviewees chose the same stakeholders, the tables show only the responses of those interviewees who actually choose this group. All in all, this section contains the bulk of the data collected. Starting with the environmental sphere of 'economy', Table 6.7. lists the categories identified in the responses of interviewees on the question of the role the state plays with regards to the economy.

As can be seen, the basic consensus on the role of the state in view of the economy is that a balance is needed between state control and (economic) freedom. Apart from this overarching consensus, the respondents highlight very different aspects with regard to this balance. An exception to this pattern is NAQ who states throughout this whole section that the state should keep away from the economy without exception. LIB emphasises the importance of people having as much direct impact as possible on the shaping of the economic system. He seems to be sceptical of any kind of large organisation, and favours community-based, grassroots levels decision-making. ZMD refers to the different political systems such as socialism and neoliberal free markets and how the state should keep a balance between these two. In his opinion, the state should represent society. JOUR emphasises the need for regulation especially with regards to environmental issues and public welfare also across national borders. However, she also sees the threat of overregulation in the wrong places actually preventing more sustainable behaviour, as it would take away resources from the relevant issues. For BUR, the balance between state and the economy means that the state should ensure that certain standards are set and met on the one hand and economic growth and creativity are not impaired unduly on the other hand.

Table 6.7: The role of the state in relation to the economy (Q6)

Interviewee	Statements
LIB	No salvation from either state or the economy Communities should direct state and businesses towards ensuring sustainability and human rights
ZMD	Control Incentives Representative of society Benefit of state greater than harm
NAQ	Keep away from economy
JOUR	Too much regulation in some fields, too little regulation in others
BUR	Certain criteria need to be met without compromising economic growth and living standards
IMAM	Main task: just redistribution *Milkiya* (possession / property) Liberal state with space for people to develop freely But socialism closer to Islam Main area for investment of state: free education for all (*Iqra'*) Detailed discussion of *zakat*
ANA	Balance between regulation and freedom Nurturing ground Investment opportunities Control No overregulation
OIKO	Unregulated markets lead to economic crises International political framework needed
IFIBAF	State should clearly define framework Social role of state beyond balance sheet and beyond election period Religion and ethics needed to define value base of state Role of state is to mediate, create round tables to discuss issues
IFEx2	Regulatory supervision Framework conditions (*siyasah al Shari'ah*)

IMAM refers to the specific situation in Germany and states that generally Muslim entrepreneurs have many opportunities in this country and that Muslim society is intertwined with capitalism, although socialism as a concept is closer to the value system of Islam. He sees just redistribution as the main task of a state and otherwise to provide space for people to develop freely. He mentions the concept of *milkiya* meaning that everything belongs to God and that the state needs to distribute everything equally. In this context he refers to the large income gaps in Muslim countries and criticises that people are only Muslim in the mosque, but not when it comes to doing acts of charity or living up to Islamic ideals of equity and social justice. He also argues that another important task of the state is to provide free education. In addition, he discusses the concept of *zakat* in some detail, explaining for instance that as opposed to other

religious pillars in Islam, *zakat* is a social duty, not an individual duty and that it should be adapted in its application to the circumstances existing in present-day societies.

ANA adds the idea of the state providing investment opportunities and creating a good business climate while staying in charge, while OIKO take a broader look and emphasise the role of international political frameworks for controlling multinational corporations.

Table 6.8: Potential negative impacts of businesses or their representatives on the state (Q7)

Interviewee	Statements
LIB	Corruption Revolving doors
ZMD	Manipulation Lobbying Corruption
NAQ	No concern of a Sufi
JOUR	Lobbying Power divide Manipulate politicians Corruption Greenwashing
BUR	Lobbying Revolving doors Corruption
ANA	Power divide Politics not be dictated by businesses Power relations
OIKO	Lobbying Unhealthy influence
IFIBAF	Lobbying Transparency on lobbying Revolving doors Consultation with experts important Cooling off period of 3-5 years Needs transparency how decisions come about Transparency does not keep pace with complexities Disenchantment with politics / politicians
IFEx2	Tax avoidance Circumvent rules that protect society

IFIBAF also refers to political frameworks stating that the state should clearly define the regulatory framework conditions for the economy, because voluntary commitments would not work. As businesses think only in monetary terms, the state should regulate so that ethical aspects would be considered. In order to do so, he argues that the state

needs an ethical foundation, whereby religion and ethics should inform the value base of the state. IFEx2 thinks along similar lines and further refers to the concept of *siyasah al Shari'ah* or *Shari'ah*-oriented policy (see: Kamali, 2008: 225).

After exploring the general relationship between the state and the economy, the next tables look at specific aspects within this relationship. The following table, Table 6.8, enquires after the negative impact businesses can have on the state.

As the categorised responses of interviewees show, there is a unison view on this question that the major negative influences on the state are lobbying, corruption, revolving doors and using power in general for businesses self-interest. In addition, JOUR also mentions the use of expert knowledge to manipulate politicians as a negative impact and IFIBAF actually discusses concrete solutions to curb such negative impacts, such as introducing cooling-off periods or creating greater transparency on how political decisions are made.

Complementary to the question of negative impact, interviewees were also asked about the positive impact businesses can have on the state and categorised responses to this are presented in Table 6.9.

Table 6.9: Positive influence of businesses on the state (Q8)

Interviewee	Statements
LIB	Expert knowledge Good examples Small family run businesses Grassroots democracy Problem: those that cause damage are rewarded
ZMD	Generation of knowledge Identification of problems
JOUR	Role model Political framework Expert knowledge *Niyyat* Imbalance of expert knowledge Transparency
BUR	Role models Develop exemplary concepts
OIKO	Pay taxes
IFIBAF	No concrete examples Too many negative examples

Among the respondents, there is a certain degree of agreement that businesses can

contribute positively to the state by means of expert knowledge and by being role models. Both of these aspects can help the state in defining the framework conditions for economic activity. LIB adds that the state should support and facilitate small, democratic and sustainable businesses, but he argues that currently it rather supports those companies that cause damage. JOUR points out that expert knowledge can be used against the state and society as well as in support of them. She adds that the degree of transparency of companies on sustainability issues is a good indicator for the degree of corporate sustainability in general. OIKO introduce a different perspective by explaining that paying taxes is a positive contribution of businesses to a state. IFIBAF finds it difficult to find an example of a positive contribution of a business to the state and describes a scenario whereby a company would pro-actively disclose controversial issues *ex ante*, such as arms exports to critical countries. This is similar to the view JOUR expressed.

In order to get a balanced view, interview participants were then asked about the negative impact the state would have on the economy as well as its main positive impact. Responses are summarised in Tables 6.10. and 6.11. respectively.

Table 6.10: Main negative impacts from state regulation on the economy (Q9)

Interviewee	Statements
LIB	Setting wrong incentives Supports short-term profit orientation
ZMD	Too much bureaucracy State and laws cannot replace norms and values
NAQ	State should stay away from economy
JOUR	When only ruled by political self-interest Intentional neglect Revolving doors
BUR	Harassment of people and pressure, bad “vibes” Corporate raiding Careful balance needed
ANA	Overregulation Bad for growth
OIKO	Overregulation Blackmailing Mutual dependence
IFIBAF	Good initiatives obstructed
IFEx2	Unjust taxation Bad infrastructure Lacking rule of law Corruption

As can be seen in Table 6.10., there is one common theme among the responses provided by the participants of too much bureaucracy and overregulation stalling economic growth or economic development (ZMD, BUR, OIKO, ANA), when it comes to the negative impact of the state on the economy. LIB, JOUR and IFEx2 also point out that the state or politicians can be part of the problem, because they are mainly concerned with their own interests (JOUR) or even corrupt (IFEx2) or they support and reward current unsustainable economic behaviour (LIB).

ANA emphasises that one negative impact of the state can be the loss of economic growth due to overregulation. BUR describes regulation as a balancing act between an economy totally controlled by the state and one entirely left to the whim of market forces. NAQ and ZMD display a general scepticism regarding state involvement, but NAQ's statement that the state should stay away from the economy entirely is a somewhat solitary view.

After having discussed the potential negative impact of the state on the economy, the next question looks at the positive impacts. The categories of the responses are listed in Table 6.11.

Table 6.11: Positive impact of the state on the economy (Q10)

Interviewee	Statements
LIB	Support common people Unconditional basic income Secure basic human needs Bottom-up approach
ZMD	Incentives, advice Control Regulatory framework
JOUR	Many instruments
BUR	Support for sustainable behaviour
OIKO	Wild West otherwise
IFIBAF	Setting regulatory framework / standards important Monetary incentives Other deterrents ok, too State should ensure *maslaha* of society Ask whether damage is greater than benefit

As displayed in Table 6.11, the answers to the question on the positive impact of the state on the economy deal with specific instruments and therefore complement the answers of Q6 that described the role of the state in general terms (Table 6.7.). Such

instruments are for instance incentives, control mechanisms, and providing the regulatory framework. LIB goes further in his answer in that the state should provide an universal basic income and secure the fulfilment of basic needs. IFIBAF makes similar statements, although on a more general level, speaking about the state ensuring *maslaha*.

The next two questions deal with the issue of privatisation of services. They were asked in order to understand the view of interviewees with regards to the role of the state and the role of businesses in running essential services such as childcare, health services (hospitals, care homes), communal services (water, energy, waste), public transport and infrastructure. The questions aimed at finding out whether there are tasks that should be done by the state and who would determine whether the state or a private enterprise should offer a certain service. Answers in categorised form are displayed in Table 6.12. and Table 6.13.

Table 6.12: Determinants and core areas of public versus private operation of services (Q11)

Interviewee	Statements
LIB	Decided at grassroots level Basic needs Local businesses rooted in community Anonymity major problem Efficiency argument
ZMD	Scepticism Sovereign tasks
NAQ	All better done privately
JOUR	Basic infrastructure Too much privatisation Securing social justice
BUR	Securing basic needs
ANA	PPPs (public-private partnerships) make sense Core public administration Sovereign activities Often PPPs not economically feasible
OIKO	Basic needs, living humanely should be ensured by state

As Table 6.12 shows, one of the main themes in the answers is that services serving basic needs (such as health services, education, certain infrastructure) and sovereign tasks (military, police) should not be outsourced to private businesses, but should remain under public control. LIB proposes that the decision on who offers which service should be made by means of grassroots democracy on a local level, whereas

ZMD expresses a general scepticism regarding privatisation tendencies. Introducing a different perspective, JOUR mentions a number of areas that should be spared from privatisation, including the state having total control over currencies. ANA takes a more concrete perspective and suggests public-private-partnerships serving as a model to combine the best of both worlds if managed properly.

In order to clarify the previous positions, interviewees were asked whether any service should preferably be offered by private businesses. The responses to this question are displayed in categorised form in Table. 6.13.

Table 6.13: Tasks better done by private businesses (Q12)

Interviewee	Statements
ZMD	Private businesses always more efficient Disadvantages
JOUR	Everything else beyond basic services and needs Social consensus on what basic needs are
ANA	Most tasks Management criteria (efficiency)
OIKO	'Pseudoefficiency' Externalisation of costs Accessibility of basic services / social justice Not every task needs to be carried out by civil servants

As can be seen in Table 6.13, ANA and ZMD state that private businesses carry out tasks more efficiently than public services. Both admit that there are disadvantages attached to privatisation or that in some instances, efficiency might not be the most important factor. OIKO criticise this view and states that privatisation often leads to 'pseudoefficiency', because costs are externalised. Another theme that runs through the responses given to this question is the fulfilment of basic needs having to remain in public hands. Or in other words, the public domain has the responsibility to ensure basic needs are met. NAQ also agrees with that, but he does not believe in the state being the right provider for these basic services; he therefore states that the community or the network of Sufis would be a more appropriate level of action. JOUR suggests that society itself should discuss which services should be provided publicly.

The tables presented so far contain the answers to questions regarding the environmental sphere of the economy. The next environmental sphere in the St. Gallen

Management Model is that of technology. Again, there are a number of questions that relate to this sphere and they are introduced in the following tables. The first of these questions aimed at identifying technologies that from an Islamic point of view are deemed not acceptable. The intention behind this question was to identify possible exclusion criteria as will be discussed further in Chapter 8. The answers to this questions are presented in Table 6.14. They are divided into two parts. The first part (the middle column) covers statements of interviewees regarding the reasons why they deem certain technologies as not acceptable from an Islamic point of view and the second part (the right-hand column) provides an overview of the controversial technologies.

Table 6.14: Controversial technologies (Q13)

Interviewee	Statements	Technologies
LIB	Victims civilians More harmful than beneficial (Self) destruction Support environmentally friendly means of transport	*Nuclear weapons* *Weapons of mass destruction* *Drugs* *Alcohol* *Tobacco* *Fossil fuel based economy*
ZMD	More possibilities than man is allowed to take Limits defined by Qur'an Not everything that is technologically doable is Islamically allowed Don't exaggerate use of natural resources Certain exclusions	*Surrogate motherhood* *Nuclear power* *Industrial livestock farming* *Exclusions: biological and nuclear weapons, technologies involving animals*
NAQ	Sufis not against technology Cause more harm than good Stay away Use everyday technologies Be prepared to go into retreat at anytime	*Genetic engineering,* *Military,* *Nuclear power*
JOUR	Paradigm of continuous growth Long-term impact Large-scale destruction Some values need to be defended	*Nuclear Power* *Nuclear weapons* *Defence technologies* *Genetic engineering*
BUR	Unforeseeable burden to earth Acting beyond own limits for short-term profit	*Genetic engineering* *Nuclear power* *Production of weapons for wars* *Contagan*
IMAM	Ethical control of science Technology has become object of	*Medicine: creating humans* *Everyday technology*

	worship Creates distance between people and God Weapons: justice sometimes more important than peace Qur'an says: be prepared and develop means of defence Muslims depend on Western military technology, sign of lagging behind Demilitarised world an ideal	*WMDs*
ANA	Risk averse personal attitude Permanent change to natural state Knowledge of long-term impacts Earth is an organism Risks are too high Social acceleration Can humans keep up with technological development	*GMOs* *Nanotechnology* *Nuclear waste,* *Carbon Capture and Storage* *Nuclear power* *Smartphone*
OIKO	Nuclear waste problem Impact not known Spreads uncontrollably Highly dangerous	*Nuclear Power* *Genetic engineering* *Weapons*
IFIBAF	Nuclear power: substantiated by Islamic scholars that not permissible because of high negative impacts Weapons for defence ok Violation of privacy through secret services Generally positive attitude towards technology (*Hadith*: seeking knowledge is a duty for every Muslim) Application / development supervised by ethics committee / round table including 'troublemakers' Role of *Shari'ah* scholars: In IBFs *Shari'ah* decision-making processes too intransparent, should publish report on this Scholars need to take '*urf* into consideration Formerly very high formal requirements of Imams (Ottoman empire) *Shari'ah* education should have broader outlook (e.g. include sciences)	*Nuclear power* *Arms export* *Telecommunication (abuse of)*

As can be in Table 6.14, the technologies that seem to create a general discomfort are nuclear power, (nuclear) weapons, and genetic engineering, although not every interviewee referred to all three of these technologies. Apart from that there is great

divergence between the different replies and the different approaches to the topic. For instance, LIB states that everything that causes more harm than good should be excluded (such as drugs and alcohol). This idea is also raised by NAQ and slightly differently by JOUR, although not explicitly referring to these areas. Some of the interviewees, such as ANA, IMAM, IFIFBAF, also express discomfort with the increasing use of telecommunication devices in everyday life. Some technologies or areas mentioned seem to be closely related to personal interests of the interviewees. For instance, ZMD raises the issue of industrial livestock farming. In contrast to the common understanding in SRI, several interviewees such as JOUR, IMAM, and IFIBAF do not condemn military technology *per se*, but actually state that weapons used for defence are quite acceptable.

Continuing the technology debate, the respondents were asked next to what extent companies should be held liable for the risks associated with technologies.

Table 6.15: Liability of companies in mitigating the risks associated with technology (Q14)

Interviewee	Statements
LIB	High degree Financially Personally Criminally Dissolving company
ZMD	Unlimited liability Except 'Acts of God' Liable when risks are known Same principles apply as in German Civil Code Due diligence Core risks
NAQ	Preventative measures People responsible should repent deeply Role of Sufi Show people the Sufi way
JOUR	100% liable. Bear the costs for clean up Not be allowed to externalise costs or add to price of product Job cuts false argument Jobs are the pillar of a company
BUR	Cover costs of damage
ANA	Due diligence Supply chain Regulatory framework
OIKO	100% liable if possible

IFIBAF	Non-liability leads to irresponsible behaviour Those who made the mistakes should take the responsibility Need stronger link between those who caused wrong decision and those standing up for it There is no "too big to fail"
IFEx2	Innovation positive in general Liability should include management and company level to strengthen culture of responsibility State needs to balance interests regarding innovation and protection against it (e.g. GMOs)

As the categorised responses in Table 6.15 show, there are two perspectives: one focuses on the costs of the damage (JOUR, BUR), the other looks at the aspect of paying fines and be personally liable (LIB, ZMD). With regards to this last aspect LIB sets very high levels of liability that extend to a personal and criminal liability of the management of a company. Coming from a more regulatory point of view, ZMD argues on the grounds of the German Civil Code and differentiates how the damage came about (deliberate, gross and slight fault). He also uses the concept of risks as the ground for deciding upon the degree of liability. OIKO raise yet another point, not addressed by any of the other respondents, as they state that liability is often limited by the capacity of the company to pay for the damage done so that it would not be possible for a business to be made accountable for its deeds.

NAQ's answer stands out extremely from the other responses, as he argues that liability does not mean anything and only the personal realisation of ones guilt is a desirable development that would lead to real change. Similar to LIB and ZMD, IFIBAF also wants a stronger personal liability of the management, but focuses on a different aspect when suggesting that if there is a bonus system for managers within a company, there should also be a 'malus' system, namely punishing wrong behaviour financially. IFEx2 also takes this view.

Shifting the focus from a general perspective on liability, the respondents were consulted for their views on the more concrete question of who should pay for negative effects of technology. Options presented to them included whether the companies developing technologies should pay for the negative effects of technologies or whether this should be extended to companies that only use such technology. The aim of this question was to establish at which stage of a technology's lifecycle the responsibility is seen as most eminent. The categorisation of the responses is presented in Table 6.16.

Table 6.16: Paying for negative effects of technologies (Q15)

Interviewee	Statements
LIB	Public funding of innovations, privatisation of profits Shared benefits and responsibilities
BUR	Benefits and costs Shared responsibility for risks
OIKO	Traceability issues Allocation of 'guilt' often not possible

As can be seen in Table 6.16, LIB points out that innovations are often funded publicly, but then the profits are privatised and this is a fundamental flaw in people's thinking. BUR takes a somewhat opposing view as he emphasises that the state also has a responsibility when funding such technologies and therefore it would be acceptable if the state had to share risks and costs. OIKO emphasise that the traceability is often not ensured and that it is therefore not possible to determine who is responsible in the end.

Table 6.17: Expectations of a company with regard to controversial technologies (Q16)

Interviewee	Statements
LIB	Limits to acceptable activities Public pressure Moral dilemmas
ZMD	Self-restraint Open and honest
NAQ	Sufi raise awareness / observer Internal detachment
IMAM	Environmental considerations Responsibility lies with company, not consumer The more content a technology offers, the more it creates a distance between people Alienates people Large houses, but no warmth inside (no families living in them) Needs an ethical / moral revolution, like Arab Spring Ethics / moral orientation needed everywhere Also: *Israf* It is wastefulness to invest in unnecessary technology when at the same time people die of poverty Disparity of income in world shameful Double-standard among Muslims: claim to be pious, but not willing to give charity
ANA	Cannot stop companies Limit risks regarding widespread technologies Weapons: total exclusion If you can't limit risks, don't get involved (guiding principle) Reality check of ethical demands

	Minimum: should look at risks and be accountable Profound knowledge of products and associated risks / impacts
OIKO	Stay away when possible Small businesses do not have that choice Responsibility lies with originator, no support for them Positive criteria: Ecologically sustainable Gender orientation Certain no-go areas, e.g. weapons, nuclear power, genetic engineering Founded to support those that do not have financial access

The final question in the environmental sphere of technology further examined the expectations of interviewees regarding the use of controversial technologies by companies identified in Table 6.14. Table 6.17. gives an overview of the categories derived from the answers.

As can be seen in Table 6.17, LIB sees the responsibility of making decisions regarding controversial technologies with the top management of a company. He also refers to the need for outside pressure as drivers for change. ZMD does not address the question of a specific responsibility, but refers to the corporate ethics of a company and demands self-restraint and honest dealings. NAQ relates to the internal detachment of a Sufi regarding such things, stating that he could raise awareness, but should rather retreat completely and live entirely without them. IMAM has two points, first he makes clear that it is the businesses and not consumers who can make the decisions on certain technologies and that environmental considerations should be used as measuring rod. He also looks at the question from an ethical point of view, stating that it is sinful (wastefulness) to invest in 'unnecessary' technology when at the same time not everyone's basic needs are met.

ANA takes a risk-based view and states that companies can be expected to limit risks regarding controversial technologies and use their ability to limit such risks as a measuring rod for whether the use or production of such technologies should be deemed acceptable or not. According to OIKO, the responsibility for controversial technologies lies solely with the originator of such a technology as small businesses often do not have a choice of whether they want to use it or not.

The following questions address the environmental sphere 'nature'. The first question on the value of nature aims to understand the role nature plays for humans in a general manner. The categorised answers are displayed in Table 6.18.

Table 6.18: The value of nature (Q17)

Interviewee	Statements
LIB	Of course Balance between organisms Balance destroyed through exploitation Man depends on nature
ZMD	Value hierarchy of organisms Creation Use of resources acceptable
NAQ	Place of retreat Move away from society (retreat) The closer the Sufi is to nature the more he is on the right path Simple life in a village as ideal Social life is necessity, but not a path to salvation
JOUR	Definitely. Nature *is* a value Origin of products Is Creation Nature is 'invaluable' Ecosystem services economics Utilitarian perspective vs. spiritual value Balancing effect on wellbeing Everything in creation is a sign pointing towards God - in both its beauty and its ugly side Reference to Sufism Everything in nature has religious point of reference (answer mainly a reflection on this - the spiritual value of nature)
BUR	Definitely Man always part of a whole *Khilafah* Respect nature / earth for its own sake as separate 'being'
IMAM	Main means of supply for economic development God provides nature, is a gift from God Nature has no meaning without humans Human development based on use of nature, use but not harm
ANA	Yes Measurable value Intangible value (in the sense of potential / future use)
OIKO	Yes Man part of nature, not separate Exposure to nature necessary for one's health
IFIBAF	Man acts as custodian / trustee for God Earth is an *amanah* Tread with care *Hadith*: on judgment day, every soul has to answer five questions: what did they learn as a child, what did they do with this knowledge as adult, how did they earn income, how did they spend income, how did they apply their senses Applies this to the need for Muslims to consider their environment

	Humans are not judged by their actions, but by their intention (*niyyah*) Guiding principle for Islamic conservation Muslims should show compassion with other beings Environmental protection is important
IFEx2	We are only trustees Nature does not have a price-tag

LIB makes two main points, he firstly emphasises the need for balance between humans and other organisms and secondly, he makes clear that humans depend on nature. He also uses Islamic rules for warfare as an example of Islamic conservation, arguing that if such rules exist for times of war they have to be valid even more so in times of peace.

ZMD speaks about a certain hierarchy between humans at the top, then animals on an intermediate level and other living beings further below. He further explains that all is God's creation, but still a certain degree of use is acceptable, however destruction is not.

NAQ sees nature as a place of retreat for the Sufi, which he will prefer to cities and to society. In his answer, the proximity to nature almost becomes a kind of measuring rod for the spiritual advancement of a Sufi.

JOUR discusses the tension between a rather utilitarian view of nature in the sense of nature having and in fact being a great economic value and the spiritual importance of nature as a sign of God for people to reflect upon. Interestingly, she also points out that nature is not all peace and beauty, but it can also be unsettling and remind people forcefully that there are forces greater than man.

BUR describes the notion of *khilafah*, although he does not mention the concept. He states that man has a special responsibility towards nature because of his elevated position and ability to reflect. He also describes a twofold relationship of use of nature on the one hand and showing gratitude towards God for creation on the other hand. IMAM also describes the concept of *khilafah* and states that nature is a gift from God that should be treated with care. At the same time, he emphasises that humans can and should use nature, though without causing harm.

Even though ANA is not familiar with the concept of *khilafah*, she also refers to the two aspects mentioned above, the economic and the intangible values, whereby the latter often would not be taken into account. IFIFBAF clearly mentions the concept of

trusteeship (*khilafah*) and the idea of nature being an *amanah*, an entrusted good that needs to be treated with care. He also points out that humans will be held accountable for their actions, and especially for the intentions behind their actions. He states that actually environmental protection is central to Islamic thought, but that in practice these issues have been neglected in modern Muslim societies. IFEx2 also refers to the concept of *khilafah* and that nature does not have a price.

OIKO focuses on the close relationship of humans to nature, speaking about the health benefits of being exposed to nature.

The next question (Q18) takes up the idea of the value nature and enquires how a balance can be achieved between the needs of humankind and the limited carrying capacities and resources in the natural environment. The responses are presented in Table 6.19.

Table 6.19: Establishing a balance between the needs of humankind and the limits of the natural world (Q18)

Interviewee	Statements
LIB	Failure to satisfy basic needs entirely man-made Global income disparities not wholesome for poor and rich Connection to basic economic principles / premises
ZMD	Sustainability as guiding principle
NAQ	Overpopulation Ideal Sufi existence not possible for everyone
JOUR	Question of ethics Awareness, self-reflection
BUR	Prerequisite is to observe and to measure Know potential damage Compensate damage Scientific inquiry helps to identify damage caused and potential solutions
IMAM	Define limits to needs Do we have unlimited needs, do we know any limits?
ANA	Population growth Carlowitz Doesn't think it is possible
OIKO	Balance has already tipped? Small scale: balance can be kept Question of scaling On a large scale: Globalisation critique Need a more sustainable kind of growth (growth debate) Climate change adaptation

	Create better living conditions for everyone worldwide
IFIBAF	Not resource availability is the problem, but allocation Responsibility of politics to tackle allocation problem Government can take first step (independent of international community) Political decision making process, should ideally reflect social consensus Consumer attitude geared towards bargains Customers have power and responsibility: need to change habits, politics needs to change framework conditions, businesses need to implement new requirements Investors need to accept lower profits
IFEx2	Differences in resilience of different ecosystems possible reasons for industrial revolution happening in Europe

The question of balance between the needs of humankind and environmental limits produced similarly diverse answers as the previous question. As can be seen in Table 6.19, patterns arising from the preliminary analysis of the responses refer, for instance, to the problem of resource allocation and population growth, both mentioned by two respondents each. For example, LIB states that all needs of humans can be met and that shortages are entirely man-made. In this context, he refers to Ziegler (2012), who used to be Special Rapporteur on the Right to Food to the UN. LIB elaborates further that for him the problem lies with the exploitative practices from Western countries in the past and present that have led to stark income disparities. He further mentions the consumption patterns in rich societies as negative effects on the balance mentioned in the question. As can also be seen, ZMD and ANA both refer to the original concept of sustainability as a guiding principle to achieve such balance in that man should only take out from nature as much as can grow back or be replenished. ANA also states that finding a balance will be difficult in light of overpopulation, which is also mentioned by NAQ as a problem. He admits that the way of life described by him as the ideal for a Sufi is not possible for everyone.

JOUR and BUR understand the question as a matter of methodology. JOUR suggests for instance that the balance needs to be achieved through reflection and a political process, whereby BUR points out the need for clear information on the impact activities have on the environment.

OIKO take a global perspective, explaining that it is easier to keep the balance on a local scale, and that on a global scale the great disparities of the countries in the North

and the South are the main challenge.

IFIBAF also speaks about the problem of allocation, giving various examples of subsidies in the West actually having detrimental effects in developing countries. Apart from the political level, he also discusses the individual consumer level and the problem that people have unlimited needs when it comes to it. His solution for achieving a balance is summed up well by his statement that consumers need to change habits, politics needs to change framework conditions, and businesses need to implement the resulting new requirements.

IFEx2 introduces a new perspective claiming that ecosystems have different degrees of resilience and that the industrial revolution occurred in those areas with the most resilient ecosystems.

Table 6.20: Responsibility of companies for damage they cause to the natural environment (Q19)

Interviewee	Statements
LIB	Completely Up to closure of company Personal liability
ZMD	Logic and responsibility Natural usage of resources No above average damage Vague limits what damage means
NAQ	Repentance Liabilities do not make the world a healthy, peaceful place Elaboration on concept of repentance General scepticism towards the state, again
JOUR	Yes
BUR	Yes, if they are at all capable Measuring rod: If you can't carry the costs, leave it
IMAM	Does not know
ANA	Absolutely Financially No price-tag Included in price for product Need for internalisation of costs Scarcity of resources also added to pricing Social and environmental balance sheets / profit and loss accounts
OIKO	Yes, if possible Tracing cause difficult (attribution problems)
IFEx2	State may demand fees In case of violations of law, has further instruments available

Similar to the question regarding the liability of companies for damage caused by technology they develop or use, one of the questions in the environmental sphere 'nature' asks about the liability for environmental damage. The categories emerging from the responses are presented in Table 6.20.

Table 6.20 shows that there is a general awareness among the participants, such as BUR, NAQ, ANA, OIKO, that often companies are actually not able to pay the damage they cause in the environment. Interviewees draw different conclusions from this. For example, ANA and OIKO discuss the topic in more detail, considering various difficulties that might arise in such a situation. ANA especially enters into a discussion of the different perspectives and the instruments available to estimate damage and calculate it as well as how this information should be included in the calculation of prices, for instance. She also mentions, for example, the environmental profit and loss calculation done by sportswear company Puma. OIKO does not address the issue in such depth, but points out the issue of traceability and problem to allocate blame. LIB again seems to be very strict in his judgement as discussed in Q 16 (see Table 6.17). ZMD also refers to former answers by pointing towards logic and responsibility as guiding principles, and NAQ, too, talks about repentance again as he did in the answers to the question on technology and liability. Lastly, IFEx2 briefly refers to the main instruments available to the state to enforce the law.

Table 6.21: Extent to which companies should be made responsible for damage caused to the natural environment (Q20)

Interviewee	Statements
JOUR	100% Acceleration of product lifecycles (through planned obsolescence) Low price strategies Change in consumption patterns Consumer responsibility Personal priorities
BUR	Should pay for the damage they do Responsibility is shared Share costs
OIKO	State of the art Global regulatory frameworks Rebound effects Planned obsolescence

In further exploring the responsibility of companies as to which extend they should be

made responsible in terms of product lifecycle, the analysis of the opinions of the participants is presented in Table 6.21.

It should be noted that only three interviewees were asked this question as a follow-up on the previous question on liabilities as in some cases the answers were already included in the answers to the previous question. As can be seen in the analysis of the answers, the issue of planned obsolescence comes up twice. Planned obsolescence means that certain faults are built into products to shorten their lifespan intentionally. It also becomes clear that interviewees do not want to allocate responsibility entirely to businesses. Rather, they think that other stakeholders share responsibility; for instance, the state is regarded as equally responsible when damage is caused while companies stay within the legal framework (BUR) and consumers who want cheap products with short lifecycles (JOUR, OIKO) are also seen as sharing responsibility for the unsustainable practices of businesses.

The next question (Q21) shifts the debate to the issue of scarcity of resources, which is critical in sustainability related debates. In the Islamic debate about the issue of resources, there seem to be two contrasting opinions: Some Islamic economists refer to the idea that God provides everyone with all we need and therefore, there is no real scarcity of resources from an Islamic point of view. On the other hand, many *hadith* speak of the importance of saving water for example or being moderate in consumption in general. The preliminary analysis of the responses given by the interviewees is presented in Table 6.22.

Table 6.22: Opinions on Islamic notions of scarce resources (Q21)

Interviewee	Statements
LIB	Not relevant in real life R*izq* Total agreement on moderate consumption Fasting Finding the 'golden mean' Excessive consumption great problem
ZMD	Both equally Allah supplies enough Human extravagance Greed Use only what we really need
NAQ	There is no hunger and no poverty Wasteful behaviour leads to imbalance

	Personal misconduct *Zakat* Inequalities are a sign of imbalance Leads to crises and wars Small businesses a way to creating a balance *Naqshibandi* 'business model' where everyone is responsible and helps one another
JOUR	Different levels First statement is educational and soothing God always gives everyone their *rizq* Deal responsibly with creation. We can do with less, invitation to reflection Not necessarily a causal connection
BUR	Childish view Irresponsible behaviour Treat resources carefully and respectfully Limit ones own desires, naturally boundless Not acceptable
IMAM	God has provided man with everything he needs God has created the world because of man, everything created for man Yet, wastefulness not permissible Being grateful Question of responsibility Applies to normal people and entrepreneurs Nature is the greatest theology (sign) Explication of the concept of *khilafah*
ANA	Statements not contrary God supplies me and out of respect I am careful Scarcity is an obvious fact of life
OIKO	Unlimited supply not possible Scarcity biological, scientific fact Scarcity in terms of resources, not with regard to fulfilment of needs / functions Moderation is a matter of course Responsible consumption
IFIBAF	Not resource availability is the problem, but allocation
IFEx2	All humans could be fed, enough to feed everyone, depends on allocation und use Starvation is man-made.

As Table 6.22 shows, LIB observes that the statement of there being no scarcity does not relate to real life, but he does agree with the notion of moderate consumption and refers to fasting in this context, highlighting that this central Islamic ritual aims at encouraging such behaviour and reflecting upon one's own needs and consumption patterns. LIB and JOUR express similar ideas about the first statement that it may relate to *rizq*, meaning the theological concept that God provides everyone with their sustenance, and the associated trust in God, but that it is not to be taken in a literal

sense.

ZMD, NAQ and IFEx2 do not find the two statements to be contrary, but that they actually describe two sides of the same coin: God supplies enough, but due to human greed and misconduct, there is poverty in the world.

In addition, NAQ refers to *zakat* as a tool that aims at bringing about the balance that is the prerequisite for eliminating scarcity. In the context of this question, NAQ also elaborates more on the *Naqshibandi* order's idea of favouring small businesses, where everyone helps one another and no one is the boss, and creating business networks.

By taking a theological perspective in analysing the two statements and aiming to understand what might be the intention behind them, JOUR considers an educational message. She states that the two statements are not necessarily linked, but that the first rather has a soothing character, ensuring the believer that God does not leave anyone alone whereas she sees the second as being an appeal to deal responsibly with creation and an invitation for reflection upon ones needs.

This second aspect is also emphasised by BUR, who does not agree with the notion of unlimited resources, as he argues that such an assumption would lead to irresponsible behaviour, instead one should focus on limiting the desires.

IMAM describes the notion of *khilafah* in detail argueing that even though God has created nature for man, wastefulness is not permissible, and environmental protection and responsible use are important expectations in Islam that apply to everyone and that have been neglected by Muslims. He also points out that nature is a theology in its own right. Additionally, he states that being *khalifah* means that man has the responsibility to deal as justly and beautifully with the world as God has created it.

ANA and OIKO emphasise that scarcity is a (scientific) fact of life. In addition, OIKO point out that there is a difference between moderate and responsible consumption, the latter describing the opposite of a 'throw away' mentality.

This last question concluded the enquiry regarding the environmental sphere of 'nature' as depicted in the modified St. Gallen Management Model (Figure 5.2.). The next environmental sphere is the sphere 'society'. This part encompasses four questions altogether. The first question enquired very broadly, which values a company should

use as normative substance for its business activities. The categorised responses are presented in Table 6.23.

Table 6.23: Values a company should live by and support (Q22)

Interviewee	Statements
LIB	Sustainability Human rights Animal rights Environmental standards No threat of job losses Reciprocity Partnership
ZMD	Feed itself and its employees in a decent way In accordance with Islamic rules and principles Cultural variations, but certain bedrock Long-term, lasting principles in Islam *Zakat* Wealth acceptable
NAQ	Guided by Qur'an and Sunna Values need parameters and orientation Retreat on the market Cannot adapt Sufi ways to 21st century The 21st century has to adapt to the Sufi Sufis deal with the path of the soul to God
JOUR	Sustainability Social justice Education
BUR	Family businesses Basic needs, giving people work, not to exploit nature Sponsoring Do something meaningful
IMAM	Responsibility Honesty Discipline *Taqwa* Humanism Useful products / services Accountability on judgement day Sharing wealth with others Solidarity
ANA	Sustainability Good citizen Analyse civil society values and norms and comply to those Stay within given framework Set their own values within a given framework Not to cause harm
OIKO	Staff Products along value chain

	Balance between profit orientation and social responsibility
IFIBAF	There are universal values, but they are interpreted differently by different people, depending e.g. on cultural background Mainly political and societal debate, not so much a business issue Who has interpretative power over values Qur'an: God has created you as nations so that you may recognise one another Shallow adaptation of businesses to other cultures (ethno-marketing)
IFEx2	Sources continuously discuss values Need to be reflected upon regularly Honesty Discipline Responsibility

As can be seen in Table 6.23, LIB names sustainability as the overarching value that should guide businesses. This is also mentioned by JOUR and ANA. LIB further elaborates that this includes the protection of human and animal rights as well as high environmental standards. He further mentions the use of renewable energies as well as the notion of a partnership between businesses and society on the one hand and individuals on the other hand as important values.

For ZMD providing a living to the business owners/managers and staff in a decent way is the main target for a business. To him the compatibility with Islamic values of a company's activities is important. He discusses in some detail that a business should follow some foundational, unchanging values derived from a value system such as Islam that is engrained in the company rather than following only values derived from society as some social trends might actually be negative. A last point he makes is that giving *zakat* or more generally, giving something 'back to society' should be an important value and he puts this into a broader context of wealth being quite acceptable in Islam, but that it comes with responsibilities.

Similarly, for NAQ, the Qur'an and *Sunnah* also offer the guiding principles that provide the content for all values. When asked how to behave in an environment that is not entirely Muslim, he states that everyone would stick to their own traditions. He then digresses somewhat and speaks more about the position of a Sufi within society in general. For him, the philosophy of his Sufi order is a spiritual retreat within the masses or market; and in order to realise this, it needs networks, for which his Sufi order is known, for according to the interview partner. He also demands that the Sufi and his ways should not be adapted to modernity, but rather modernity should adapt to the Sufi

way. Or in other words, he implies that the Qur'an and *Sunnah* should be the ultimate guiding principles also in a modern society.

JOUR and BUR only provide comparatively brief answers to the question, focussing on more concrete aspects. For instance, JOUR, apart from referring to sustainability, mentions social justice as an overarching value, but also the funding of education and research projects as a way of supporting values. BUR equally mentions sponsoring, referring to sponsorship as an example of how businesses could do something meaningful to balance their selling of things people do not necessarily need. He first points out, though, that the values a company lives and supports should be directed towards basic needs, giving people work and not exploiting nature.

IMAM actually mentions several values such as responsibility in general and with regards to staff and the environment in particular, honesty, discipline, *taqwa* (God consciousness, piety), humanism, whereby the latter to him means sharing wealth and showing solidarity. He also states that entrepreneurs should aim at producing something useful to humans and that mere profit orientation cannot be enough for Muslim entrepreneurs, as they believe in being held accountable on judgement day.

ANA, quite in contrast to ZMD, explicitly states that a business should analyse civil society values and comply with those. She, thus, sees businesses in a more passive role, working within a given framework rather than following their own value system (although they should have some basic own values), she also does not expect businesses to be role models or taking up an educational role. Her own expectations would be that companies set themselves the value of not causing harm as a minimum.

OIKO are the only ones who explicitly refer to the social responsibility of a company for its products and the value chain in this context. They also refer to the social responsibility of a company towards its staff and the need to balance profit orientation with social responsibility.

IFIBAF does not mention specific values, but instead points out that even those values that are universal, namely that are shared by everyone no matter which cultural background they come from, can be defined differently, and, he argues that people need to clarify this first when they start talking about values. As an example, he mentions the political developments in Arab countries, where in several instances, democratically

elected governments were rejected by Western governments or the other way around, where the removal of democratically elected leaders was supported by the West when these had the label 'Islamist' attached. Another issue he discusses is the idea of multiculturalism or diversity, which is essentially a positive value, but its definition always depends on who is speaking about it. He also talks about the role companies can play in this debate on diversity and he points out that they have gathered some experience in this field as they sell the same products in different markets, but often they only use this experience in the context of ethno-marketing, rather than entering a deeper debate. He also mentions the needs pyramid defined by Al Ghazali, which is used to define the *maqasid al Shari'ah* (a concept he describes, but does not actually mention).

IFEx2 summarises some of the answers of previous Muslim respondents when referring to the original sources of Qur'an and *Sunnah*, as well as naming responsibility, honesty and discipline as concrete values that a company should live and support.

Table 6.24: The way companies can adopt values in their practice (Q23)

Interviewee	Statements
LIB	Exemplary businesses Good workplace No environmental pollution No torture of animals
JOUR	Scholarships, foundations, work placements Social justice: selection and treatment of employees, work-life-balance, pay, family-friendly Transparency on decisions No backbiting
BUR	Family friendly business Work-life balance Family: foundation of society 'That which holds family together' diminishes through work Unhealthy and destructive development for society
OIKO	No exploitation Pay living wage Participate in social life Minimum wage not sufficient Impact of products
IMAM	Charitable projects *Hadith*: Who enters paradise first: martyr, scholar or entrepreneur? The latter, because he finances the other two Entrepreneurs have real powers, but often hidden
IFEx2	Consult with stakeholders (e.g. staff, customers, civil society)

This raises the question as to how companies can adopt the values in everyday practice. As this question (Q 23) aims to specify the ways and means to realise those values identified in the previous question, not all of the interviewees were asked this question. The responses are analysed and categorised as presented in Table 6.24.

As can be seen in Table 6.24, LIB thinks that it would need exemplary businesses that demonstrate that short-term profit maximisation does not need to be the primary aim of a business, but that also follow other aims such as offering a good workplace, protecting animals and the environment in general. Such businesses would lead by example and they should be supported by (civil) society. He states that they would help to move the entire system into the right direction.

JOUR takes a different, somewhat more specific perspective. She refers to her previous answer when stating that in the field of scholarships and education sponsoring, companies are already doing quite well. In terms of social justice, she states that this would relate mainly to how a company treats its employees. She mentions different kinds of areas where this matters such as staff selection, work-life-balance and family-friendliness, payment, job security, transparency in decision-making, and having a corporate culture free of backbiting.

BUR also furthers his arguments for family businesses. His idea of this is a company that is not only run or owned by a 'family', but also one that puts the family at the centre of its activities and that actively supports families (for instance through ensuring work-life balance) and helps them to develop strong family bonds as he sees this as foundational for society, which is under threat because of current economic developments.

IMAM also points towards charitable projects as a means to realise values. He explains that entrepreneurs have a lot of hidden power, which they can use for the good or the opposite and that in that sense, they can be either closer to God than any other profession or more sinful.

OIKO discuss the level of adequate payment in some detail, differentiating between living wage and minimum wage. They also take up their point on the responsibility of a company for its products, pointing to the impact products might have and that this needs to be taken into consideration by the businesses.

IFEx2 states that values can best be set to action through consultation with stakeholders.

The next question takes a somewhat different angle and asked interviewees about the main responsibility of a business towards society. The focus shifts from the idea of values to that of specific responsibilities and the answers differ accordingly as can be seen in Table 6.25.

Table 6.25: The main responsibility of companies towards society at large (Q24)

Interviewee	Statements
LIB	Contribute positively to society Without causing harm Without exploitation and damage
ZMD	Not cause damage to society Support social progress Companies only succeed when they contribute something useful to society Some blatantly harmful
NAQ	Not going to court or to lawyer
JOUR	Social justice
BUR	Giving people work Securing basic needs
IMAM	To share *Zakat*: elaborates To give people work
ANA	Not cause harm to society Contribute something positive to society Macrocosm as in microcosm Bound to make money, not dedicated to social service
OIKO	Tax avoidance obligatory Socially wrong Property entails obligations Not to cause negative social impact Social and environmental components belong together
IFIBAF	Bringing together ethics and money: monethics Profit is ok, but with social responsibility No limit to profit in terms of size, but in terms of means Additionally, certain exclusion criteria (up to one self) Credibility important aspect
IFEx2	To generate benefit Come to an agreement in a good manner where both sides benefit

As can be seen in Table 6.25, ‘not to cause harm’ is the answer mentioned by most of the participants (such as LIB, ZMD, ANA, OIKO) when asked about the main social responsibility of businesses in variations. Closely related to this is the idea of a company contributing positively to society (as mentioned by LIB, ZMD, ANA, IFEx2)

and to give people work (BUR, IMAM). ZMD is convinced that this is already the case and that economic success is one way or another linked to such positive contribution.

LIB mentions exploitation or rather the avoidance of it as a main responsibility and also continues to criticise the economic system, as it currently exists as providing a negative, namely exploitative, framework. JOUR and BUR remain close to the values they explained above, namely social justice and providing work as well as fulfilling basic needs. Furthermore, IMAM brings the main responsibility of a business towards society down to two aspects: to share, which according to him is the aim of *zakat* in the sense that the ego is defeated by acts of charity and that it teaches humanity. The second responsibility is also to give people work as mentioned above.

ANA refers to the idea of macrocosm and microcosm in the sense as to what can be expected of a citizen can also be expected of a company. This idea of microcosm and macrocosm is also known in Islamic mysticism, whereby the microcosm is man and the macrocosm is the universe (see: Rahmati, 2007: 47ff. discussing this concept in Ibn 'Arabi's mysticism) and therefore, such an answer of a non-Muslim sustainability expert is quite interesting. OIKO introduce two new perspectives: They suggest that in the current regulatory system tax avoidance almost has become obligatory to companies and thus point towards the responsibility of regulatory bodies in passing such laws that in a way stand in contrast to the concept of 'property entails obligations' as stated in the German constitution.

IFIBAF gives a very long and elaborate answer by introducing his idea of 'Monethics', which is the merger between money and ethics. He explains that in Islam profit is not limited in size, but only in means or in other words that within the limits of what is allowed, one can do whatever one likes, though not how one wants to do it. He states further that the way businesses generate and use their profits influences how they are accepted by the public, whereby an important issue is the credibility of their actions. He gives financial rating agencies as an example where both the way these institutions do their business and how they generate their income leads to a conflict of interest and therefore their role would have to be discussed over the coming years.

IFEx2 highlights that the main responsibility should be to generate benefit (rather than returns or profit), and this should be achieved through two parties coming to an

agreement in a good manner where both sides benefit.

The final question on the environmental sphere 'society' asked interviewees their opinion about the statement of Milton Friedman (1970) that 'the business of business is business'. The reasoning behind this was to confront interviewees with a statement that is often regarded as expressing the opposite view to the debate on CSR and sustainable development. The answers to this question are presented in Table 6.26.

Table 6.26: Opinions on Milton Friedman's statement: the business of business is business (Q25)

Interviewee	Statements
LIB	Shying away from responsibility Artificial division between business world and everyday life Immoral Against Islam
ZMD	Too simplistic Too simple Superficial
NAQ	Nothing to do with Sufism Wrong path Only supports small businesses Large companies produce many things that we don't really need Turn back the clock, we'd be better off
JOUR	Neglectful Irresponsible Have relationship with others and impacts On the back of others
BUR	Business alone does not make sense Rat race Superfluous
ANA	Does not agree Profit orientation ok to certain degree Impact of business often severe Part of society Need to make a profit Business is business, but there is more to it
OIKO	Top management mentality Used to be different Long-term survival/ viability Extreme short-term perspective Social profits and financial profits Growth possible in social terms
IFEx2	Does not mean anything Quarterly results mean everything in such scenario Therefore, US firms short-lived, only good at innovation Instead: aim for long-term success with reduced risks: real business

As can be seen in Table 6.26, there is a uniform refusal of Friedman's saying among all interviewees who answered this question. There is also a general agreement that business is always part of society in one way or another and not separate from it. There are different comments from the respondents that bring out various perspectives to the issue. The opinions vary from such perspective expressing that someone is shying away from responsibility (LIB), to it being too simplistic and superficial (ZMD), superfluous (BUR) and neglectful (JOUR). NAQ elaborates in some detail the *Naqshibandi* approach of supporting only small businesses that have real impact and influence on everyday life rather than large corporations that tend to produce only things that people do not really need anyways. When asked whether complex products such as cars could be build by only small businesses, he stated that 'possibly the world would be better off without them anyway', referring to climate change and an altogether unsustainable lifestyle. OIKO point out that the perspective of short-term profit orientation is relatively new and that not long ago, the long-term viability even of large corporations was the aim. IFEx2 also emphasises the short-term character of this thinking and even claims that because of this attitude US companies would usually have a short lifespan and their only strength lies in innovation.

The following questions relate to the environmental sphere 'spirituality', which does not feature in the original St. Gallen Management Model, but has been added in the context of this study to allow for the consideration of faith-based issues. The first question asked interviewees to comment on the idea that spirituality and religion have become contestants to a life that has become focused on material and economic issues, and that therefore a competition exists between the economy and spirituality / religion. Answers in the form of categories are presented in Table 6.27.

Table 6.27: Opinion on the observed competition between the economy and spirituality/religion (Q26)

Interviewee	Statements
LIB	Religion actually often used to justify current economic system True religion should fight for justice (meaning of *Jihad*) Religion used to cement status quo God does not forbid wealth, but not on back of others
ZMD	Yes. Large dimensions Consumption Gadgets distract Consumption is an enemy of normal and religious life

	Moderate consumption acceptable and good
NAQ	Religion wants to move people out of economic system Economy and society want to increase, intensify Sufism wants to reduce Reduce bad characteristics Competition is about fighting Religion wants harmony We don't need the economic system Subsistence Paper money is fraud Whole banking system also fraud Neighbourhood networks Only talks about the theory, practice different
JOUR	Consumerist side to religion Devotional objects Religion these days needs accessories Selling of indulgences Religion is being economised Politicised Religion is loosing its value Lifestyle Real religiosity is not visible Identity We are all stuck in a capitalist system
BUR	Yes. Profit-oriented business takes up too much room Exploitation Enormous dimensions, no agreement between religion and the economy
IMAM	Not in Islam, but in our society, this is the case Most business people lack spirituality Materialism caused economic crisis Moral and spiritual catastrophe Values and spirituality guide people Qur'an: They have eyes, but cannot see, they have ears, but cannot hear In Islam money and prayer are linked and cannot be separated Runs parallel for a Muslim
ANA	Religion is loosing importance Competition All spheres Consumption leads to unhappiness because of constant comparison Social acceleration
OIKO	No, churches too reactive No direct competition Religion is loosing importance but independently from economisation trends Religious connotations in certain 'consumption rituals' Consumption is the new religion
IFIBAF	Not from a Muslim perspective Islam comprehensive way of life Defines framework for all spheres *Mu'amalat*

	If one is religious, pertains to all spheres of life No contradiction / competition In West, problem with religion *per se* People have immaterial needs Religion provides substance Religion needs to be understood properly and practiced (reference to *jihad*) No economic development and progress possible without values and ways to implement them in everyday activities Nowadays everything everywhere matters Religion demands compassion
IFEx2	Consumerism and monetarisation of many favours and services critical Substitute for social relationships Religion no-go area in Europe in conversations

As can be seen in Table 6.27, in general, this question on the alleged competition between religion and the economy produced a great variety of answers. There is not only a disparity of opinions, but also of approaches to answer the question. The participants seem to understand the question differently. There are some similarities in that respondents talk about consumption patterns or consumerism and religion rather than the economy as a whole (ZMD, JOUR, OIKO, ANA, IFEx2). Though, the emphasis is quite different here. For instance, JOUR talks about the consumerist side in religion in the sense of people including objects in their religious practices. OIKO see the opposite, namely religious connotations being integrated into consumerism. ZMD emphasises how consumption distracts from religion and can be seen as an enemy to religious life. ANA sees consumption as being a cause for general unhappiness, whereby she refers to a rather general idea of spirituality related to mental health and not necessarily connected to religion as such. IFEx2 sees consumerism as a replacement for social relationships.

LIB takes a completely different view in that he actually denies that there is a competition and rather expresses the view that mainstream religion is often cooperating and supporting mainstream economy in a sort of allegiance of powerful institutions oppressing the people. Only religion understood properly, namely as a fight against injustice and poverty, would be in competition, but not only with the economy, but with mainstream religion, too. To him, this fight against injustice is the real meaning of *jihad* as a main Islamic principle. He further points out that Islam does not prohibit wealth *per se*, but does not allow it to be acquired on the back of others and this latter is the main problem in his eyes.

NAQ strongly agrees with the notion of a competition between religion and the economy. In his understanding, religion wants to prevent people from being engrossed in the activities within an economic system. Instead, at least from a Sufi perspective, people should aim at overcoming bad habits and living in harmony, whereas the economy is about competition and fighting. He differentiates between the current economic system and a system more in line with Sufi principles, based on subsistence and neighbourhood support as well as being content with what God provides for us. He also enters into a discussion on paper money, which is seen as being fraud as is the entire banking system. Instead, only gold and silver dirham should be acceptable means for trading in neighbourhood networks. In this ideal setting, there would be no supermarkets, although he admits that in reality of course he shops at supermarkets and the system he describes exists mainly in theory.

Apart from her comments on the consumerist side of religion mentioned above, JOUR criticises that religion is being economised and politicised, turning into a 'lifestyle' among young Muslims and thus loosing its value. She sees religion being used as a means of finding ones identity, whereas real religiosity is actually not visible, but embedded in everyday life. She points out that this idea of identity is actually a modern European concept as described by Bauer (2011) and as such is somewhat imposed on Muslims.

BUR agrees with the notion of there being a competition between profit-oriented business and religion, because of business being based on exploitation of human and natural resources, which is not in accordance with religion.

IMAM points out that in Islam, the economy and religion are not separate, but that the current economic system is guided by materialism, devoid of spirituality and religion. In this, he sees the cause for the current financial and economic crisis and Islam could offer a solution as here money and prayer are linked and cannot be separated.

ANA and OIKO both state that religion is loosing importance (at least in the West), which is a statement not shared by any of the Muslim respondents. As outlined above, both make reference to consumption patterns. ANA emphasises aspects such as competition (regarding consumption, but also the economic system *per se*) and social acceleration and OIKO have ambiguous thoughts on this. On the one hand, they state

that there is no direct competition between religion and the economy, because the church and religious leaders do not strongly oppose the economic system, but on the other hand, they suggest that certain aspects of consumerism have almost taken up religious rituals as though consumption can be seen as the new religion and shopping or certain products are celebrated like a religious service.

IFIBAF enters into an elaborate discussion on why there is no such differentiation between religion and the economy in Islam. He understands Islam as a comprehensive way of life that defines the framework for all spheres of life. However, he sees that in the West, religion is viewed critically *per se*, immaterial needs are not taken for full and religious people are not being taken seriously. He acknowledges that religions can play both roles: provide substance for immaterial needs, but also inhibit the fulfilment of such immaterial needs. He suggests that round table discussions bringing together different groups could be used to integrate ethical considerations in societal developments. For this, he uses the example of the prohibition of building minarets in Switzerland, which he sees as a democratic process having reached a wrong conclusion because it violates universal values. He finally points out that nowadays, consumers have access to plenty information on things going on anywhere in the world and therefore need to take such issues into consideration as especially for Muslims, the *umma* should be seen as one body and if something is wrong in one part, the other parts need to mind.

In further discussing the observed competition between religion and economy, the participants were asked to reflect on whether companies can do anything to counter this competition. The responses in categorised form are presented in Table 6.28.

As can be seen in Table 6.28, many of the answers to the question of whether companies could counter the perceived competition between religion and the economy are continuations of the arguments presented in the previous question and therefore take up its high degree of variation. For instance, LIB elaborates on his argument that mainstream religion rather supports the current economic system, stating as an example that religion was used to justify slavery in Saudi Arabia until recently and he uses the Christian movement of liberation theology as an example of how his understanding of the role of religions has been suppressed by mainstream religion. ZMD suggests that companies could do two things to counter the competition between religion and the

economy: encourage moderate consumption and help to obey prayer times. BUR states that if a company works to the same ethical standards as religion there would be a connection between the two rather than competition. IMAM suggests businesses should support charitable projects and entrepreneurs should not move away from society or live in a different world.

Table 6.28: Companies countering the observed competition (Q27)

Interviewee	Statements
LIB	No competition Liberation theology
ZMD	Encourage moderate consumption Obey prayer times Market and customers want limitless consumption
BUR	Work on the same ethical grounds as religion
IMAM	Charitable projects Entrepreneurs should not move away from society / reality Leads to prejudices and resentment
ANA	No exploitation Work-life balance Focus on essentials (i.e. basic needs)
OIKO	Provide prayer rooms Essential aspects Cultural differences in the understanding of religion
IFEx2	Task of each individual Produce products that live longer, are easy to repair, not contain planned obsolescence (i.e. support sufficiency lifestyle)

ANA suggests that on the one hand, businesses should make sure they provide and encourage a decent work-life balance and not use exploitation and at the same time focus their business efforts on basic needs to break the competition around consumption as well as social acceleration. OIKO suggest that companies could provide prayer rooms or chaplaincy services, especially when they are involved in essential aspects of human life such as hospitals. They also acknowledge that there are vast cultural differences in the practice and public exposure of religion. IFEx2 suggests that it is the task of each individual not to let religion and economics compete with one another, but that companies could support a more religious life by producing products associated with sufficiency concepts, such as long-lasting, easy to repair and no build in planned obsolescence.

In expanding the debate in relation to modern corporations and religious life, the participants were asked how important it is for companies to cater for religious practices

in their business activities, especially among staff. Table 6.29 presents the preliminary analysis of the responses.

With regard to allowing or facilitating the practice of religion during work, as can be seen in Table 6.29, the answers are again quite varied.

LIB has an ambivalent view on this issue. On the one hand, he states that he is generally in favour of workers being granted greatest possible freedom, but he admits that there might be a number of practical constraints of allowing, for example, praying and fasting during work. He states that both employers and employees should apply good will and be rational. The other Muslim respondents argue that following religious practices is a basic human right, but they also agree that this should not be exaggerated by Muslims.

Table 6.29: Importance of allowing religious practice in companies (Q28)

Interviewee	Statements
LIB	Difficult Workers having greatest possible freedoms Sometimes impractical Tolerant Good will Rituals are important but should be applied rationally
ZMD	Human right Not be exaggerated from Muslims For all creeds
NAQ	Basic rights Muslim holidays Politics Who is the Lord
JOUR	No business has the right to get involved Situations might arise where needs cannot be met (technical processes or functional barriers) Corporate culture should generally be accommodating for religion
BUR	Incredible resource Against exploitation Replenishing, renewal Religion source for health and ability to work Treat resources well Physical health also linked to spirituality
IMAM	Should remain absolutely voluntary If staff asks for it (prayer room, fasting), should be matter of course / human right Difference between *Ibadat* (worship) and *Amalu salihat* (doing something for others) Islamic world has enough worship, but talents not enough applied for others

	Horizontal relationship between this world and next One can only enter paradise, if one has done 'good' for society
ANA	Essential to allow certain clothes, food Not every practice Social majority leads Accept diversity
OIKO	Nice Positive
IFIBAF	As voluntary option, should be matter of course Society / businesses should be tolerant / accommodating But Muslims should also be open, aware of context Use flexibility provided by Islam
IFEx2	Values need to be practiced and lived Religious practices should be tolerated, not criticised Especially in German speaking countries difficult

JOUR and NAQ point out that Muslims have the opportunity to quit their jobs, if they feel they cannot practice their religion enough. Similar to LIB, JOUR also points out that there might be situations, where it might not be possible to adhere strictly to religion.

BUR and OIKO emphasise the good it can do to people's wellbeing if they can practice their religion at work. BUR elaborates that the current economic system is based on exploitation, which is not interested in replenishment and renewal. Thus, allowing people to practice their religion at work would be part of health management.

Interestingly, IMAM is not the most fervent proponent of allowing religious practices at work. His argument is that *ibadat*, meaning everything that has to do with worship like praying, fasting, paying *zakat*, is only one part of the religion, but to actually reach paradise, a Muslim also has to do good deeds (*'amalu salihat*), meaning doing something beneficial for others. He states the Muslim world is not lagging behind compared to the West on the grounds of worship, implying that it is the area of doing good and linking '*dunja*' (this world) and the Hereafter that is missing.

ANA states that some religious needs pertaining to food or certain clothes, for instance, should be accommodated, but that not every practice has to be allowed. She sees a tension between the need to accept diversity and the expectations of the social majority.

IFIBAF also emphasises that provisions such as prayer rooms should be only offered as a voluntary option and he rejects Muslims making too strong demands and not taking into account the social context they are living in. He states that he would welcome, if

more institutions would provide prayer rooms and adds that the way society deals with religion to him is a sign for the general degree of tolerance of a society. Again, he suggests that Muslims can voice their needs or demands and then seek consensus in finding a solution that is acceptable within society. As a positive example, he describes mosque projects that have broad social support. As an example that does not have social support and is based on weak religious grounds at the same time, he mentions the *niqab* (face veil of women). IFEx2 perceives that in German speaking countries religious practices in general are viewed sceptically without going into further detail.

In furthering the debate on corporate life and religion, the participants were invited to express their opinion on the potential legitimate limits to practising religion in companies. Table 6.30 presents the categorised responses after analysing the responses.

Table 6.30: Legitimate limits to practicing religion in companies (Q29)

Interviewee	Statements
ZMD	Emergency or exceptional circumstances Loopholes used by Muslims Apply logic and justice
BUR	Organisational problems Learning process on voluntary basis Perception of staff Eventually, it is about the attitude towards people
ANA	Rights of women Company ought to define its own values

It should be noted that only three interviewees were asked this question. In addition, JOUR and LIB had already answered this in the previous question pointing out situations where it might not be feasible to adhere strictly to religious practices such as fasting or prayer times. In addition, the answers of IMAM and IFIBAF can be interpreted in the sense that the social context needs to be taken into consideration and religious practice is something voluntary anyways. ZMD states that only exceptional instances would justify such limitations, as he emphasises that people would use any loophole to avert their religious practices. BUR, on the other hand, asks what the motivation behind this would be in the organisation in question and focuses on the wish that employers would look at their staff holistically. ANA makes clear that religious practices that curtail the rights of women should not be acceptable and as she described in the previous question, anything that would not fit with the values defined by the company itself would also not have to be accommodated for.

In the final question relating to the environmental sphere of 'spirituality' the participants were requested to explore as to whether companies should play an active part in strengthening people's spirituality; and if yes, how they could do this. The responses were analysed and the categorised summaries are presented in Table 6.31.

Among the respondents to this question, as can be seen in Table 6.31, there is a general agreement that companies should not take an active role in trying to strengthen people's spirituality, but rather be accommodating and show an open attitude to employees wishing to practice their religion. Only IFEx2 goes beyond this when he claims that companies could actually set an example. He uses Jewish banks as an example that display the Torah at their doors as a constant reminder of their religion.

Table 6.31: The role of companies in actively strengthening people's spirituality (Q30)

Interviewee	Statements
LIB	If this is wanted by employees Provide space Relationship between employer and staff: partnership Mutual respect, whole person
ZMD	No compulsion Not actively
JOUR	Within limits One feels appreciated Identity
BUR	No active support Create opportunities and space Content Good working climate
Ana	Not the responsibility of a company Provide frameworks Patronising Select staff
IFEx2	Set an example

This was the last question relating to the environmental spheres surrounding each company in the St. Gallen Management Model used as the framework for the question guideline.

In a next step, the interviewees were asked to choose two stakeholder groups out of a set of about eight different stakeholder groups as explained in Chapter 5 that they would see as most relevant in the context of social responsibility. Therefore, most of the

following questions were only answered by a few of the interviewees, apart from the questions relating to employees, which all of the interviewees perceived as one of the most relevant stakeholder groups. In the instances where there are only a few respondents with brief answers, the written summaries were at times extended to include two or more sets of questions and categories, especially when the questions were closely related, such as 'what is the main responsibility towards a stakeholder group' and 'what can a company do to meet this responsibility'. Furthermore, IFEx2 gave his answers in writing and they were generally so short that they were not considerably coded and categorised. He also gave answers regarding all stakeholder groups, which led to a situation whereby his answers are the only ones on some of the stakeholder groups. In these instances, no further summaries were given as they could only repeat what is already written in the tables.

The following questions examine the stakeholder group of 'employees'. In the first question of this part, the participants were invited to express their opinions and understandings of the value and significance of work in Islam. The SRI experts were asked about their personal stance to the value and significance of work. The preliminary analysis of the responses is presented in Table 6.32.

As can be seen in Table 6.32, in general, there is some agreement among the respondents that work is relevant within Islam one way or another, but there is also a differentiation regarding the kind of work. For instance, LIB states that only work that is beneficial to society can be considered as good. He is also a proponent of a universal basic income, whereby each citizen receives a fixed amount each month to cover their basic needs, therefore releasing people off the pressure to work for their living. He states that leading a humane life should not depend on having a job and clearly sees this concept as opposite to Islamic principles. However, he also acknowledges that from a religious point of view, work is equally important to praying for instance.

ZMD takes a somewhat stricter position in that he says that work is a duty in Islam and that Muslims have the responsibility to work and work well, as this can be considered an act of worship. However, he also adds that working conditions should be humane and empowering, not stupefying.

Table 6.32: The value and significance of work in Islam (Q31)

Interviewee	Statements
LIB	Work beneficial to society is good, work causing harm is bad Basic needs have to be fulfilled independent of job Work and (basic) income need to be separated Work is important in Islam Contributing positively to society
ZMD	Work is a duty in Islam Responsibility to work Act of worship Work well Humane Empower people Work thus means: Man should work, work well, work should be fulfilling somehow, i.e. people should have the chance to have a good job
NAQ	Rule: third of time for God, third work for family, third for rest God wants us to obey him, follow him (ta'a) Work is like a stain because we are banished from paradise In the end worldly achievements do not count
JOUR	Work as worship
BUR	Personal responsibility Trust in God But take action Basic right to work is also a basic duty
Ana	Fulfilment Means mainly earning a living Meaningful It is not life Work is more than a paid job Agreeable
OIKO	Work is a means to earn enough money to live well Meaningful Fun ideally Identity Two opposing opinions: either only means to earn money, or linked to meaning and identity
IFIBAF	*Hadith* saying that ¾ of *rizq* comes from work One should rather work than rely on social safety net Plays major role: defines self-worth, understanding of oneself, interaction with others, self-esteem Linked to *zakat* Helps to acquire knowledge Use work to define a range of things Helps to answer questions regarding responsibility of man towards family
IFEx2	Have a *halal* income for own life and for *sadaqat*

BUR takes the perspectives that Muslims should take responsibility for their lives and

in that sense, work complements trusting in God for ones provisions (*rizq*). IFIBAF also refers to *rizq* and mentions a *hadith* according to which, three-quarter of *rizq* comes from work. He states that this can be interpreted in modern times that one should work rather than rely in the social safety net (in a way the opposite to LIB). He also sees the psychological effect of work in terms of self-esteem, but also that work enables one to pay *zakat* and provide for ones family, which will be one of the questions on judgement day. According to him, work is also closely linked in Islam to the duty to acquire knowledge.

NAQ on the other hand emphasises that God should have as much space in people's lives as work and that nowadays usually life is all about work. He takes a rather negative stance towards work, comparing it to a stain or a punishment man has received when banished from paradise. He also claims that worldly achievements like work or education do not count in the end.

ANA and OIKO discuss whether work could contribute to personal fulfilment or whether it is just a means to earn money for living. The conclude that ideally it should be both, whereby ANA points out that a lot of work is not paid such as housework or raising children.

After this general question on the value of work, the next question looked more specifically at the responsibility of a business towards its employees. The responses in categorised form are presented in Table 6.33.

Table 6.33: Main responsibilities of a company towards its employees (Q32)

Interviewee	Statements
LIB	Facilitating humane life and working conditions
ZMD	Deal 'work against money' Living wage Work-life balance Fair treatment Respect
NAQ	To obey God *Naqshibandi* business model: 1 emir, 2 employees, *Sunnah* framework
JOUR	Social justice Fair treatment Fair payment Honesty Transparency Safe workplace

	Education No exploitation Good working climate No fear
BUR	Provide jobs with living wages and work-life balance
ANA	Fair treatment Job security
OIKO	Living wage Social participation Safe workplace (two meanings) Freedom of association
IFIBAF	Fairness / justice: working conditions, contracts, payment Transparency in decisions Income gaps (often lower in family businesses) Family businesses: greater intimacy Interaction with people People come to company with (cultural) background and network Take everyone as individual
IFEx2	Fair and just pay

The next two questions looked at the rights (Table 6.34) and duties (Table 6.35) employees have over their employers. These questions aim at defining the basic relationship between an employer and his staff.

Table 6.34: Employees' rights over their employer (Q33)

Interviewee	**Statements**
LIB	(Social) justice Participation Partnership Freedom of association
BUR	Secure jobs Safe jobs Personal development
ANA	Basic rights are acknowledged Fair adequate payment Secure job
OIKO	Adequate pay Be critical, not only obliging
IFEx2	Right to just and timely pay

As can be seen in Table 6.34, which presents the categorised responses on employees' rights, most respondents repeated the answers given in the previous question somewhat more succinctly. LIB paints the picture of a business ideally being a partnership (such as a cooperative) where employees can participate in the decision-making, and emphasises in this context that justice is an important Islamic principle. He also refers to freedom of association and collective bargaining as important basic rights of

employees. BUR adds that employees have a right to personal development provided through training. OIKO raise the issue of having critical employees that raise their concerns and voice their opinions as something that should be encouraged by companies.

Responses to the question on employees' duties can be seen in Table 6.35. The last point in the previous question on employees' rights raised by OIKO about critical employees is mentioned in this context by JOUR. She sees it as a duty of employees to point out deficits and raise awareness as regards to sustainability issues.

Table 6.35: Employees' duties towards their employer (Q34)

Interviewee	Statements
LIB	Fulfilment of contract Not to cause harm Legal grounds
ZMD	Muslim have more duties than normal employee No stealing, no pretending to be ill Work hard Make an effort
JOUR	Keep to rules Freedom of Association Think critically Not to harm
BUR	Fulfilment of contract Knowhow Mutual give and take situation
ANA	Honesty Perform well
OIKO	Give knowledge Fulfilment of contract
IFIBAF	As Muslim ambassador for their religion Therefore, duty to perform well and do as best as they can
IFEx2	Act as responsible agents Do the assigned tasks well and diligently

In general, the main duty of employees seems to be not to cause harm to the company and provide what has been (contractually) agreed. BUR again refers to education and training, stating that if a company provides support for personal development, this creates an obligation on the side of an employee to apply this knowledge to their work. ZMD thinks that Muslims have more duties than other employees towards their company as they are bound by Islam to work hard and be honest. However, ANA, who is an SRI expert, also mentions these characteristics, such as honesty and doing ones

work well as being a basic duty of employees towards their employer.

The final question regarding the stakeholder group of 'employees' was directed at the question of equal opportunities. More specifically, interviewees were asked to share their thoughts on the strife in the West to enable women to have similar chances in the work environment as men and similar conditions in terms of payment, access, career paths and so on. They were also asked to comment on whether they thought this to be a positive development or a negative one. The categorised responses are presented in Table 6.36.

Table 6.36: Gender equality and equal opportunities for women in the work place (Q35)

Interviewee	Statements
LIB	Equal rights Intention of companies negative Abusing and exploiting women Increases competition between workers Individual level, same rights Should generally have equal rights
ZMD	Conservative Child rearing and creating a home Equal pay for equal work Same career opportunities Family first, possibly fit work around this
NAQ	What for? Traditional role allocation Modern life equals unhealthy lifestyle Roles allocated by nature Not against women *per se*
JOUR	More freedom of choice Mechanism to lower wages Power hierarchies among women Job does not necessarily imply freedom Financially, different level, also a restraint More fulfilling things Outcomes of work overrated Biological differences are fact Most women work in poorly paid jobs Glass ceilings do exist Lowering wages still motivation for companies Reconciliation between work and family, Lower paid / qualified women have different problems
BUR	Man and woman so different that total equality not possible Different tasks and roles in child rearing / education Healthy and intact families as keystone of society

	Equal pay for equal work matter of course and just Sustain a family
IMAM	Businesswomen existed from start of Islam No difference between men and women Women more focussed, constructive, successful Fair pay No limitations to equal opportunities
OIKO	Positive development Positive influence on the work climate Positive change of perspectives Terrible that there is a downwards trend in Arab world
IFIBAF	Equal rights vs. equal opportunities (*Gleichberechtigung* vs. *Gleichstellung*) Islam gives equal rights and duties, but differences do exist Create opportunities Need to create a framework Ask why differences exist No objection from religious point of view to equal pay
IFEx2	Has not led to more management positions for women in the West Women should have right to work, but not the duty Socially acceptable to be 'just a mom' Ideally, women could choose to work for self-fulfilment, not out of economic necessity Learn why West has failed in advancement of women

One of the main focus areas of criticism of Islam in Western media and public perception is the issue of women rights and the perceived injustices against women in the Muslim world. At first sight, most of the responses to this question on the efforts to create more equal opportunities for women at work do nothing to prove this perception wrong. As can be seen from Table 6.36, all the participants agree to the principle of equal pay for equal work, apart from NAQ who is the strongest proponent of women and men having different tasks, the men's being to 'butcher the cow' and the women's to 'cook the soup' and this role having been allocated by nature. Beyond the idea of equal pay for equal work, the arguments against equal opportunities for women range from the importance women play in raising children (ZMD, BUR), a task that could not be taken up equally by fathers (BUR) to pointing out just how different men and women are (BUR, IFIBAF) to even arguing that women rights are only pushed by industry to lower wages and increase competition amongst workers (LIB, JOUR).

JOUR's arguments are somewhat more differentiating than the other answers, as she points out that the whole debate in the West refers to well-educated, middle-class women anyway, with poorer migrant workers doing their household chores. She also

questions whether a job really means freedom or whether it does not rather increase dependencies. However, in the case of universities, which is her own field of activity, she thinks efforts like quota are actually justified because of existing glass ceilings and prejudices. On a similar line, IFEx2 also thinks that women should not need to work, but it would be acceptable if they saw it as a way to self-fulfilment. He also points out that despite all the efforts in the West, there are still very few women in top management positions. This argument is also taken up by IFIBAF. He actually states that Islam does provide equal rights to women with regard to work, but as indicated above, he does emphasise that differences between women and men do exist.

Only IMAM unequivocally supports the strife for equal opportunities, referring to Khadija, the first wife of the prophet Mohammed and others as successful businesswomen that lived at the time of the Prophet. He also points out certain strengths of women in general such as being more focussed and constructive that might make them more successful than men at work. OIKO as the only non-Muslim respondents to this question also take this perspective, highlighting why it is important to include more women in the workforce by creating improved work climates and introducing new perspectives. They also point out that in former years in the field of railway engineering, there used to be more female engineers in Egypt than in Germany and with increased fundamentalism in the Muslim countries this has been reversed.

Table 6.37: Main responsibilities of a company towards the general public (Q36)

Interviewee	Statements
LIB	Serve society Be partner to society Not participate in harmful activities Support minorities and disadvantaged groups
BUR	Ensure right to work
ANA	Not harm public Support public
IFEx2	Further develop social benefit

The following section explores the responsibilities of the corporate sector towards the general public. Three respondents choose this stakeholder group as being among the most important groups in terms of sustainable development. Two questions were asked in relation to this stakeholder group, the first asking about the main responsibilities and the second one asking about how to meet these responsibilities and put them into practice. The analysis of the responses of the participants for these questions can be

found in Table 6.37 and Table 6.38, respectively.

As can be seen in Table 6.37, the respondents' answers to the question on the main responsibility carry the notion of a business having the responsibility not to harm society and even provide benefit to society. LIB also adds that this could include supporting disadvantaged groups. BUR's answer differs from the others in that his main focus lies on the role of companies to provide work.

Table 6.38: Methods through which companies can meet their responsibilities towards general public (Q37)

Interviewee	Statements
LIB	Be an example Be transparent Be honest and open
BUR	Secure jobs Certain requirements regarding products and production Be family-friendly Examples / role models
ANA	Pay taxes Not blackmail public with loss of jobs Community involvement in core business Know your risks and minimise them Reduce negative impact Treatment of staff

Regarding the question as to how businesses can meet their responsibility towards the general public (Table 6.38), both BUR and LIB think that companies can best fulfil this responsibility by being role models. LIB states that for instance, managers should be open and transparent regarding the decisions they make. BUR states that the responsibility of providing work is not easily achieved as further requirements would be attached to this such as producing sensible things and not too much of them with consideration of the environment and that the work provided should be family-friendly. Therefore, it would be good to have exemplary businesses that show that it is possible to fulfil all of these expectations. ANA does not mention role models, but rather brings up very concrete measures companies can do to meet their responsibility towards the general public, the first one being to pay their taxes. But she also mentions community projects and sponsorships that are related to the company's business as well as means to have a knowledge of the negative impacts and risks associated with one's business and reducing them.

The next stakeholder group to be looked at is that of 'customers'. Five interviewees deemed this among the most important stakeholder group with regards to sustainable development. As with the stakeholder group 'general public', questions pertaining to 'customers' asked about the main responsibilities of a company towards the customers and how companies can be ensured to deliver their responsibilities towards customers. The analysed answers in the form of categorised responses can be found in Table 6.39 and 6.40 respectively.

Table 6.39: Main responsibilities of a company towards the customers (Q38)

Interviewee	Statements
ZMD	Honesty No forbidden goods Production decent / ethical - right of customer Unethical production would fall back unto customer Transparency regarding controversial issues
NAQ	Follow Qur'an and *Sunnah* Treat customers like brothers No products that are *haram* Keep away from financial market
JOUR	Transparency Honesty
OIKO	Not to harm customer Not to harm the environment To produce / sell only things one really needs (basic needs) Resource efficiency Partnership
IFEx2	Provide advantageous products and offers whose social harm has been reduced responsibly

Table 6.40: Methods by which companies can meet their responsibilities towards the customers (Q39)

Interviewee	Statements
ZMD	Social market economy Company only offers what customers want Ethical issues Decent behaviour No exploitation
JOUR	Inform public Be transparent Truthfulness and sincerity
OIKO	Transparency Good complaint management system
IFEx2	Sustainability management

Although the answers to the two questions vary between respondents, as can be seen in Table 6.39 and Table 6.40, it is clear that transparency and in that sense honesty are a major issue when it comes to customer responsibility, either as being the main responsibility or being the means to realise a company's responsibility towards its customers. A second theme that emerges relates to the products and the production processes that should be ethical and/or environmentally friendly. The nature of the products is also an issue whereby ZMD and NAQ point out that products should be in line with Islamic rules. IFEx2 speaks about 'advantageous' products and OIKO describe products that respond to customers' basic needs, are easy to repair, have high quality and are recyclable.

With regards to the steps a company should take to ensure meeting its responsibilities, ZMD provides an interesting answer, because he actually highlights that a social market economy is a good foundation for an economic system, describing some of the benefits such as producing those products people want better and cheaper. He also states that a customer has the right to a product being produced in an ethical manner even if he does not know or even ask for it.

A third question regarding customers takes up the issue of liability and asked the participants to express their opinion as to how far a company can be made liable for damage done to customers or third parties through their products and services. The coded responses can be found in Table 6.41.

Table 6.41: Company's liability for damage done to customers or third parties through products and services (Q40)

Interviewee	Statements
ZMD	German civil code Taking responsibility for one another
NAQ	Fate State should step in Less bureaucratic, but provide effective control mechanisms
JOUR	Penalised through loss of reputation Value of company linked to this
OIKO	As much as possible Place of jurisdiction should be customer-based Entire supply chain Overall responsibility lies with party selling to end user As easy for customer as possible
IFEx2	No limits to liability

This question on a company's liability in case of damage done by products or services was the last of three questions altogether that dealt with liabilities. As can be seen from Table 6.41, similar to his comments to the question on liability in case of damage caused by technology, ZMD refers to the German civil code and the differentiations made there. For NAQ, the question has two dimensions. On the one hand he sees damage done to a customer as fate. On the other hand he demands that the state should step in and provide control mechanisms in order to make sure that the company is penalised. This is in contrast to his previous remarks that the state should not be involved in economic dealings at all.

Introducing a less legally oriented point of view, JOUR suggests that the company is already penalised through the loss of reputation. Finally, OIKO make an interesting statement regarding the place of jurisdiction. They suggest that this place should be customer-based rather than where the company is registered. They further comment that the liability should extend over the entire supply chain and ideally it would be the company selling a product that would take the responsibility.

The following three questions looked at the stakeholder group 'investors'. This group was deemed important by two respondents. The questions asked about the main responsibility (Table 6.42) and the way to meet these responsibilities (Table 6.43), but also reversed this logic by asking about the responsibility of investors towards the company (Table 6.44).

Table 6.42: Main responsibilities of a company towards its investors (Q41)

Interviewee	Statements
OIKO	Use investors money so that they don't loose their money and even make some profit
IFEx2	Generate *halal* income

Table 6.43: Methods by which a company can deliver its responsibility towards investors (Q42)

Interviewee	Statements
OIKO	Do business responsibly and sustainably Produce stuff people want and buy
IFEx2	Generate benefit / value Treat creation as entrusted entity

Table 6.44: Investors responsibility for the activities of a company they are investing in (Q43)

Interviewee	Statements
OIKO	Real impact Degree and method of involvement In line with ones own ethics
IFEx2	Main responsibility together with management

First of all, both respondents, OIKO, the socially responsible investment experts, and IFEx2, an Islamic finance expert, agree that investors do have a great responsibility for the companies they are investing in, although OIKO state that their impact depends on the degree and method of investment they have chosen. Both also agree that a company has a responsibility towards investors to generate an income (IFEx2) or a profit (OIKO), but to do it in a way that is in line with some ethical criteria.

Two interview participants chose the stakeholder group 'suppliers' as being among the most relevant groups. The analysed responses on the main responsibility of companies towards their suppliers are presented in coded format in Table 6.45. The analysis of the responses in relation to the way in which companies can meet such responsibilities are presented in Table 6.46. In addition, Table 6.47 reports the analysis of the responses in relation to the nature of the responsibility of companies into the supply chain in the sense as to whether companies are only responsible for immediate suppliers or beyond. The respondents were also asked about their opinions about the tendency of companies to outsource an ever-increasing proportion of their activities to suppliers; and the results of the analysis is presented in Table 6.48.

As can be seen in Tables 6.45, 6.46, 6.47, and 6.48, with regards to the stakeholder group 'suppliers', only the two Islamic finance experts provided answers here.

IFIBAF discusses the responsibility of a company for its supply chain in some detail. For him, the main issue is to make sure that one's own ethical criteria, such as '*halal*', are met throughout the entire supply chain. He acknowledges that this might be difficult to achieve and oversee and that it might add additional costs to the product. He also uses specific examples to illustrate his point, for instance he states that products from Israeli settlements might not be acceptable for Muslims. A fire in a textiles factory in Bangladesh and the unwillingness of multinational companies that sourced from this factory to pay into a reparation fund is an example for him as to how little dedicated

companies really are to corporate social responsibility. This dedication is shown by a company's acceptance that it might have to compromise on the profit margin. He further talks about how sanctioning unethical behaviour at suppliers could over time lead to real improvements and that it needs transparency on this. He sees the dedication to CSR being a balancing act between customers and suppliers.

Table 6.45: Main responsibilities of a company towards its suppliers (Q44)

Interviewee	Statements
IFIBAF	Ensure that own set of values is adhered to throughout value chain Define '*halal'* to beginning of supply chain Produces additional costs Argument of companies: people earn little, but more than before How much are we willing to give up in terms of profit margin in favour of meeting ethical standards? 'Permeability' of ethical standards Create more transparency If I promote sustainability / CSR to one side, need to apply it on the other
IFEx2	Keep to contracts Pay punctually If dependencies are large, further moral responsibilities might apply

Table 6.46: The strategy through which a company can ensure it meets its responsibilities towards investors (Q45)

Interviewee	Statements
IFEx2	Monitor whether utilising cost advantages leads to economic exploitation

Table 6.47: Extent of the supply chain responsibility of a company - responsible only for immediate suppliers or beyond? (Q46)

Interviewee	Statements
IFEx2	Companies should apply fair trade principles in developing countries and raise customer awareness in that respect

Table 6.48: Opinion about the tendency of companies to outsource an ever-increasing proportion of their activities to suppliers (Q47)

Interviewee	Statements
IFEx2	Such outsourcing is an understandable result of globalisation. But it should result in greater benefits to all instead of a "race to the bottom" in terms of social standards

If the company promises CSR to customers, this has to be executed on the suppliers' side. IFEx2 also raises a few issues. For instance, he states that the responsibilities for a supplier depend on the degree of dependence between the supplier and the company. He also speaks about the need for fair trade and about outsourcing as a result of globalisation that should be practiced to the benefit of all parties.

Three further stakeholder groups were presented to the interviewees as potentially relevant stakeholders in the context of sustainable development: Competitors, the state and NGOs. None of the interviewees choose these, apart from IFEx2, who presented brief written comments on all of these. The Tables 6.49 through to 6.55 therefore present his answers in unabridged form.

Table 6.49: Main responsibilities of a company towards its competitors (Q48)

Interviewee	Statements
IFEx2	Fair representation, respecting other businesses reputation

Table 6.50: Methods through which a company can ensure it meets such responsibilities (Q49)

Interviewee	Statements
IFEx2	To watch their tongue

Table 6.51: Main responsibilities of a company towards the state (Q50)

Interviewee	Statements
IFEx2	Keep to the law, create high quality of life

Table 6.52: Methods through which a company can ensure delivering its responsibilities (Q51)

Interviewee	Statements
IFEx2	Act responsibly

Table 6.53: Main point of reference for a company in terms of location (Q52)

Interviewee	Statements
IFEx2	In each country in which it sells and in each country in which it procures

Table 6.54: Main responsibilities of a company towards NGOs (Q53)

Interviewee	Statements
IFEx2	Increase of benefit

Table 6.55: Method by which a company can ensure it meets such responsibilities (Q54)

Interviewee	Statements
IFEx2	Seek consultation and debate with members of civil society to increase benefit and reduce harm

The brief answers show that the responsibility towards each of the three stakeholder groups differs slightly as do the means by which a company should put this responsibility into action. For example, a business should deal fairly with its competitors and at the same time keep to the law and create some kind of benefit to satisfy the responsibility towards the state and civil society. Especially the latter are seen as important point of contact for businesses to deliver their social responsibility in general.

This concludes the section with questions concerning corporate sustainability in particular, which were based on the St. Gallen Management Model. In the next section the focus lies on ethical investment practices both as currently practiced by the organisations represented by the interviewees and as perceived as ideal forms.

6.3. ETHICAL INVESTMENT PRACTICES AND ASPIRATIONS

Different sets of questions in this section were posed to the representatives of Muslim organisations and the Islamic finance experts. The representatives of Oikocredit (OIKO) were also asked to describe their investment process and practices in some detail and their answers are included in the section on Muslim representatives to have a direct comparison between civil society actors. ANA and JOUR were not asked any questions relating to ethical investment practice, because they did not represent any civil society or Islamic finance organisation.

Muslim representatives:

The questions in this section posed to the Muslim representatives aimed at finding out their attitudes and specific expectations of ethical investment in terms of, for example, investment methods. These more practice-oriented questions were originally intended as laying the ground for the development of an assessment tool for Islamic investment decisions, and the answers are indeed useful in Chapter 8, where such an assessment tool is outlined. However, they proved to be also informative for the more theoretical evaluation of the data proposed in Chapter 7. The first question posed to the Muslim representatives asked them for their general opinion on the importance of ethical investment in their own organisations. The answers are summarised in Table 6.56.

Table 6.56: Importance of ethical investment for organisations (Q55)

Interviewee	Statements
LIB	Very important Change the system from within Raise awareness Systemic level Sponsoring books or events Invest in social field if more funds were available Impact investment, social return Show that Muslims contribute positively to society *Zakat* Grading: social return only, financial return with meaningful, useful products / services, things that don't cause damage and are produced fairly
ZMD	Very important internally Current situation problematic Rating or grading system would be useful Some exclusions necessary Sketching grading system with regards to meat: Meat highest level *halal* and organic No industrial husbandry No clearly *haram* ingredients, but not slaughtered Islamically
NAQ	No such thing as Islamic bank *Bait al mal*
BUR	Extremely important
OIKO	Core business of organisation

As can be seen in Table 6.56, all respondents acknowledge that this issue of managing funds ethically is important within their organisation, but they highlight different angles to this question. It should be noted that the organisations interviewed did not seem to have large sums to manage, but with this being a rather sensitive matter this question

was not raised directly during the interviews.

LIB states that the topic is important in his eyes because money in general can have great impact and by choosing investments carefully, one could actually support systemic changes. On a more practical level, he suggests that he would use any spare funds to sponsor books or events or invest them in social activities such as elderly care or mentoring young people. His focus would be on the social return and he would like to raise awareness that Muslims can and do contribute positively to society. He also enters into a brief discussion of *zakat,* which in his opinion is the highest Islamic ritual, pointing out that all other pillars refer entirely to the relationship between man and God and not humans among one another. As a summary, he thinks that investors ideally should invest focusing on the social return only. As a second best option, focusing on the financial return with meaningful and useful products would also be acceptable and at least, products should not cause any damage and be produced fairly.

ZMD takes a completely different perspective, as he concentrates in his answer on the question of rating systems. He takes the *halal* meat production process as an example. For him in a rating, there would be a bottom line, being things that are clearly *haram* like pork and alcohol related businesses, which would be excluded, and the highest standard would be *halal* and organic with further grading levels between these two.

NAQ's response is the most interesting one, as he makes it quite clear that he does not accept the idea of such a thing as an Islamic bank. His main argument for this opinion is that at the time of the prophet, there were also no banks. He states further that the *sheikh* of the order he belongs to, *Sheik* Nazim, issued an instruction in 1995 to found a *bait al mal*, which can be translated as treasury, as a charitable organisation. With the money put into this *bait al mal*, the order was supposed to buy a farmhouse that would offer space for small businesses. As a result of these instructions, the order bought a meeting place called the Ottoman Lodge, but no further steps were taken to create this community working space.

BUR only answered this question very briefly, elaborating on the reasons for why he finds this issue important in the next question and OIKO was not actually asked this question, because the organisation Oikocredit was founded for the sole purpose of investing money ethically. Details of their investment strategy are given in Table 6.64.

The next question asked interviewees whether their organisations are already working with criteria for ethical investments, the categories arising from the answers are presented in Table 6.57.

Table 6.57: Defined criteria for investing funds ethically (Q56)

Interviewee	Statements
LIB	From the previous answer they do not
ZMD	Islam is simple and logical Every model based on sustainability and ethics always also in accordance with Islam Provides certifications of financial products and some foodstuffs - complicated Two *Shari'ah* compliant financial products in cooperation with experts in London Rating would be nice
NAQ	Core message: no businesses with more than three members Small family or private businesses Not be exposed to exploitation and abuse Sufis are craftsmen by tradition
BUR	No, but: Articles of association Have clear stipulations of how funds are used Considered engaging in more business projects
IMAM	Only receive donations and would never invest this Given for a set purpose, only use it for this Many negative examples, where this went wrong -> irresponsible and unfair towards donors

Upon the question of whether his organisation has already defined criteria for ethical investment, as can be seen in Table 6.58, ZMD expands on his scepticism of ratings in terms of their practicality. But he also explains that his organisation has actually helped to certify both financial products and foodstuff with the aid of experts. Generally speaking, he states that every rating system that is in line with sustainability and ethics would also be in line with Islam.

NAQ further explains the business model outlined by his *sheikh*. According to this, no business should have more than three members, as this would expose people to exploitation and those structures that a Sufi should avoid. He also explains that Sufis are craftsmen by tradition and that small and private businesses are generally more suitable for them. He acknowledges that this is an ideal and that in reality also Sufis experience

quite different work settings. As mentioned above, BUR explains here in some detail how the funds of his order in Germany are managed. Although he says that the organisation has not defined ethical criteria, he explains that there are clear stipulations in the articles of association of the foundation, which is the organisational structure behind the main asset of the order in Germany, which is a meeting and seminar house in Northern Germany that is rented out for social occasions (such as weddings). The articles of association stipulate that funds should be used primarily for the acquisition of properties as well as generally promoting a tolerant and open Islam. Accordingly, properties should be bought or rented for the use of the different groups in Germany as well as support the building of *zawiyas* (places for religious gatherings) in Sudan. He would also consider engaging in business projects, but most capital was currently bound in properties.

IMAM also was asked this question and he clearly stated that he would never use donations for other purposes than the ones they were meant for. He explained that there had been negative examples among Christian as well as Muslim groups where funds designated for one particular project were actually lost while allegedly having been diverted to other projects. This would be unfair and irresponsible towards the donors.

As explained in Chapter 5, at the time of the research, there were no Islamic banks operating in Germany. Nevertheless, interviewees were asked about their experiences with or general opinions about dealing with Islamic banks. The responses are presented in Table 6.58.

As can be seen from Table 6.58, there are two reactions to this question on Islamic financial products and services: the first is a certain degree of ignorance regarding Islamic finance and the other is scepticism. ZMD for instance criticises that Islamic banks basically make money with money, which contradicts the original idea of Islamic finance of pegging financial returns to real assets only. He mentions various Islamic financial products such as purchase hire and being a financial business partner that carry the ideal of Islamic finance such as risk sharing and participation. He also explains that his organisation does not have considerable financial activities and that they bank with a mutual bank.

Table 6.58: Opinions on using Islamic finance products and services (Q57)

Interviewee	Statements
LIB	Knows too little about this
ZMD	No such thing as an Islamic bank Tag financial returns to real assets Idea of shared risk and participation central IBF institutions sometimes use dodgy bypasses Own financial means very limited
NAQ	Does not work Paper money system Changing value of money That's *dunja* and Sufis do not follow *dunja*
BUR	Long-standing working relationship with social bank cooperative (GLS) Bank supports community centres and such projects Impressed how they support communities They take administrative fee, not interest
OIKO	Not aware of ever having worked with Islamic microfinance organisations
IMAM	Have been in touch with Islamic Development Bank Only invests in education (not mosque projects)

NAQ, as pointed out before, rejects the idea of an Islamic bank outright; linking it to the paper money system he talked about before and to speculation. He also argues that a Sufi would not deal with such issues as they belong to *dunja* ('worldly affairs').

BUR and LIB acknowledge that they do not know much about Islamic finance. For BUR, this issue is not a matter of great interest, because the order has a long-standing relationship with a German social bank. He explains in some detail how the business dealings with this bank work, such as it being a cooperative, customers become cooperative shareholders when dealing with the bank, essentially, the order is a cooperative member of the bank, therefore. He states that this bank is working along the same ethics as the Sufi order, especially because it supports community centres and such projects. He further explains that they take an administrative fee rather than interest. IMAM states that for a mosque project, he has been in touch with the Islamic Development Bank who would fund educational projects rather than the building of mosques. OIKO were asked whether they cooperate with any Islamic microfinance organisations, but they responded that they were not aware of it as the details of which organisations Oikocredit deals with are managed at country level.

In a next step, interviewees were asked about the main motivation for investment decisions, differentiating between high financial returns on the one hand and the focus

being placed on social returns on the other hand. The categorised responses to this question are presented in Table 6.59.

Table 6.59: Primary motivation for investment decisions (Q58)

Interviewee	Statements
LIB	Mainly social orientation Financial gain ok as long as it is not on the back of others (but often not possible)
ZMD	Islam life-embracing religion Conditions for making profit ethically *Zakat* Reality check
BUR	Profit orientation is ok as long as certain criteria are met Ethical criteria are a cap
OIKO	A mixture of both, but financially better than pure charity But social return more important

As Table 6.59 shows, among the Muslim respondents, there is a unison opinion that generally Islam is not against making profit. From this acknowledgement, the interviewees diverge in their main motivations for investment decisions. For instance, LIB states that he would focus on the social aspects with financial aspects being mainly considered out of necessity. ZMD, on the other hand, states that his organisation would not want to do more than is required by Islam, as he does not see any fundamental contradictions between profits and ethics, especially as profits can be balanced through *zakat*. However, he also admits that usually, high profits are not achievable without ethical drawbacks. By taking a similar stance, BUR emphasises that ethical criteria would act as a cap underneath which the generation of returns would be acceptable.

OIKO represents a system where these considerations are actually put to practice. Two aspects are interesting here: first of all, there is a cap to the financial return of not exceeding 2% per year and they also make it clear that the *social return* is very important.

After having established the general motivation for investment decisions, the following questions dealt with particular perspectives of ethical investment. The first of these questions looked at the issue of the ownership structure of a company and whether this was seen as an important criterion for investment decisions. Answers are summarised in Table 6.60.

Table 6.60: Importance of ownership structure of a company as an important decision criterion (Q59)

Interviewee	Statements
LIB	Mainly in small, local businesses Businesses that treat their employees well, have a good standing and are rooted in the community Family-run Large, anonymous corporations, intransparent Cooperatives (grassroots democracy) Employee participation
ZMD	Pragmatic approach Grading: cooperative, equity based general, no debtors, bonds with guaranteed return not Islamic Exclusions Ideal Cooperative would have higher grade than PLC
BUR	Yes Family business Community-orientation Small businesses (e.g. in Sudan) PLC alienated construct only focusing on shareholder value, not desirable
OIKO	Cooperatives Aims to help poor people to help themselves Help as long as they don't get help from anywhere else Cooperative structure is really important Socially oriented family businesses,

As Table 6.60 shows, with regards to this question, the interviewees were presented with the different types of ownership structures, such as publicly traded company, cooperative, family owned business *etc*., to illustrate the point. The answers show that this issue is perceived as an important one. It is also interesting, because what OIKO describe as their strategy of investing mainly in family businesses and cooperatives with the aim to help poor people to help themselves resonates well with the ideas put forward by LIB and BUR regarding this matter. OIKO also explain clearly that their organisation does not support publicly traded companies, because their primary aim is to maximise profits, which is in contrast to the above stated aim of the organisation. They also do not invest in enterprises that have other access to the financial market. In line with this, LIB states that he would prefer investing in small local and/or family-run businesses or cooperatives that are rooted in the community and treat their employees well and not large corporations. Similarly, BUR states that family businesses with an orientation towards the community would be his preferred investment objects. With the

Sufi order BUR represents having its 'headquarter' in Sudan, he also suggests that it would be good to support small businesses there. He also expresses doubts against publicly traded companies for similar reasons as given by OIKO and LIB. ZMD takes a somewhat more pragmatic approach, emphasising that the topic is not completely irrelevant, but that the main criteria would be that the investment was equity based, not debt based. His answer is therefore more in line with the Islamic finance industry's perspective. He also proposes, though, that one could grade the ownership structures, whereby a cooperative would be ranked higher than a publicly traded company to illustrate that both of these structures are acceptable, because they are equity based, but there is a qualitative difference. As the exclusion level, one would rank debt-based assets such as bonds. He points out that the prohibition of interest (as would be generated by bonds) is not about the profits, but about the profits being independent from the actual performance of the underlying asset, pointing back at the idea of profit-and-loss sharing.

The next question on the nature of ethical investment looked at the question of whether the size of a company should have influence on investment decisions. The categorised responses are presented in Table 6.61.

Table 6.61: Company size (Q60)

Interviewee	Statements
LIB	As above
ZMD	Personally, friend of small companies Monopolies problematic Too much market power
BUR	The larger a company the more complicated it gets No exclusion
OIKO	Maximum funding of EUR 10 million From a certain size businesses do not need Oikocredit anymore

With regards to company size, as can be seen from Table 6.61, LIB expressed previously that he would prefer investing in small companies and not consider investing in large corporations. Here, both of the Muslim representatives asked this question (ZMD, BUR) specified though that size would not be an exclusion criterion. As mentioned before, Oikocredit does not support companies that are large enough to have access to the conventional financial market; they also have a cap of 10 million EUR funding per enterprise (OIKO).

The next question asked interviewees whether it would play a role for their investment decisions that businesses claimed to be Islamic or that they operated mainly in countries with a large Muslim population. The responses were categorised and are presented in Table 6.62.

Table 6.62: Main area of business activity and Islamic orientation (Q61)

Interviewee	Statements
LIB	In line with Islamic ethical principles Do not need to declare they are Islamic
ZMD	No need, but preferred
BUR	Not important Look at actual ethics
OIKO	Regional distribution of funds disclosed

It should be noted that this area did not produce such strong stances as the question on ownership structure. As can be seen from Table 6.62, respondents mainly answered the question with regard to Islamic orientation being important or not and not so much with regard to geographic area. The answers were again somewhat similar with LIB stating that as long as the investment was in line with Islamic ethics, it would not need to be declared Islamic openly. ZMD takes a similar view, but emphasises that this would be a preferred option. BUR takes the stance that these aspects would not at all be important, but that he would look at the actual ethics. OIKO refer to their annual report, where the regional distribution of funding is disclosed in detail.

The interviewees were then asked which types of investment they would prefer. The different types such as shares and bonds were briefly explained to them. The categorised responses are presented in Table 6.63.

Table 6.63: Type of investment (Q62)

Interviewee	Statements
LIB	Avoid shares Close to speculation Invest in small companies, without shares and without speculation
ZMD	No preference
BUR	Equity better than credit Case-to-case decision
OIKO	Both credit and equity Better insight into cooperative Bookkeeping done from HQ Equity limited

Although the question on type of investment is very closely related to the question on types of ownership, there are some interesting perspectives introduced by the interviewees here that were not mentioned before. As can be seen in Table 6.63, for instance, LIB refers to a book written by 19th century French anarchist Proudhon to explain his reluctance when it comes to investing in shares, as he sees close links between trading in shares and speculation. He would prefer investing in small companies without shares and without speculation.

ZMD once again takes a pragmatic stance, indicating that he would have no particular preference, even though small businesses and start-ups would be nice to invest in, but it would mainly be the activities of the companies that would count not the size or type of business. BUR takes a very interesting point of view here from an Islamic finance perspective, in that he states that equity based investments are better than credit based, because of a stronger link to the investment and greater responsibility, but that it would be a case-to-case decision, thus not ruling out credit based instruments *per se*. Again, as a sort of reality check, OIKO were asked to explain their business model and they state that they use both credit and equity based instruments, whereby equity would give the advantage of having better insights into the dealings of the cooperative. However, equity type of investment is limited to 5% of total funds (probably for risk management reasons).

Table 6.64: Investment methods (Q63)

Interviewee	Statements
LIB	Positive and negative screening belong together Impact investment Microfinance
ZMD	Positive screening good Activity-oriented Grading Even if detailed analysis, not certain whether results are true Islam only forbids what is necessary Number of criteria depends on size of company and complexity of activity
BUR	Impact investment Microfinance
OIKO	Five criteria Description of process

In the final question to the civil society representatives, they were asked about their preference of different investment methods such as positive or negative screening.

Again, different types of investment methods were briefly explained to them. The preliminary analysis of the answers is presented in Table 6.64.

For this question, different types of investment methods such as negative screening, positive screening and impact investment were briefly explained to the interviewees and they were then asked whether they would prefer any of these methods. As can be seen in Table 6.64, in the case of OIKO, the question was phrased somewhat differently here to find out which of these methods they are using in the investment process. They explained that they have five main criteria to decide whether to provide funds to a certain enterprise: the enterprise should be economically viable, it would need foreign investment as it could not access local banks, environmental protection should be considered, women would have to be involved in the decision-making process at all levels and they would need functioning accounting. In addition to that, every project is evaluated by means of an ESG (environmental, social, governance) scorecard. If for example a microfinance organisation in a developing country applied for funding, their first point of contact would be the Oikocredit country office. If the amount of funding the organisation applies for is very large, the decision rests with the headquarters of Oikocredit in the Netherlands. OIKO also point out that they often supported the funded organisation or business by other means such as trainings and consultancy as well.

As opposed to OIKO who refer to an actual process, the three Muslim respondents could only express their (theoretical) preferences. LIB comments on negative and positive screening as belonging together and both would be useful. However, he expresses a tendency towards impact investment and microfinance, as it helps people directly. BUR also favours these last two investment methods. ZMD on the other hand favours positive screening whereby activities would be graded. He makes clear, however, that the list of criteria should not be too long. Yet, he also acknowledges that even a detailed analysis might not guarantee that a company really acts in line with one's ethics. The number of criteria used for screening a company would depend on its size and complexity of activity, whereby issues such as corruption, working conditions and job security would be applicable for large corporations. As a follow-up, he was asked what would be important exclusion criteria, the answer to which will be found in Table 6.65.

Table 6.65: Exclusion criteria for negative screening (Q64)

Interviewee	Statements
ZMD	Child labour Humane debt collection Exploitative women labour Treatment of employees Fraud Respect for all creation No industrial husbandry Guidance in the Qur'an

The exclusion criteria ZMD mentions in Table 6.65 cover a range of topics from child labour to fraud and humane debt collection. He also points out that further criteria might be derived from the Qur'an and the Islamic ethics expressed there.

In addition to the questions posed to the Muslim representatives, OIKO was asked to describe the process of how they monitor their business partners, and the responses are presented in Table 6.66.

Table 6.66: How do you monitor your business partners? (Q65)

Interviewee	Statements
OIKO	Describes process

They describe the process to be as follows: First of all, they work together with local partner organisations and keep in close contact with them through regional offices. They conduct regular so-called study travels to get to know partner organisations. The business partners pay back the credits on a monthly basis and issue regular reports. When these reveal any weaknesses, consultations follow. In addition, the organisation conducts social auditing in almost every country, which monitors results rather than organisational structures.

As explained above, questions regarding ethical investment that were posed to the Islamic finance experts differed somewhat from those posed to the civil society representatives. As the interviews with the Islamic finance experts were conducted at a stage where the preliminary analysis of the interviews with the civil society representatives and the SRI experts had already been completed, the questions in this section took up some of the input from the Muslim civil society representatives.

Islamic Finance experts:

This final section presents five questions regarding ethical investment and the Islamic finance industry and the answers to each of these question from the two Islamic finance experts that participated in the study. The first question was only posed to the representative from IFIBAF. The categories that emerged from his answer are presented in Table 6.67.

Table 6.67: Practice of ethical screening in Islamic finance industry (Q66)

Interviewee	Statements
IFIBAF	No, his suggestion, tries to promote this among IBF institutions IBF institutions further advanced than ethical investment who only issues vague qualitative statements, already two clear filters, but third filer on ethical issues needs to be included Workers deserves a just wage, this wage should be paid timely

This question on the practice of ethical screening in the Islamic finance industry was asked as a follow-up to the interviewee's description of the different ethical screens (industry screening, financial ratio screening, and ethical screening) that should be applied in Islamic finance (Q3). As can be seen from Table 6.67, the interviewee states clearly that this third type of screens is not very widespread in the Islamic finance industry, but that he is promoting it and thinks it would be an important addition to current practice. To his opinion, the Islamic finance industry is more advanced than ethical investment as it has defined two clear filters rather than vague, qualitative statements. However, using examples such as working conditions of construction workers in the Gulf states, he makes clear that ethical screening would be an important addition, for instance to ensure that Islamic stipulations such as timely payment of wages, are met.

The next question is similar to the question on the preferred types of investments posed to the organisation representatives, the analysis of which is presented in Table 6.63, but when posed to the Islamic finance experts it was formulated in a more general manner. The categorised answers are presented in Table 6.68.

As can be seen in Table 6.68, IFIBAF does not respond directly to this question, but rather explains in greater detail the 'pillars' of the Islamic finance industry in his eyes and how they are interrelated.

Table 6.68: Islamic preferences regarding the type of investment (Q67)

Interviewee	Statements
IFIBAF	Islamic Finance rests on six pillars*: riba, zakat, maysir, gharar,* screening, certification *Riba-zakat* complex Leverage can increase equity return, but is not allowed in Islam Fixed set of criteria Look at context (*sabab al nusul)* Islamic values around: translate them to today No-one in Islamic finance industry knows Brundtland report Both sides should learn from one another Open system, needs continuous improvement, no final stadium *Ijtihad* Reflection and reasoning and making it transparent
IFEx2	Muslim customers invest primarily in their own business or in real estate Shares are not relevant. There is always *riba* when investing in shares and it has only been accepted in modern times out of necessity

He explains *zakat* in more detail and then goes on to explain that the Islamic finance industry should take up issues arising in a modern economic context based on the main sources of Islam, but taking into consideration aspects such as the *sabab al nusul* (context of revelation), it could actually develop ethical screens that reflect Islamic values. He also discusses the problem of tolerance levels for exclusion criteria, because if every exclusion criterion carried zero tolerance, hardly any company would remain investable. He further points out that key texts about sustainable development are hardly known within the Islamic finance industry and sums up his answer by saying that it is a continuous process of reflection and reasoning (to define *Shari'ah* compliance within the industry). In contrast to this elaborate answer, the second Islamic finance expert points out that from his experience, shares are not relevant for Muslim investors *per se* as they would rather invest in their own business or in real estate. He likens the investment in shares to a necessity in modern times, a compromise in a way, as it would always involve interest.

Taking up the idea that ethical investment can be seen as ranging between approaches focusing mainly on financial returns and those with emphasis on social returns, a similar question was formulated for the Islamic finance experts, whereby it was eventually only posed to the Islamic finance expert working in an Islamic bank (IFEx2). As he provided it in writing and it is very brief, it was only coded slightly and his answer is presented in Table 6.69.

Table 6.69: IBF institutions' positioning between profit orientation and ethical expectations (Q68)

Interviewee	Statements
IFEx2	Not profit orientation, but yield orientation in the sense of a positive return. The latter is acceptable when both parties benefit and nature and society are only burdened moderately

As can be seen in Table 6.69, this answer is self-evident and does not require further summarisation.

In reaction to BUR's mentioning of his organisation's dealings with one of the social banks in Germany, the next question to the Islamic finance experts asked about the relationship of IBF institutions with social banks and their positioning towards them. The answers are found in categorised form in Table 6.70.

Table 6.70: Positioning of IBF institutions in relation to social banks (Q69)

Interviewee	Statements
IFIBAF	Only 10-15% of Muslims interested in IBF Many Germans interested in ethical investment / banking IBF should emphasise ethical character, be open to all Service quality decisive point for success Limited product range ok, do not copy / re-engineer every product out there Might as well reproduce 'Islamic subprime' Acknowledge difference and play out as strength Similar to GLS bank
IFEx2	Similar thinking, but different target groups and methodologies

As can be seen in Table 6.70, IFIBAF states that it would be a mistake for any Islamic bank in Germany to target only Muslims as only a minority of them is actually interested in Islamic finance, but there are many more Germans interested in ethical banking and investment and therefore any Islamic bank should emphasise their ethical character and that they are open to all. He then enters into a discussion of the legal problems faced by the first bank aiming to get a banking license in Germany at the time of the interview (May 2014) and the debate within the community whether it would actually need such a license in the first place. He also outlines that 'conventional' issues such as service quality are also relevant for Islamic banks and that Islamic banks should be more outspoken about their limited product range as a positive attribute, because if they aimed at re-engineering every conventional financial product, they might just as well reproduce an Islamic subprime crisis.

Since it is self-explanatory, again the statement of the second Islamic finance expert does not need to be summarised further.

Finally, along similar lines as the previous question, the last question posed to the Islamic finance experts aimed to elucidate the relationship of Islamic banks with sustainability rating agencies. As outlined in Chapter 4, there seems to be little convergence between the two areas in academic terms. This question, therefore, helps to identify whether this observation has also been made by practitioners working in the field. The answers are presented in Table 6.71 in categorised form.

Table 6.71: IBF institutions working together with sustainability rating agencies or other SRI actors (Q70)

Interviewee	Statements
IFIBAF	Would welcome it from marketing perspective to make Islamic finance better known They appear to think that they do everything right already Many IBF institutions only survive in 'protected areas' Play by the rules you set yourselves Advantages of Islamic finance: clear rules, clear investment strategies, make this transparent Would be aided by working together with renowned institutions and learn from one another
IFEx2	Investment in shares not interesting to Muslim customers Funds have only little assets under management Some actors active in the field

As can be seen in Table 6.71, whereas IFIBAF welcomes the idea of IBF institutions working more closely with SRI actors and acknowledges that he does not know why Islamic banks do not cooperate more with SRI actors, the second Islamic finance expert points to the fact that investment in shares is not very important in the Islamic finance sector, but that there are some actors that are active in both fields. IFIBAF differentiates further, stating that possibly IBF institutions feel that they do everything well already, disregarding the fact that they only survive in 'protected areas' and would not stand a chance in the highly competitive European market in terms of competitors and regulations. As an example for the latter he points to the application or rather circumvention of anti-money laundering laws in the Middle East. He states that Islamic banks do have clear advantages compared to conventional banks such as clear rules and investment strategies and they should make this transparent and use as a strength rather than wishing to compete with the major conventional players. Working together with

SRI actors and learning from one another could support this.

This chapter has been a lengthy, but crucial presentation of the qualitative data collected through ten interviews with Muslim civil society representatives, SRI and Islamic finance experts. In order to provide a sound basis for the further analysis, tables were provided in this chapter showing the categories that came out of the coding exercises for each of the questions asked in the interviews. The accompanying text provided further detailed summaries of the answers that substantiated and explained the categories.

The next step is to further analyse the data, now moving to the interpretative step of the research process, in which the focus of attention is on the question as to what kind of economy is actually depicted in the answers and what this means for individual actors. For this, a theoretical model will be developed in Chapter 7. In addition, the more applied question of how to develop an assessment tool for Islamic sustainable investment decisions from the data will be looked at in Chapter 8.

7. CONSTRUCTING AN ISLAMIC ECONOMY MODEL

The aim of the previous chapter was to present the data in a way that much of the original data could still be seen with the first part of the analysis having already been completed. The text generated through the interviews was already condensed into codes and categories, following the methodology of 'grounded theory'. The categories were listed in tables and then explained in more detail. This way the richness of the data and the diversity of answers could be made evident.

The main aim of this chapter is to 'make sense of the data' and in accordance with 'grounded theory', propose a theoretical framework or model that emerges from the data, namely an Islamic economy model. As can be seen, the basic structure of the Islamic economy model stems from a framework developed in economic sociology. Section 7.1. will therefore explain this framework as well as present a brief introduction to the model and its different components, which will then be described in greater detail in the Sections 7.2. to 7.4. Finally, in Section 7.5, the model will be related to the existing body of theory within Islamic economics.

7.1. PRELIMINARY REMARKS

Before introducing the Islamic economy model developed in this study, this section will illustrate some of the initial problems associated with the data analysis and interpretation. These problems were mainly associated with the different theoretical foundations that have informed the research process. For example, the literature review (Chapters 2 to 4) introduced Islamic economics and finance as well as the area of sustainable development. System theory was the theoretical foundation for the design of the interview guideline, while, as explained, transdisciplinarity can be seen as the overall research philosophy. However, when it came to the analysis and interpretation of the data, these theoretical foundations offered little guidance on how these rich and diverse data could be merged into one coherent and meaningful theoretical model. The theoretical foundations mentioned above seemed either too broad (such as system theory) or too specific (such as much of the Islamic economics literature). In particular, most of the foundational texts of Islamic economics are theoretical works, which base

their reasoning on the original sources of the Qur'an and *Sunnah* rather than on empirical observations of Muslims and their everyday life. However, it is this everydayness and the plurality that comes with it that is the basis of the present study and Islamic economic theory did not offer guidance on understanding the diversity of the data. Therefore, the research turned to a framework that does offer this robustness and coherence. It was developed by Portes (2010) and illustrates the different lines of inquiry or explanatory mechanisms in economic sociology. It is shown in Figure 7.1. By explanatory mechanisms, Portes (2010: 2) means midlevel theories or concepts.

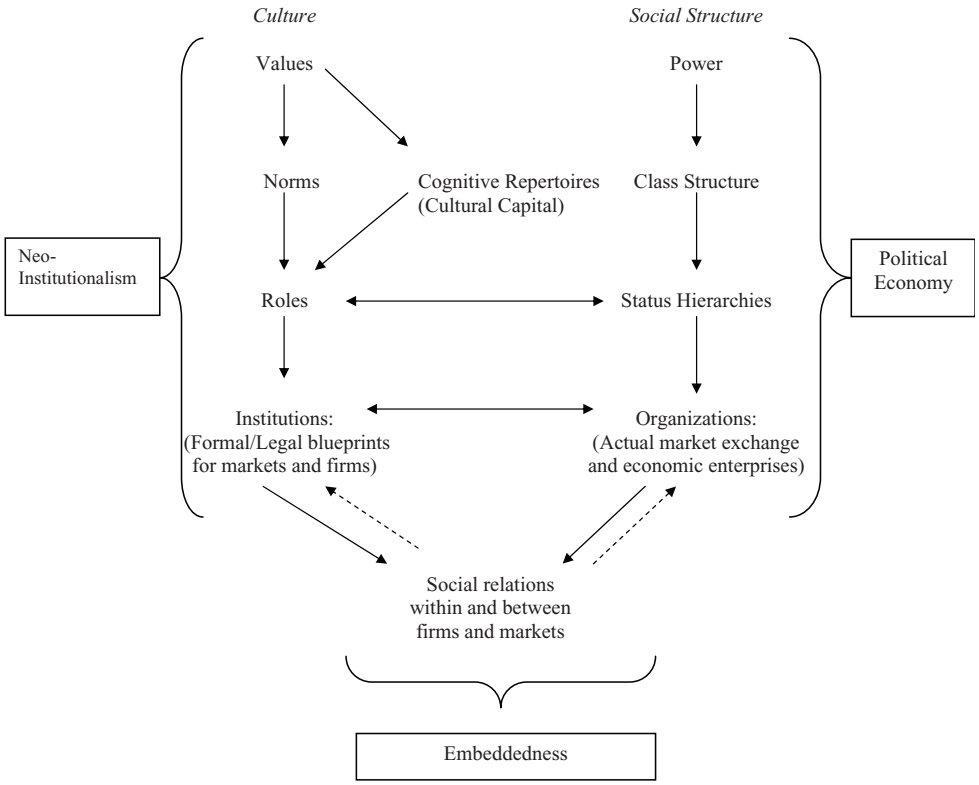

Figure 7.1.: Lines of Enquiry in Economic Sociology
Source: Portes, 2010: 69

The two main lines of enquiry depicted in Figure 7.1 are 'culture' on the left hand side and 'social structure' on the right hand side. Culture is equivalent to the theory of new institutionalism and can also be understood as the line of enquiry that deals with the soft factors underlying society and the economy. Social structure is equivalent to political economy and deals with the 'hardware' such as organisations. Both strands, culture and social structure, are connected through the concept of 'embeddedness', which means that the economy and businesses need to be examined not as isolated entities but rather

within their broader social context.

Within these lines of enquiry there are different levels of causal influence (Portes, 2010: 54). In the case of culture, the deepest level of causal influence is the level of values. This level is largely invisible in everyday life and remains constant over long periods of time. Institutions are that part of culture that is visible and collective, meaning that these are more easily discerned in everyday life, and also more prone to change. Other levels are called intermediate and visible (individual) and are allocated in between the two levels just explained.

Portes (2010) provides brief definitions for each of the elements of his framework, which will be used here. According to Portes (2010), values are general moral principles that underlie people's behaviour. They manifest themselves in norms, which Portes (2010: 52) defines as 'concrete directives for action'. Norms can be formal, such as laws or company policies, or informal. Portes (2010) stresses that norms usually carry an element of sanctions or enforcement and that the severity of the sanctions is an indication for the importance of the underlying value of this norm to society.

On the same level of causal influence of the framework we also find the concept of 'cultural repertoires' or cultural capital. According to Portes (2010: 29), cultural capital means 'the formal educational credentials that an individual possesses and the more intangible complex of values and knowledge of cultural forms in his or her demeanor'. Cultural capital is not considered in the present analysis, as there seems to be not enough evidence in the data for a meaningful interpretation of this element.

The next level of culture is that of roles. Portes (2010: 52f.) calls a role an 'organised bundle of norms' allocated to how individuals act as 'occupants of particular social positions'. Roles come attached with certain normative expectations, skills and cultural toolkits, such as language.

Finally, institutions, according to Portes (2010: 55), 'comprise a set of rules, written or informal' governing relationships among role occupants in organisations, which in this case is a broad term that can apply to the family, schools, the economy, companies, religion for example. Portes (2010: 55) also calls institutions 'symbolic blueprints of organisations' to differentiate them from the more tangible, visible organisations. He points out that in new institutionalism, as understood by economists, everything that is

somehow constraining ‘rational’ behaviour is called ‘institution’. This is in contrast to the sociological understanding of the term as presented in his framework.

As depicted by the right hand strand in Figure 7.1., organisations are the visible element of the explanatory mechanism of social structure. Social structure essentially is an expression of power and power relationships and is divided in Portes’ (2010) framework into the levels: power, class structure, status hierarchies and organisations. With regards to power, Portes (2010: 53) refers to two classical definitions. He states that in the Weberian sense, power means the ability of someone to make others do as he wishes even against their own will, and that an extended definition of power as Marx saw it would be the control over the means of production, the means of diffusing information and the means of violence. (Portes, 2010: 53)

The next level in the framework is ‘class structure’ meaning a group of people who have similar (problems of) access to resources and therefore share experiences and life chances (Portes, 2010: 54).

The two visible levels of causal influence within social structure are status hierarchies - depicted in organisational charts in companies for example - as well as organisations, which can refer to everything ‘people normally inhabit in the routine course of their lives’ (Portes, 2010: 55).

Both institutions as the soft factors and organisations as the hardware of the economy are embedded in a wider social context, as can be seen Figure 7.1, which also means that they are influenced by social factors. The understanding of embeddedness in the context of this study is informed by two studies: Polanyi (2014) takes on an economic history perspective to argue that it is only the modern liberal market economy that claims to be functioning on a self-regulating basis, completely detached from its social context. Accordingly, before the advent of this modern market economy, economic activity and institutions were always deeply embedded in society and social rules. Granovetter (1985) focuses on the meso- or organisational level. He argues that economic activity needs to be examined through the social relations between economic actors instead of working on the assumption that economic activity is conducted by individuals who aim at maximising their utility. Both approaches to embeddedness are explained further in Section 7.4.

Portes (2010) framework is used as the basis for developing the theoretical model of an Islamic economy that is shown in Figure 7.2. Because it shows lines of enquiry in economic sociology, the framework proofed to be very useful in structuring the data, converging them into one coherent picture and at the same time maintaining the richness of data and the variety of topics covered.

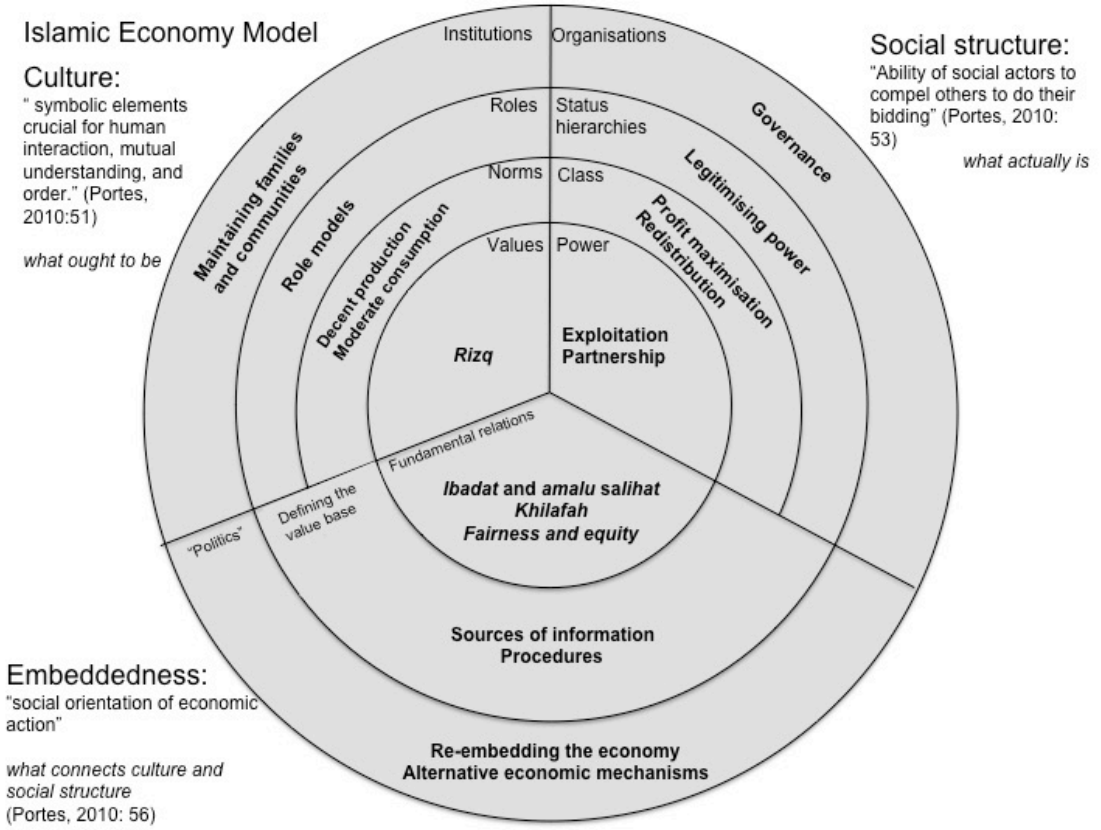

Figure 7.2. Islamic Economy Model
Source: own illustration

It should be noted that although the model is called an Islamic *economy* model, the focus of the analysis lies on the meso- or organisational level. The theory developed in this research centres around the ideal business and how it interacts with its environment and stakeholders. There are elements of the model that go beyond this level, for instance the top level in the part of embeddedness focuses on politics.

In line with Portes' framework, the model consists of three parts: culture, social structure and embeddedness. These parts are further divided into the levels of causal influence described above; namely values, norms, roles and institutions in the case of culture; and power, class structure, status hierarchies and organisations in the part of social structure. In Portes' (2010) original framework, embeddedness is not subdivided

further. However, when embeddedness is understood as the element that connects culture and social structure, such division seems plausible. Thus, embeddedness is subdivided into foundational relations, 'defining the value base', and 'politics' in the model proposed in this study.

The circular form of the model was chosen to illustrate that the three parts should be understood as different aspects of one unit: the economy. Within each element, we find only one or two phrases or terms that can be seen as the central idea or core category and each will be discussed in greater detail in the following chapters.

In the culture part of the Islamic economy, the central value that lies at the heart of the idea of an Islamic economy is the concept of *rizq*. It is supported by norms that deal broadly with decent production and with moderate consumption. For this, a number of role models can be identified. Finally, different institutions can be identified that should all have the ultimate purpose of maintaining or supporting families and communities.

On the deepest level of the social structure part, namely the level of power, the current economic system is associated with exploitation, and the notion of partnership is introduced as a means to counter this exploitation. Class did not play an important role in the interviews and therefore this level looks at power differentials in general with profit (maximisation) being a major driving force for such differentials, while redistribution acts as a counterbalance. When looking at status hierarchies, we focus on mechanisms to legitimise power. Finally on the level of organisations, we look mainly at governance issues.

The part dealing with embeddedness or the 'social orientation of economic action' (Portes, 2010: 56) looks at how culture is materialised in social structure and *vice versa*. At the deepest level, called foundational relations, we extend the idea of social relations to include the relations of people with God and with nature. On the next level, we discuss tools that help to 'define the value base'. These tools are subdivided into sources, such as Qur'an and *Sunnah*, and procedures that help to define the value base such as 'consultation'. In the final level, called 'politics', we deal with the question of how in a top-down fashion, the economy could be re-embedded into society and which role alternative economic mechanisms can play in the process.

Due to the large amount of data generated in the interviews and the shift of focus on

theory development in Islamic economics, only the interviews with Muslim respondents were used from this stage onwards. Although it would have been interesting to also use the interviews with the SRI experts in this analysis, this is beyond the scope of the present study and needs to be deferred to future research.

In this section, initial problems to 'make sense of the data' were briefly outlined. The solution was to use a framework developed by economic sociologist Portes (2010) that combines the explanatory mechanism 'institutions' with that of social structure and relates them to the concept of embeddedness. The resulting Islamic economy model was then briefly explained. The following sections will look at each of the three parts of the model in greater detail. Also, there will be a final section that focuses on relating the model to the existing theoretical concepts in Islamic economics.

7.2. THE CULTURAL ELEMENTS OF AN ISLAMIC ECONOMY

This section provides an in-depth analysis of the data relating to the elements of the culture part of the Islamic economy model developed here. In order to present a coherent picture that is clear and easy to understand, each element is characterised by only one or two concepts. In the following sections, each of the concepts is explained in detail. Links between the elements and concepts are also explained. Even though at this stage of the analysis, we interpret the data rather than present them, every interpretation clearly refers to a statement from the original data using the abbreviation of the interviewee as well as the question number displayed in the tables in Chapter 6. In some occasions, translations directly from the transcripts are used.

7.2.1. Rizq

In this section, the values, which form the basis of the presented economic model, and which are deduced from the interviews, are explored and examined. The central value is *rizq*, which is explained first. Related values are 'basic needs', 'moderation' and 'responsible profit'. These are also explained in detail and the connection to the central value is shown.

Rizq

The term *rizq* is Arabic meaning sustenance or provision. As religious concept, *rizq* can be understood as the promise of God to give everyone sustenance and that he provides for everyone as becomes clear in the following analysis. The concept is directly mentioned by some interviewees (such as: NAQ, IFIBAF Q31; JOUR Q21) and is also referred to indirectly by others (ZMD, IMAM, LIB Q21; BUR Q31).

Rizq comes up as a concept when the interviewees were asked about two contrasting Islamic opinions in relation to resources: the idea that God provides us with all we need and therefore, there is no real scarcity of resources versus the importance of moderate consumption (Q21). Thus, the concept of *rizq* was actually described to the interviewees. They acknowledge the existence of this concept, but at the same time warn that this does not mean that there is no scarcity in real life. BUR for instance states that it is in a sense a childish view to claim that there is no scarcity of resources and that a child needs to learn that some things are limited. He also calls the idea an irresponsible view and explains that it is not only necessary to limit the use of resources but also to limit one's own desires. ZMD, NAQ and IMAM elaborate that greed and wasteful behaviour are the reason why in the present world not everyone is provided for sufficiently. In that sense 'hunger is man-made' as one of the Islamic finance experts (IFEx2) puts it succinctly. Thus, *rizq* can be seen as a promise to the individual that God provides for them, but this promise also carries a responsibility for the community to make sure that it is fulfilled. In that sense it is an appeal to every person to check his or her own desires and needs. Therefore apart from the promise to the individual, *rizq* has a social bearing as well and as such can be seen as a measuring rod for social justice and social equity.

Rizq also comes up when interviewees were asked about the meaning of work in Islam (Q31). The Islamic finance expert from IFIBAF states that according to a *hadith*, three-quarters of *rizq* comes from work, whereas BUR states in the answer to the same question that *rizq* is laid down for each individual from birth and therefore cannot be influenced by people's behaviour (which does not mean that people should not make an effort and rely on God's provisioning alone). JOUR (Q21) voices a similar view and explains that this has a comforting as well as an educational effect. This shows that the interviewees agree on the concept as such and yet differ greatly on its theological

details.

Before moving on to the next value, it should be noted that *rizq* can be translated as sustenance in English and therefore is closely linked to the verb 'to sustain' and the idea of sustainable development. In German, this connotation does not exist as the German word for sustainability relates to the idea of long-term development rather than sustenance. The concept of *rizq,* therefore, does not relate automatically to sustainable development, but has become the central value of the model on the basis of the input of interviewees.

In summary, *rizq*, meaning the belief that God provides for everyone and gives everyone their sustenance, can be seen as the central value of the Islamic economy model, which can act as a measuring rod for the social justice of an economic system. God's promise has certain limiting factors such as people's own (lack of) endeavour, their abundance of desires or their greed and wastefulness. Thus, the concept of *rizq* also implies that people's needs and desires play a central role in the value system of an ideal Islamic economy. This leads to the next two values that can be identified from the data, basic needs and moderation.

Basic needs

The concept of *rizq* as outlined above can be aligned with the second value that emerged from the data, the value of basic needs. Throughout the interviews, we find the idea that it should be a priority of all economic activity to fulfil basic needs (BUR Q1, Q22, Q24; JOUR Q4, Q12; LIB Q2, Q10, Q18, Q31; IMAM Q16, 18, 21; IFIBAF Q22). In that sense, we may understand *rizq* also as referring first and foremost to basic needs.

Two topics pertaining to basic needs emerge from the data. The first topic deals with the definition of basic needs. For IFIBAF, the *maqasid al Shari'ah* as defined by Al Ghazali (the protection of *deen* (faith), personality, intellect, property, and posterity) define the basic needs that have to be met no matter where people live (Q22). Other interviewees refer to different basic needs. For instance, LIB states that basic needs are defined by the UN Human Rights Charter and include aspects such as free education, medical care, shelter, and clothing (Q31). BUR mentions food, shelter and the right to work (Q1), whereas NAQ states that 'the only thing man needs is to die' and everything

else is provided by God (Q26). IMAM (Q26) states that it is sinful (wastefulness) to invest in 'unnecessary' technology, when at the same time not everyone's basic needs are met and as such he defines bread and water. Unnecessary technology in this context refers mainly to modern information and communication technology such as smartphones.

The second topic relating to basic needs in the data deals with the process of providing basic goods and services. For instance, BUR demands that companies should direct their action towards fulfilling basic needs (Q22 and Q24). Similarly, LIB states that the role of the economy in sustainable development (Q2) is to fulfil basic needs. At the same time, we also come across the notion that the state should ensure that basic needs (and services) are provided to everyone (*see*: LIB and BUR in Q11, and JOUR in Q12), whereby it is the task of the economy and individual businesses to produce the goods, and the task of the state to supervise and direct their just distribution.

Again, the concept of basic needs is largely agreed upon with great variations with regards to the definition of basic needs and the process of meeting people's basic needs. In summary, basic needs encompass for example food, clothing, shelter and the means to earn a living as well as the *maqasid al Shari'ah*. Both businesses and the state play a role in the production and distribution of goods and services that fulfil basic needs.

As was mentioned in the context of *rizq*, interviewees are critical of the idea that people consume more than what is defined as basic needs when at the same time, other people suffer because they have not enough sustenance. This notion is discussed in more detail in the context of the next value: moderation.

Moderation

As was explained before, *rizq* means that everyone is provided for, but not that all desires will be fulfilled. Therefore, as long as not everyone receives their sustenance in real life, one should carefully check one's own desires and needs. This can be understood as moderation.

In the interviews, moderation is mainly discussed in the context of scarcity of resources (Q21) as the term moderate consumption is actually part of the question. Interviewees take up the idea and offer their own interpretation. For instance, LIB talks about the

idea of 'the golden mean' and points out that fasting as one of the five pillars in Islam is actually about moderate consumption and learning to check one's own desires. JOUR explains that moderate consumption and moderate use of resources are a question of responsibility. NAQ cites from the Qur'an the line that 'God does not love those that are wasteful', which he understands as meaning people who do not handle resources well and carefully and who also do not give *zakat* or charity. In addition, BUR also emphasises the need to check one's own desires, and on a similar line ZMD states that if people would only use what they really need, there would be no scarcity. He also sees a link between the excessive use of mobile phones and other technologies and the increasing competition between religion and economy (ZMD Q26).

It should be noted that moderation is not limited to the topic of consumer behaviour. For instance, some interviewees emphasise that Muslims should show moderation in demanding from businesses to allow people to practice their religion at work (Q28), and accept that there might be reasons why this might not always be possible, even though it is generally perceived as a human right (IMAM, IFIBAF, JOUR, and LIB).

Moderation can, thus, be understood as a fundamental approach to life in general and economic practice in particular. It is reflected in the next level of the Islamic economy model with moderate consumption being one of the two main concepts in the element of norms.

On an individual level, moderation can be seen as the means to ensuring *rizq* and that everyone's basic needs are met. On a corporate level, we find a similar value, responsible profit, which is explored in detail now.

Responsible profit

In the current economic system, the central value would probably be 'profit maximisation'. During the interviews, the issue of profit was also discussed frequently. However, the idea of (short-term) profit maximisation is largely viewed with scepticism. For instance, LIB states that the focus on short-term profit maximisation is the core obstacle for sustainable development and is the main cause for exploitation of humans and natural resources (Q4). Similarly, BUR also connects profit-orientation in the economic sphere and exploitation (Q26). ZMD emphasises that it is allowed in Islam to be rich and to make a profit from business, but that often a high profit margin

is not possible without ethical drawbacks (Q58). All respondents agree one way or another that Islam is not against making profit (*e.g.* Q58), but that there is responsibility attached to this profit. Therefore, among other interviewees, IMAM (Q24) states that part of this responsibility is to share and to give *zakat* and charity. Another way of generating responsible profit is by refraining from certain - exploitative - practices. For instance, IFIBAF (Q24) explains that within the limits of what is allowed according to Islam, one can do whatever one likes, but not *how* one wants to do it. He describes more specifically that the profit margin might be curtailed when ensuring that ethical standards are met throughout the supply chain (Q44). Finally, responsible profit can also be generated when a business aims at contributing something positive to society such as fulfilling people's basic needs and giving people work (BUR Q22). This idea will be expanded upon in Section 7.2.4. when discussing the institutional level.

In summary, responsible profit, as gathered from the interview data, means that businesses should not aim for profit maximisation, but instead be aware that profit is always attached with responsibilities, such as avoiding exploitation and contributing something positive to society either directly or through charity. This value can be understood as moderation practiced on a corporate level and it is linked to the core value of *rizq* when responsible profit means that businesses cater for the basic needs of people.

We have now looked at the four values that can be identified as playing a central role in an Islamic economic understanding as expressed in the interviews: *rizq*, basic needs, moderation and responsible profit. It can be said that they are all closely related and that they culminate in the concept of *rizq*. On the deepest cultural level, the level of values, we can therefore claim for our Islamic economy model that the main function of the economy is to ensure that everyone's basic needs are provided for and that this can only be achieved through moderation on the side of individuals and responsible profit in case of businesses.

These central values now need to be transported to the more visible layers of the Islamic economic model. The first step is to look at the behavioural norms that take up these values as will be outlined in the following section.

7.2.2. Decent production and moderate consumption

According to Portes (2010: 52) norms are 'concrete directives for action'. They can be formal, such as laws or company policies, or informal and they often carry an element of sanctions or enforcement. The main purpose of this chapter, hence, is to identify and discuss those norms that transport the values identified in the previous chapter into the more visible levels of roles and institutions, thus linking the deep levels with the visible levels.

The norms identified can be grouped into two themes: 'decent production' and 'moderate consumption'. This division makes reference to the basic economic functions in conventional economics production and consumption, but also reflects the values described above: the requirement to supply everyone with their basic needs (*rizq*) means a certain degree of production is necessary and at the same time, moderation is required of both individuals and companies in terms of consumption patterns. Each scheme consists of a number of norms, each of which is described briefly as follows:

Decent production

The first scheme is called 'decent production' in line with a statement from ZMD (Q38) that customers have the right that the production itself is decent; because, if they buy a product, such as a pair of trousers, they would not want this to be produced by exploited children, this would not be part of the deal and eventually it would fall back unto the customer. This description sums up well the general direction of this scheme, which encompasses those norms that relate directly to products and services and the processes to create them. The scheme can again be divided into four groups of norms: 'general behavioural norms', 'behavioural norms for businesses', 'product-related norms' and 'work-related norms'.

'General behavioural norms' are norms regarding behaviour in the economic sphere in general, such as avoiding exploitation, not causing harm, not being wasteful and producing something useful. The first norm, which comes up repeatedly, relates to the issue of exploitation (*see:* LIB Q1, 4, 17, 24; BUR Q22, 26, 28; JOUR Q32; ZMD Q39, 64; IFEx2 Q45; NAQ Q56). Current economic practice is hereby associated with exploitation of people and natural resources and an ideal alternative economic system, such as an Islamic economy, would function without exploitation. Exploitation is

closely related to power and as such is discussed in Section 7.3.1., but there is also a normative perspective to it. For example, JOUR states that the main responsibility of companies towards their employees is not to exploit them (Q32). Similarly, LIB states that the avoidance of exploitation is among the main responsibilities of companies towards society in general (Q24). Another norm that is closely linked to this idea is that companies should not cause harm to society and the environment and instead contribute positively to society (*see:* LIB Q24, 36; ZMD Q24; IMAM Q17; IFEx2 Q54). For instance, IMAM states that humans may use nature, but not harm it. The other respondents largely agree with this statement (Q17). The norm of not causing harm is closely associated with the norm of not being wasteful (*see:* IMAM Q16, 21; NAQ Q21; IFEx2 Q1). IMAM and IFEx2 mention the Arabic term *israf* in this context, and as mentioned above, NAQ cites a corresponding verse from the Qur'an that God does not love those that are wasteful (Q21). In his argument the notion of wastefulness is closely linked to social injustice, and in a similar line, IMAM also describes it as wastefulness when technologies are developed and invested in that are not really necessary when at the same time people die of poverty (Q21).

The final norm in this category relates to a statement of IMAM that entrepreneurs should aim at producing something useful to humans. He outlines that Muslim entrepreneurs believe in being held accountable on judgement day, and, that, therefore, they will not aim for profit orientation alone (Q22). Even if the current economic system does not sanction behaviour that is harmful and negative for society, there will be sanctions eventually.

After introducing these very general norms, such as no exploitation, contributing positively to society / not causing harm, no wastefulness and producing something useful, that relate closely to the values identified above, we can now turn to those norms that focus more specifically on how businesses should behave within an Islamic economy. Four such behavioural norms for businesses can be identified: 'liability issues', 'environmental protection', 'transparency' and 'long-term thinking'.

Throughout the interviews, liability issues were discussed in relation to technologies (Q14), environmental damage (Q19) and towards customers (Q40) respectively. Independent from the context, interviewees stated that liability should apply both on a personal as well as on a corporate level. IFIBAF (Q14) takes the financial crisis as an

example and illustrates that hardly any individuals and corporations were prosecuted and held liable for the irresponsible behaviour that caused the crisis. Similarly, LIB states that managers should be held personally responsible in case of any damage caused through company activities both financially and up to terms in prison. He further states that companies should bear the responsibility up to the level of liquidation. ZMD refers to current German law in this context, which knows different levels of liability depending on the intent. Additionally, BUR and JOUR refer to the 'polluter pays' principle as guidepost on how to allocate liability. On a different line, NAQ is not interested in liability, but rather in repentance. He explains that it is more important that people regret when they have done something bad or harmful rather than having to pay a fine. It can be concluded from the debate on liability issues that there should be a higher level of liability than we currently witness, but that there is also a level that points towards an inner development of *feeling* responsible. This issue will play a role again when looking at the level of organisations (7.3.4).

Another norm relating to the behaviour of businesses deals with environmental protection (*see:* BUR Q1; IMAM Q17, 21; IFIBAF Q17; LIB Q23). For BUR (Q1), environmental protection is one of the main topics in the strife for sustainable development. IFIBAF (Q17) and IMAM (Q21) both agree that environmental protection is central to Islamic thought, but that in practice these issues have been neglected in modern Muslim societies. Environmental protection is seen as a task that applies to each individual and not only to businesses, yet businesses are understood as playing a central role with regards to it. For example, JOUR (Q14) speaks about hazardous substances used in textile production and IFIBAF (Q3) talks about environmental destruction in the supply chain.

The issue of transparency is the next norm in the group of behavioural norms for businesses (*see:* JOUR Q23, 32, 39; IFIBAF Q32, 44, 67; LIB Q37). IFIBAF (Q1) sees transparency as one of the main issues to contribute to sustainable development, especially in the financial industry. Furthermore, he demands that transparency is especially needed with regards to lobbying activities of companies (Q7) and in terms of making decisions transparent to employees. In a similar fashion, JOUR and LIB demand transparency on certain corporate decisions towards society. Since transparency can be linked to the question of power and the idea of partnership and accountability, it

is discussed in Section 7.3.

Finally, IFEx2 (Q23) mentions that businesses need to think long-term, a norm that is quite self-explanatory, which mirrors the German term of sustainability as described above.

Moving on to norms that deal with products and services, the first point here is that there are limits to the permissibility of products in terms of *haram* and *halal* (*see:* IFIBAF Q47, IMAM Q6). This does not only apply to meat and alcohol, which are mentioned by ZMD (Q55) and LIB (Q13) for instance, but also to certain technologies (Q13). The opinions on permissible technologies vary, but interviewees mention for example genetic engineering, nuclear power and issues relating to reproductive technologies. With regards to the latter, ZMD explains that 'not everything that can be done may be done' (Q13). IMAM (Q21) and LIB (Q55) state that companies have the responsibility to produce useful things or services; however, they do not go into detail of what 'useful' may incorporate.

The final set of norms in the area of 'decent production' deals with work-related issues. Firstly, we can derive a certain Islamic works ethics that relates to the individual. For instance, ZMD, BUR and IFIBAF (all Q31) state that people have some kind of responsibility or even duty to work, with IFIBAF making the connection to *rizq*, claiming that three-quarters of *rizq* comes from work. In contrast, LIB (Q31) emphasises that the livelihood of people should be ensured independent from work. He also differentiates between work that contributes positively to society, which is good work, and work that does not contribute positively, which is bad work. For NAQ (Q31), work is equivalent to a stain, because humans were banished from paradise. This shows that people have very different understandings of work in general in an Islamic context.

On a more specific level, interviewees agree that work should be done well and in line with the contractual agreements (Q34). Some interviewees, such as ZMD and IFIBAF (both Q34) also highlight the function of work for one's self-esteem and fulfilment, but also that the working conditions should be fair, for example with regards to payment, work-life balance and general treatment. Thus, the expectation that an individual should work to earn their living is linked to the expectation that companies provide work that enables the individual to earn a living in a decent manner (ZMD Q22). JOUR includes

in this also the expectation of a safe workplace, which includes being free of harassment and transparent regarding decisions. When discussing whether religious rituals should be allowed at work (Q28), interviewees agreed that such rituals should be allowed, but practiced and demanded not excessively. In summary, individuals are expected to work well, ideally doing a fulfilling and meaningful job. Companies should provide good working conditions that help people to earn their living. Especially noteworthy is the connection between work and *rizq*, and the differences of opinions concerning this connection.

After having looked at those norms that define how a decent production can be instituted, the norms defining moderate consumption are explored as follows.

Moderate consumption

Moderation is one of the values identified in the previous chapter. On this level, we look at norms that help to put this value of moderation into practice. The norms explained here mainly focus on the consumer side and the individual. However, some of the following behavioural norms are directed towards companies, too.

Consumer behaviour is seen as negative when interviewees are asked about environmental issues (*see:* LIB Q18, JOUR Q20). BUR (Q1) explains that sustainable development is hindered by our consumer society encouraging people to foster artificial needs. Interviewees explain further that moderate consumption has strong religious correlations. For example, ZMD emphasises how consumption distracts from religion and can be seen as an enemy to religious life (Q26). The issue of wastefulness has already been discussed (*see:* IMAM Q16, 21; NAQ Q21). This is not only relevant in terms of production, but also regarding consumption. For instance, IMAM states that wasteful use of natural resources is not acceptable either by entrepreneurs or by ordinary people (Q21). LIB establishes a link between moderate consumption and fasting (Q21). He states that one of the purposes of fasting is to find the right measure and to reflect upon one's own consumption patterns. IMAM connects moderate consumption with *zakat*. In a detailed discussion of *zakat* (Q6), he explains that a part of one's property does not belong to oneself once a certain level of affluence is reached, but rather belongs to the poor. He specifically gives the example: 'I need ten pairs of trousers. I have enough money to buy one hundred, but you do not need to. Because

these ninety trousers do not belong to you, you have to pass on, there are many people who only have two pairs of trousers and you already have ten. (…)'. This illustrates his point very clearly and shows that moderate consumption is a prerequisite to fulfilling the religious duty of *zakat*. He also alludes to the wider debate of how to fix *zakat*, as his example goes much further than *zakat* being only a certain low level tax on wealth.

We can subsume that on a personal level, moderate consumption is linked to some norms relating to environmental protection on the one hand, and certain religious concepts on the other hand. Among these are two of the five Islamic pillars, fasting and paying *zakat*. We now move on to those norms regarding moderate consumption that are geared towards companies.

To demand moderate consumption from companies goes against the current understanding of maximising profit and increasing economic growth, which dominates economic thinking today. However, some interviewees (such as ZMD, Q27) expect companies to actively encourage moderate consumption and this makes perfect sense from the point of view of an Islamic economy that has been described so far. In order to promote moderate consumption, companies should produce products that last longer, are easy to repair and that are not based on planned obsolescence (IFEx2 Q27). JOUR (Q20) describes a similar process suggesting that companies could produce for instance clothes with higher quality that last longer and sell them for higher prices rather than try to sell a lot of cheap clothes. On a completely different line, NAQ (Q38) states that companies have the responsibility towards customers to only produce *halal* products. This limits the range of products that could be consumed by people and is, thus, indirectly related to moderate consumption.

As the preceding discussion shows a number of norms have been identified, which are clustered into the two categories 'decent production' and 'moderate consumption'. When comparing them to the values discussed before, it becomes clear that most norms discussed here are a specification of the value of responsible profit. Each norm directed at companies spells out how to achieve responsible profit. In that sense, responsible profit should be achieved without exploitation, and by means of positive contributions to society, environmental protection and transparency. Correspondingly, those norms dealing with individual behaviour can be linked to the value of moderation. Norms such as environmental protection and long-term thinking as well as the work-related norms

gain depth when relating them to the value of *rizq*. We can see that not adhering to those norms may actually reduce the ability of an economic system to provide *rizq*, which as discussed above acts as a measuring rod for the success of an Islamic economy.

The norms help us to better understand the relationship between the values discussed above with *rizq* and basic needs building the deepest levels, and moderation and responsible profit already being more specific and geared toward the level of norms. The norms should also help to explain what interviewees expect of the different roles that are discussed in the next section with regards to our Islamic economy model.

7.2.3. Being role models

The first of the two visible levels of causal influence according to Portes' (2010) framework is the level of roles. As a reminder, Portes (2010: 52f.) calls a role an 'organised bundle of norms' allocated to how individuals act as 'occupants of particular social positions'. Roles come attached with certain normative expectations, skills and cultural toolkits such as language. Roles that emerged from the data and that play a role in the Islamic economy model are managers, entrepreneurs, and consumers as business-related roles, and Muslims and Sufis as non-business roles. Since the purpose of this chapter is to identify the ideal type of each of these roles rather than examine existing roles, we are looking for role models within each of the roles discussed below. The idea that role models are needed to show that it is possible to actually realise ethical and sustainable behaviour in real economic situations was raised on several occasions (*see:* BUR Q3, Q8; Q37; JOUR Q8; LIB Q37), and, thus, this idea is taken up as the unifying theme for this scheme.

Business-related roles

In this section business-related roles as articulated by participants are explored starting with 'managers'.

Managers

Managers or the collective 'management' are discussed in the interviews in the context of how they contribute to making their companies more sustainable and also in the context of liability. From the data, it becomes clear that interviewees assign a great degree of responsibility to the management of a company in both these topics (*see:* IFIBAF Q3, 14; LIB 16, 37; IFEx2 Q14). Other topics are discussed, too. For example, IFIBAF states that the pay gap between managers and staff (Q32) should be low. IFEx2 introduces the idea of the honourable merchant (Q2), which is a concept that has its historic roots in the large merchant organisations in Northern Italy and Northern Germany (namely the *Hanse*) and is associated with certain individual virtues such as honesty, reliability, justice and moderation as well as education. As such, it has found its way into the literature on CSR in Germany as well (*see:* Klink, 2008; Beschorner and Hajduk, 2012). It seems that managers are generally associated with large corporations and are viewed more sceptically than entrepreneurs or owners of family businesses that are discussed now.

Entrepreneurs

Mainly IMAM speaks about entrepreneurs rather than managers. He thus focuses more on those businessmen that actually own a business rather than who manage it on other people's behalf. This emerges as an important differentiation in the research as also other respondents favour small and 'family-owned businesses'. Such businesses are associated with a more responsible, long-term approach to business, where employees are treated better and other values than profit maximisation find consideration, for example giving people work, but also being rooted in the community or having a lower pay gap than large corporations (*see:* BUR Q4, 22, 59; LIB Q8, 59; IFIBAF Q32; NAQ Q56). With regards to an ideal Muslim entrepreneur, IMAM paints a fairly detailed picture. The central idea in his reasoning is that entrepreneurs can sin more easily, but also come closer to God more easily than others (Q23). He refers to a *hadith* to illustrate this, whereby a scholar, a martyr and an entrepreneur come before God and all claim that they may enter paradise first, because of the good deeds they did during their lifetime. In the end, it is the entrepreneur who can enter paradise first, because he financed the other two and, hence, their actions would not have been possible without his money. IMAM stresses that an entrepreneur has more opportunities, but also more

responsibilities than other people. As the main responsibilities or values that an entrepreneur should practice, he names honesty, discipline, God-consciousness or piousness (*taqwa)*, humanism and how he deals with nature and staff. In addition, an entrepreneur should also produce useful (and *halal*) products and not prioritise money, because as Muslim he believes in being held accountable on judgement day and therefore he shares his wealth with others (Q22). IMAM states further that most entrepreneurs lack spirituality these days and have therefore become 'blind' as described in the Qur'an: 'they have eyes, but do not see, they have ears but do not hear…' He adds that entrepreneurs are not aware of the poverty that exists around them and that charity helps to bridge spirituality and economy, thus entrepreneurs should engage more with the world and give charity (Q27).

Consumers

One of the expectations towards the role model consumer has already been discussed: s/he should consume only moderately and only buy products that are *halal* as well as reflect upon their own behaviour and consumption patterns. IFIBAF (Q18) explains that consumer attitude is currently geared towards bargains, which is not compatible with sustainable development. In addition, JOUR (Q20) explains that consumers have got used to a certain, unsustainable lifestyle.

The analysis of interview data also identifies a general pattern that consumers should be informed. This may be difficult, as nowadays issues are very complex, as stated by JOUR (Q4), and consumers cannot evaluate the performance of companies, as emphasised by IFIBAF (Q4). However, the interviewees also state that it is much easier nowadays to gather information on certain controversies (IFIBAF Q26), and the informed consumer could for instance avoid certain controversial products rather than companies as a whole (JOUR Q4).

Non-business roles

This section identifies the ideal roles of the individual Muslim and Sufis.

Individual Muslims

The data provides some indication as to how people should behave in the economic sphere as Muslims. There are two themes that come up in this context. The first one is the observation that there is a discrepancy between Muslims practicing their faith in terms of performing religious obligations and enacting Islamic ethics in other fields of their life. IMAM discusses this in some detail (Q28) and states that the Islamic world has not failed because people do not practice their religion enough, but rather because Muslims do not do enough good deeds that benefit society and other people (see also Section 7.4.1.). He states that Muslims are only Muslim in the mosque (*see:* IMAM Q6), they claim to be pious, but do not give charity (*see*: IMAM Q16). Both IMAM and IFIBAF emphasise that in Islam money and prayer are linked (*see:* IMAM Q26, IFIBAF Q24).

In addition to this general observation or rather criticism of Muslims, there are some very specific expectations of the role model Muslim in terms of behaviour. For example, IFIBAF (Q34) sees Muslims living in the West as ambassadors for their religion. They should therefore be aware of the country, people, culture, language, and politics of the country they are living in and adjust their behaviour accordingly. Similarly, LIB (Q55) sees ethical investment as a chance to show that Muslims can contribute positively to society. Furthermore, interviewees expect Muslims to seek knowledge (*see:* IFIBAF Q13), consider the environment (*see:* IFIBAF Q17, IMAM Q21), and obey certain duties at work that go beyond the duties of other employees such as working well and hard (ZMD Q31).

Sufis

Two interviewees were interviewed particularly because of their role in or engagement with a Sufi order; but only one, the representative of the *Naqshibandi* Sufi order, really stressed his Sufi identity in the interviews. He presents a very distinct picture of an ideal Sufi within the economic sphere (and beyond). Throughout the interview he emphasises that a Sufi focuses on spiritual development (Q1) and seeks the divine essence (Q5). Accordingly, Sufis ought to be detached from economic issues internally and be willing to retreat to a mountain cave at any time (Q16). The ideal life for them is therefore the simple life in a village (Q17) of not more than forty people (Q21). The closer a Sufi is

to nature, the more he is on the right path (Q17). NAQ emphasises that the Sufi has to stay away from society, but engages in *Naqshibandi* networks, which enable him to retreat on the market (Q22). The ideal business in this construct would consist of only three people who elect an emir. The emir leads the business and the other two have to follow essentially (Q33). The business should only produce *halal* products and should have no dealings with banks or take credit. The role of a Sufi in society is to raise awareness and observe (Q16) and invite people to repent if they have done something wrong (Q14). With regards to the competition between religion and the economy (Q26), NAQ states that the two are not compatible, because Sufism wants to make someone smaller, whereas the economy aims at expanding and is about competition rather than harmony what religion strives for. This is a very clear role model or archetype of an ideal Sufi, although NAQ admits himself that the picture is somewhat idealistic.

Another role that could be added here is that of women at the workplace that was an issue in question Q35 addressing equal opportunities. However, as the gender issue is a highly complex one and one very contested when looking at Islam in particular, the data with their very narrow perspective on this issue seemed to be not extensive enough to extract meaningful information on the roles of men and women in the economic sphere. Therefore, this issue is discussed in the context of the institution of 'family' as explained in the following chapter rather than in this section on role models. As a brief summary, it can be noted here that all interviewees support the principle of equal pay for equal work, but beyond this the issue of women working is discussed in relation to women's role in the family, which is the primary role allocated to them by several respondents such as ZMD, NAQ and BUR. ZMD and BUR emphasise the importance of the mother for the education and well-being of her children, but also for creating a home as ZMD describes it. For him, the family would be the first priority for a woman and work should be fitted around this. BUR emphasises the importance of 'healthy and intact' families as keystones for society. More diffusely, IFEx2 states that women should have the right, but not the duty to work and that it should be socially accepted if a woman wants to stay at home and be 'just a mother'. Only IMAM fully supports the idea of equal opportunities referring to the early community of Muslims and successful businesswomen there.

In this section, we have described four roles and how they, in their archetypical sense,

should behave in the economic sphere. We saw how managers, entrepreneurs, Muslims and Sufis ought to internalise the norms and values previously discussed and practice them in their lives. We will now move on from the individual to the collective level and look at the institutions.

7.2.4. Maintaining families and communities

The highest level of the culture part of the Islamic economy model proposed here is the level of institutions. According to Portes (2010: 55)

> Institutions are the symbolic blueprint for organizations. They comprise the set of rules, written or informal, governing relationships among role occupants in organizations like the family, the schools; and the other major institutionally structured areas of social life: the polity, the economy, religion, communications and information, and leisure.

He thus allocates institutions at two different levels. In the first part of his definition institutions are allocated on the same level as organisations. In the second part of his definition, he explains that institutions can also be understood as structuring the macro-level encompassing for example the economy as a whole. This is in line with the analysis of Scott (1995) who explains that some theoretical approaches to institutions take on a more macro-level such as neo-institutional economics. For instance, North (1990: 3) calls institutions the 'rules of the game in a society', thus moving them to the macro-level above the level of organisations. It is important to keep these distinctions in mind and also that this section focuses entirely on the definition of institutions being the symbolic blueprints for organisations. The macro-level will be discussed in Section 7.4.3.

Similar to the approach described in the previous section on roles, we are not looking at existing institutions, but rather ideal types of these institutions. Hence, the aim of this section is to identify how the values and norms identified in previous sections translate unto a collective and visible level as described in Portes' (2010) framework. The institutions that can be identified are mainly preset by the topics and questions contained in the interview guideline: businesses, the state and communities. One institution that only came up in the interviews and now plays a central role in the model is the institution of family. In order to get a complete picture, we will move from the biggest to the smallest institutions, looking at the state and businesses first and then

moving on to communities and families.

Starting with the description of the ideal institution of the state, interviewees mainly expect the state to define a clear framework in which businesses then operate without heavy bureaucratic constraints. The main concern raised is that the state should not make decisions that suit businesses only, which interviewees see as a risk mainly because of lobbying. Instead the state should be the representative of the people and society in general against pure profit orientation of businesses (*see:* LIB, ZMD, BUR, IFIBAF Q6). IMAM (Q6) outlines that in his perspective a state that is in line with Islamic ideals should be liberal to enable Muslim entrepreneurs to endeavour and thrive, but at the same time one of the main tasks of the state would be to organise the redistribution of capital. A state where only a few are rich and the majority is poor would be against Islamic principles. Another important task of the state would be education. IMAM points out that *iqra'* or 'read' is the first task given to Muslims, so education from Kindergarten to university level should be free. LIB (Q10) expects the state to ensure that basic needs of citizens are provided for, which is in line with his idea of a universal basic income (which is discussed further in Section 7.2.2.). BUR and JOUR (Q11 and 12) also refer to the state's responsibility to ensure that basic needs are met. Other respondents explain that the state should control business activities and that it should have strong ways and means of enforcing the framework it sets businesses. Yet, ZMD (Q9) expresses the wish that institutions should be sufficiently infused with values and norms that would make such enforcement not necessary in the first place.

In summary, the ideal state should set and enforce if necessary a framework for businesses to operate in freely. This framework would ensure the interests of people and society at large. At the same time, the state would look after certain basic needs, which are seen as too essential as to be left to market forces and these include for example education and sovereign tasks (ZMD Q11). Finally, the state would ensure a certain degree of redistribution in order to overcome income disparities. One way of doing so would be to provide a universal basic income to every citizen. As main obstacles to this kind of state, interviewees identified the strong influence businesses have on political decision-making through lobbying and 'revolving doors' as well as overregulation, leading to too much bureaucracy.

Moving on now to the ideal business, we will examine how the values, norms and roles

previously identified can be translated to the institutional level. Issues that are of particular interest here include statements regarding corporate culture in general and the underlying aims and purposes of businesses, but also how these should be put into practice. Generally, interviewees would like to see exemplary businesses as positive institutional blueprints or role models to show how a sustainable company operates (*see:* LIB, JOUR, BUR Q8; BUR Q3). Such an exemplary business would not only aim at profit maximisation, but instead incorporate other equally important aims into its activities and decision-making (*see:* IFIBAF Q3; LIB Q4). In brief, the main purpose of a business in the Islamic economy model is to contribute positively to society.

As explained by the participants, there are different ways of contributing positively to society. One way is to provide good working conditions. As most people need to earn their living by working for a company, there is a fundamental dependence of employees on their employer, which leads to a high degree of social responsibility on the side of the company. It can meet this social responsibility by providing jobs that are safe and secure, by ensuring a good work-life balance and being family-friendly, and by giving employees the opportunity to develop and have a meaningful occupation. The least thing a company ought to do is to keep employees informed about decisions (Q32). Such transparency and honesty is also expected of companies with regards to other stakeholders such as customers (JOUR, ZMD Q38). Businesses can also contribute positively to society by focusing on sustainability (LIB, JOUR, BUR), social justice (JOUR) and sponsoring (BUR, JOUR, all Q22). In order to achieve these targets, businesses can give to charity (JOUR, IMAM Q23) and treat their employees fairly, which again includes being family-friendly. In this context, BUR states that work and the need to earn a living encroach more and more on families or on the ability to lead a healthy family life. He sees families as the cornerstones of society and therefore this encroachment is a negative development that should be stopped. IFIBAF (Q3, 4) highlights that a change in corporate culture is necessary to incorporate other objectives than profit maximisation into the fabric of a business and that such change then materialises in aspects such as corporate governance and the business processes. He goes on to explain that such change also needs to include the entire supply chain. In his view, businesses are quick to promote sustainability to their customers, but slow when it comes to taking responsibility for their suppliers who carry out the bulk of the production nowadays (Q44). Finally, we should remember that the product range of an

ideal business is restricted to *halal* products and ideally focus on useful products that meet basic needs as explained previously.

In addition to the expectations towards businesses in general, size and ownership structure of a company also matter. As articulated by the interviewees, an ideal business is rather small and family owned or a cooperative. As explained previously, NAQ (Q32) goes as far as to limit the ideal size of a business to three people. However, the other respondents do not confirm such a strict limitation. The idea of family business is associated with generally high ethical standards and especially a serious commitment to the workforce and to securing jobs (BUR Q4). IFIBAF suggests that within family businesses there is usually a smaller income gap, thus ensuring a more equitable society (Q32). Cooperatives are also seen positively because of their inherent equitable and democratic nature (LIB Q59). Large stock corporations on the other hand are seen as anonymous (LIB Q59) and alienated constructs (BUR Q59). This issue is revisited under Section 7.3.4., when discussing the social structure of the Islamic economy.

In summary, we can say that businesses as institutions in the Islamic economy model ought to follow a number of corporate goals, one of which is to contribute positively to society, for example by treating employees fairly and enabling them to lead a good family life. Changes in corporate culture, organisational structures and range of products may be necessary to incorporate social and sustainability goals. The size of a business as well as its ownership structure influence the ability of a business to move towards this ideal.

From the description of the ideal business we can conclude that businesses are deeply embedded in society, they have a direct impact on families and society in general and should therefore act consciously to support these groups rather than to impair their development.

Within society, the state and individual businesses are the most evident economic actors, while the following institutions, families and communities, are usually seen as being on the receiving end of economic activity. However, in the Islamic economy model, this perspective is reversed and families and communities become the focal point of economic activity, whose wellbeing should be ensured by the state and businesses.

First we need to clarify what we mean by communities. In the Islamic context, both in general as well as in Islamic economics, the term '*umma'* is often used to describe the community of Muslims or sometimes of humankind in general. This word is hardly mentioned in the interviews and, therefore, the term 'communities' is used here. The data available from the interviews that deals with communities is not extensive and only three of the respondents addressed communities throughout the interviews. Therefore, the main focus lies on the question which function is allocated to communities in the context of the Islamic economy model. The role of Muslim civil society in supporting sustainable development will also be looked at briefly. According to LIB (Q6, 11, 59), in an ideal situation the state and businesses base their decisions on the wellbeing and the requirements of communities. His argument goes on that small businesses are more embedded in their local communities and, thus, more exposed to their input and this is the reason why he favours small businesses (as discussed above). For BUR (Q56, 59), religious communities such as his own Sufi order the *Tariqa Burhaniya* might take on the role of family businesses that create workplaces where people care for and look after one another. He also suggests that his organisation could possibly move towards more economic activity, such as giving people jobs or support their endeavours financially, especially in Sudan, where the *tariqa* originates. He further explains that his organisation has used the services and is cooperative member of a social bank, whose ethics are in line with his organisation, because they are active in supporting projects that engage with and support communities (Q57). Thus, he would also expect the ideal business to be oriented towards communities (Q59). The third respondent who spoke about communities was NAQ, the representative of the *Naqshibandiya-Haqqaniya tariqa*. According to him, the *tariqa* provides the framework that guides the creation of smaller communities in which economic activity takes place (Q55).

To summarise, we can say that communities in the Islamic economy model proposed in this study can be seen as buffers between businesses and 'ordinary people': they provide the ethical framework for businesses and at the same time provide a platform in which economic activity takes place, which is not entirely exposed to the market and market forces. From an institutional point of view, the data can be interpreted in the sense that communities should be perceived much more as economic actors, that they have a role to play within economic activity, and one that has to do with those spheres of economic activity that should not be exposed to market forces.

These ideas are only hinted at in the interviews. The actual role of civil society is viewed with a certain degree of scepticism, at least when it comes to the Muslim civil society in Germany and their support for the idea of sustainable development. For example, LIB and JOUR (Q5) are sceptical that Muslim organisations could contribute to sustainable development in their current state, mainly due to lack of resources and/or knowledge on issues relating to sustainable development such as environmental protection. As explained above, BUR states that they should take up the role of family businesses, but this is more an aspiring rather than a factual statement (Q5). All of these respondents state that the main role of Muslim civil society is to raise awareness, which points towards the issues of knowledge and consultation, discussed in more detail in Section 7.4.2.

Moving now to the final institution, namely the family, we should first note that this is the only institution discussed here that genuinely emerges from the data rather than being 'set' by the questions. This gives this category an additional degree of significance in our findings as it creates a narrative together with the value of *rizq*, the idea of family businesses and the concept of partnership as the foundation of the relationship between businesses and their stakeholders.

Two main themes can be identified when looking at the institution of family in the data: Firstly, we find information on the importance attached to this institution. Family is thus seen as the cornerstone of society, which is suffering within the current economic system (BUR Q35). In BUR's view, family is 'that which holds society together' and this is currently impaired, which will eventually harm society in general (Q23). In a similar line, family is seen as the place where norms and values are fostered and passed on, the main place that shapes the morality of a society (*see:* ZMD Q9; IMAM Q16).

Secondly, respondents also suggest specific solutions that would enable families to function 'healthily'. The main solution is that businesses should ensure work-life balance, which includes paying fair living wages (*see:* JOUR Q23, 35; BUR Q23, Q32). Such reconciliation between work and family-life would also be the prerequisite for women to work in the view of ZMD (Q35) for instance who sees the main responsibility of women in domestic life and child-rearing with paid work being subordinate to this. NAQ and BUR voice similar points of view (Q35).

Other interviewees only refer to the family in general terms. For instance, LIB (Q2, 4) indicates that the need to feed a family becomes more difficult in the present economic system, because businesses are geared towards profit maximisation. In addition, IFIBAF (Q31) states that from an Islamic perspective work is necessary so that a man can earn a living to sustain his family and make it comfortable.

In summary, we can observe that the family is seen as the centrepiece of society, which is under threat especially from the dependence on work to earn money for a living and the resulting unfavourable working conditions. The solution would be to enable people to work less while at the same time be able to lead a comfortable life and sustain their families. When looking back at the values discussed previously, it becomes clear that *rizq* is 'happening' within the institution of family. Therefore, families should be understood as important economic actors rather than being passive recipients of economic activity, as the notion of 'the household' suggests in conventional economic theory.

The importance of families and communities as economic actors questions the idea of the *homo economicus* and the *homo islamicus*, who both centre around the individual and disregard the idea of humans acting primarily as social beings, as discussed further in Section 7.5.2.

The first of the three parts of the Islamic economy model has now been described. The part of culture endeavours to grasp the soft factors constituting this model. In reflecting, we learned that fundamental values of such an Islamic economy would be *rizq*, which is defined as the promise of God that he gives sustenance to everyone, basic needs, moderation and responsible profit. These values could be specified more directly in certain norms, which we summarised under the two headings of decent production and moderate consumption. We also identified major roles such as managers, entrepreneurs, consumers, Muslims and Sufis who would essentially enact these norms. Finally, all this culminates in the institutions that are relevant in the Islamic economy model and that define how the ideal state and the ideal business would look like that would support both communities and families, the latter of which can be seen as the centrepieces of society and the main place in which *rizq* is realised.

In order to better understand how these institutions could actually be created or rather

what acts as stumbling blocks that prevent their enactment, we need to look at the two other parts of the model: the social structure and power elements on the one hand and the embeddedness on the other hand.

7.3. STRUCTURAL ELEMENTS OF AN ISLAMIC ECONOMY

The first part of the Islamic economy model looked at culture, which could be associated with an institutional perspective looking at how values and norms are carried to the more visible levels of social interaction and finally materialise in institutions. The second field that constitutes the Islamic economy model is that of social structure. Referring to Figure 7.1., social structure is the area that political economists usually analyse. Generally speaking, when looking from a social structure perspective, we focus on power relations ranging from 'pure' power issues to the visible level of organisations (Portes, 2010). Political economy usually goes beyond this level and takes a macro-level perspective at how different organisations interact with and relate to one another. In a sense, social structure or social formation refers to how a society is organised, who has control over different kinds of resources and processes, and how this control is exerted. In Portes' (2010) framework, which takes a meso-perspective, social structure within organisations refers to the hardware such as organisational charts, the allocation of manpower and budgets to different departments and sections of an organisation, which can be seen as the result of underlying power 'struggles' as expressed by the layers of causal influence. Looking beyond this framework, there are some studies that place political economy into an Islamic context. For instance, according to Ghosh (1995: 25f.), Islamic political economy (IPE)

> … should be capable of handling questions connected with property, social class formation, social valuation and development. It needs to be concerned more with development than with growth, more with distribution than with production, and more with disequilibrium than with equilibrium. However, for all these, the state must play a more decisive role.

He goes on to explain that all these issues are looked at from the angle of production relations and that 'IPE as a system of political economy must engage in the study of social relations that evolve between different classes of people in courses of production, distribution, exchange and consumption' (Ghosh, 1995: 26). He also explains that IPE 'may like to rule out injustice, exploitation and class struggle.' (Ghosh, 1995: 28)

Gran (1980), who looks at Islamic history from an political economy perspective, stresses that political economy examines how social and economic factors bring about change within a society as a whole, and particularly how fundamental conflicts are drivers for such change. In his analysis, he looks at social formation, meaning the basic modes of production such as nomadic, agricultural or industrial (Gran, 1980).

Whereas we previously looked at values and examined how they could be translated to the level of institutions, we undertake a change of perspective at this stage and look at how power is perceived and how power relations shape the Islamic economy.

Because of this change in perspective, the topics discussed in this chapter might have been discussed before, but with different connotations. For instance, profit is already discussed in Section 7.2.1. and is again discussed as an issue in Section 7.3.2. This time, the focus is not on responsible profit, but rather how profit maximisation relates to the concept of class.

Before moving to the levels associated with Portes' (2010) framework, we will cast a look at the macro-level perspective and highlight which specific political economy or social formation interviewees seem to have in mind as a blueprint for their elaborations on economic issues.

For instance, it can noted that interviewees generally do not envision a completely different state based on Islamic principles as the basis for an Islamic economy, but rather take the present setting of the German economy as their starting point. For example, ZMD (Q39) states that a social market economy is a good foundation for any economic system. IMAM (Q6) states that socialism is closer to Islam than capitalism, because according to the concept of *milkiya* everything essentially belongs to God, and that it is the role of the state to distribute everything equally. However, at the same time he talks favourably about the German economic system that enables entrepreneurs to develop freely. Thus, the existing social structure is not questioned fundamentally. Instead, interviewees mention, for example, that local communities should have greater power (LIB Q6) or that the state ought to play an active regulatory role, control that basic needs are met and implement redistributive mechanisms (*see:* Sections 7.2.1. and 7.3.2.), which can be understood as gradual rather than radical changes.

The idea of *milkiya* is only mentioned this once in all of the interviews, but it reveals

something important about the perception of property rights. According to this concept, property rights are not absolute, but limited. The same is expressed in the concept of the earth being an *amanah* (IFIBAF Q17), an entrusted good. The idea implies that we as humans should deal considerately with our environment and again that ultimate ownership of everything belongs to God. From a political economy perspective therefore, the means of production actually do not belong to individuals, but to God and the owners will be held accountable for how they use them before God, which is a point reiterated in Islamic economics related literature. This is quite in line with Article 14 of the German Basic law that states '(2) Property entails obligations. Its use shall also serve the public good'. We can, thus, subsume that the interviewees' idea of social structure and social formation is in principle in line with the economic system existing in Germany and in that sense the Islamic economic system drafted in this study would not require radical changes, but could quite easily be integrated into the existing social structure.

Having said this, NAQ introduces a very distinct idea of an ideal Islamic economy that differs greatly from the other respondents. The social formation that emerges as the ideal form in his descriptions is dominated by craftsmen and small businesses. Trade networks also play an important role. Financial affairs are transacted via a *bait al mal* and banks are seen as non-Islamic *per se*. His idea that businesses should only consist of three people points towards a very egalitarian point of view, because although one of the three would be elected emir, the main motivation behind preferring such small business units seems to be the avoidance of exploitation. In his paradigm, material goods in general seem to play a minor role and should not be sought by a Sufi. Instead, they are actually seen as an obstacle to spiritual development. He is also not in support of the state to play an active role in the economy, thus contradicting the statements of other interviewees as just explained.

After having established that most interviewees apart from the *Naqshibandiya-Haqqaniya* representative are quite comfortable with a basic social structure as can be found in the economic system of Germany with a certain focus on the idea that property entails obligations, we move on to look at the individual levels of the social structure part of our Islamic economy model starting with the level of power.

7.3.1. Exploitation versus partnership

This section looks at the deepest level of social structure according to Portes' (2010) framework, the level of power. As a reminder, Portes (2010: 53) provides two definitions of power: (i) based on Max Weber, he defines power as the ability of someone to make others do as he wishes even against their own will, and (ii) in line with Marx's definition, he suggests that power can mean the control over the means of production, the means of diffusing information and the means of violence. Portes (2010) places power at the same level as values on the cultural side of his framework, being largely invisible in everyday life and manifesting itself through various stages for instance in status hierarchies and finally in organisations.

When looking at the data, we can observe that power is an underlying issue, but is not openly mentioned. It mainly comes up when interviewees point towards exploitation associated with the present economic system. Interviewees mention both exploitation of natural resources and exploitation of people in different contexts (*see:* LIB Q1, 4, 17, 24; BUR Q22, 26, 28; JOUR Q32; ZMD Q39, 64; IFEx2 Q45, NAQ Q56 – see also Section 7.2.2.). It seems that this exploitation is possible, because people depend on businesses for work and the means of earning a living (*see*: Section 7.2.4.). This creates a distinct power divide between businesses and people, which businesses then abuse to exploit their employees. It is not quite clear what this exploitation really consist of, but issues such as work-life balance, fair pay and fair treatment are mentioned when asked about the responsibilities of businesses towards their employees and, thus, we can assume that exploitation consists of long working hours, low wages and generally unfair treatment. Even the idea of equal opportunities is linked to businesses' propensity to exploit as corporate initiatives to increase the workforce, for example through women or migrants, are seen simply as a mechanism to lower wages (*see:* JOUR, LIB Q35). A perceived power divide between men and women (*see:* LIB Q1: women suffer more under exploitation than men) aggravates this problem.

Another reason why exploitation seems possible is that there is an information asymmetry between businesses and other actors such as the state or the general public (JOUR Q5, Q8 for example) with regards to the impact business activities have in environmental or social terms. According to JOUR, often this seems to be intended by the businesses and again it essentially creates a power divide. For instance, businesses

can use their knowledge to circumvent regulations, norms and ethical expectations (*see:* IFEx2 Q7; ZMD Q38) or steer regulation into a direction that is favourable to them (for example ZMD, JOUR Q7).

As discussed in Section 7.2.4., the ideal business is rather small, whereas large companies are associated with exploitation and an abuse of power (for instance: ZMD Q60, LIB Q8). From a power perspective, it becomes clear as to why this is the case: in both instances just discussed - the ability of businesses to give people work and the information asymmetry between businesses and the public - large companies can have a more profound impact than small ones, affecting a larger number of people.

We can observe in the data a certain degree of scepticism towards financial capital. LIB (Q62), for instance, states that he would not invest in shares as this seems close to speculation, which he objects, and both NAQ (Q 26, 57) and JOUR (Appendix B Q13) express a certain scepticism towards what they call the paper money system and a preference of a money system that has real assets such as gold as the means of payment. However, we cannot find a direct link between financial capital and the issue of exploitation or abuse of power.

To complete the picture, we saw in the beginning that interviewees talked about exploitation of natural resources in a general manner, but natural resources including land were not actually seen as being instrumental for the exploitation of people. Therefore, from the different means of production, labour and information are seen as those areas that can be used by businesses to exert power over people and that can be abused to lead to exploitation, whereas financial capital and natural resources are not mentioned in this context.

LIB proposes the idea of partnership as being the counterpart to exploitation and the solution for the problem that businesses might abuse their power in order to exploit people and planet. He talks about businesses being partner to society on two occasions (Q22, Q36), and states that the aim of a business to contribute something positively to society and not to cause any harm (discussed in Section 7.3.2.) only works when the business sees itself as partner. This is also the prerequisite for serious efforts with regards to corporate social responsibility. LIB also talks about the notion of partnership between employees and employers (Q30, Q33). He supports the idea of employees

having far reaching power of decision within their businesses, and he links this idea to social justice as being one of the key Islamic principles. Therefore, labour relations as practiced in Germany would be a good start for realising such a partnership according to him.

Other interviewees express similar ideas with regards to family businesses and labour relations. For instance, BUR (Q4) states that in his notion of family business, employers see their employees as belonging to the extended family. On a similar line, IFIBAF (Q32) points out that within family businesses the pay gap between top management and employees is often much smaller, thus also indicating a more equitable relationship.

All in all, the notion of partnership as just described gives us an idea of how power relations ought to be shaped so that they should not to lead to exploitation. From a social structure point of view, partnerships between businesses and their stakeholders (including employees and the general public) seem to be possible, especially in small family businesses and when employees have strong rights in terms of freedom of association.

To sum up, power is discussed especially in the context of exploitation of people and natural resources. It is made possible mainly because individuals depend on companies to provide them with jobs to earn a living. Another cause for exploitation is the information asymmetry between businesses and the public, giving the former advantages over the latter. It is also emphasised that exploitation can be prevented if businesses understand themselves as partners of society and of their employees, which might be the case in family businesses.

7.3.2. Profit maximisation and redistribution

Moving on from the level of power, this section explores the level of social structure called class structure in Portes' (2010) framework. He explains that 'just as values are embodied into norms, so power differentials give rise to social classes—large aggregates whose possession of or exclusion from resources leads to varying life chances and capacities to influence the course of events.' (Portes, 2010: 53f.). It should be noted that while class is not actually addressed as an issue in the interviews, the basis

of class and class struggle - exploitation – is an issue, as seen in the preceding section[5]. Class in its Marxist sense, the idea of a fundamental conflict between for example entrepreneurs and workers that cannot be bridged, does not feature in the interviews. Instead, interviewees propose ideal situations where harmony between the company owner and the employees exist. This might be the case in family businesses, for instance.

Therefore, in the context of the Islamic economy model, we focus on the issue of power differentials described in Portes' (2010) definition as the underlying cause for class. We look at power differentials from two perspectives: The first perspective is that of profit maximisation, which can be seen as the driving force behind the creation of power differentials. The second perspective is *zakat*, which can be seen as redistributive mechanism that helps to level off power differentials.

The main concept that seems to be linked to inequalities in the access to resources and also to exploitation is the idea of profit maximisation. Interviewees point out that it is generally acceptable in Islam to make a profit, but – as discussed in detail in Section 7.2.1. - that this is conditional and comes with responsibilities (*see:* IMAM Q22; IFIBAF Q24; BUR Q26; ZMD Q58). Furthermore, we can observe a clear scepticism towards the idea of businesses focusing entirely on profit maximisation, which becomes clear when interviewees are confronted with Milton Friedman's saying: the 'business of business is business'[6] (Q25). Respondents state that such a saying is simplistic (ZMD), irresponsible and neglectful (JOUR), superfluous (BUR) and that it creates an artificial division between business and society (LIB). When discussing the value of responsible profit (see Section 7.2.1.), we saw that profit maximisation is seen as the main obstacle to sustainable development as well.

The *hadith* quoted by IMAM (Q23) on the three men debating the sequence in which they may enter paradise that has already been mentioned illustrates a further aspect

[5] This understanding of class is based on Giddens and Sutton (2013: 485ff.) as well as Thieme (2010: 198ff.)

[6] In his original article (Friedman, 1970) he actually explains that 'there is one and only one social responsibility of business –to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.' Here, Friedman refers to the idea of institutions as being the rules of the game, but at the same time restrains these to only ensuring free competition, without addressing other possible and indeed existing rules. For a more comprehensive analysis of the relationship between CSR and institutions see, for instance, Campbell (2007).

regarding power differentials. The *hadith* gives an insight into the understanding of social stratification in Islam, because it is not the wealth or the way he earns his money that distinguishes the entrepreneur from the other two, but the way his good deeds are causal for their good deeds. IMAM comments this *hadith* by explaining that it shows that entrepreneurs can be more powerful, but also more sinful than other professions.

For the Islamic economy model, we can deduce that social stratification is acceptable only in terms of moral merit and power is also understood as a result of this merit. In addition, it is not society or the amount of wealth someone accumulates who determines social stratification, but this decision is referred to God and the life in the hereafter. Because a person's moral merit is determined by their good deeds, there cannot be a fundamental conflict between different social groups. Instead, they are interdependent and their relationship should essentially be harmonious because of this interdependence. In this regard, NAQ (Q26) explains that religion stands for harmony, whereas the economy stands for competition and fighting. This is reflected in the approach to class and social stratification. The general idea of partnership, discussed in the previous section, can be translated at the level of class structure to the more concrete idea of interdependent social strata.

Whereas profit maximisation is the driving force of power differentials, *zakat* can be understood as a mechanism to level power differentials as it is outlined here. From all of the interviews, IMAM (Q6, Q24, Q28) offers the most comprehensive description of *zakat*. He addresses both the practical aspects as well as the spiritual dimension of *zakat*. On a practical level, he explains that ideally the state should collect *zakat* on a monthly basis and that it needs a new, modern interpretation regarding the amount of *zakat* due. He stresses that in his understanding, *zakat* is not only a small proportion of generated profit or wealth, but rather the entire portion of one's possessions that one does not strictly need. He adds that *zakat* can also be used to invest in education or creating jobs. He strictly differentiates between the idea of charity and *zakat*. As *zakat* is a mandatory religious duty, it goes beyond the idea of charity. As IFIBAF (Q31) explains, *zakat* enables those in need not having to ask for help. Instead they are entitled to such support. Both IFIBAF (Q67) and IMAM (Q24) emphasise that companies have to give *zakat* as well as individuals[7]. IMAM (Q24) outlines that it is a responsibility of a

[7] In *fiqh*, companies are not expected to give *zakat*, as they do not have individual statue. However, due to

company towards society to share, which is also the main target of *zakat*. With regards to the spiritual dimension of *zakat*, IMAM (Q6) points out that it is a social duty and therefore goes beyond the scope of other religious duties, which are an issue between the individual and God. In addition, money is part of the ego of a person and the requirement to give *zakat* aims at destroying this ego and to teach people humanity and empathy. LIB (Q55) calls *zakat* the highest of all religious duties or pillars.

Overall, *zakat* can be understood as an effective and well-defined instrument for redistribution. If applied to the extent explained here, it should largely prevent the creation of classes and aid to minimise the stratification of society that is based on material criteria. It also becomes clear how *zakat* counteracts the negative effects of profit maximisation. The redistributive mechanism of *zakat* actually considerably reduces the attractiveness of profit maximisation, as the profit does not belong to the entrepreneur or business alone and this gives room for the integration of other values as outlined in previous chapters into the company aims. We can thus relate the redistributive mechanism of *zakat* to the value of *rizq*. As a reminder, *rizq* demands that everyone has the same access to resources at least on the level of basic needs, even though it does not mean total equality in accessibility to resources. *Zakat* can be understood as the mechanism to ensure this access.

In this section, we looked at the existence and possible removal of power differentials. The existence of power differentials - understood as differentials in the access to resources - could especially be traced to the idea of profit maximisation and the most effective instrument to counter such differentials is the redistributive mechanism of *zakat*. *Zakat* challenges our common understanding of property and if applied comprehensively would prevent a deep material stratification of society. We also saw that social stratification is acknowledged in an Islamic context as long as it is based on merit rather than material achievements. Another important difference in the understanding of social stratification presented here as opposed to the 'conventional' understanding is that it does not have to lead to conflict, but that the different social groups depend on one another and should essentially exist in harmony with one another.

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the expansion of Islamic finance, the applicability of *zakat* to companies has become an issue.

7.3.3. Legitimising power

At this level we will look at statements relating to status hierarchies and how they complement the picture of the Islamic economy model proposed in this study. As a reminder, status hierarchies are the level at which power becomes visible on an individual level. Portes (2010: 54) states that

> Legitimized power (authority) produces (…) status hierarchies, which is how most social actors actually perceive the underlying structure of power and how they classify themselves. In turn, status hierarchies are commonly linked to the enactment of occupational roles…

According to Gould (2002), economists like to think that status hierarchies result from a competition between individuals with those individuals attaining higher status within an organisation - and with it more power and money – who contribute more to the organisation in terms of time and skills. He explains further that sociologists rather see status hierarchies as the result of the social position individuals occupy. For example, those with a certain degree of cultural capital obtained through their family background are in favourable positions and are more likely to be situated or move to high ranks within status hierarchies. Gould (2002: 1145) himself proposes that status hierarchies are the result of 'emergent social processes', and, thus, places them somewhat in between being based entirely on individual merit or on factors outside the actor's position and efforts within the organisation.

Although we looked at roles in some detail, it becomes clear from Gould's (2002) elaboration that we are moving here in a very specific field of analysis and in fact not much data can be drawn from the interviews that can inform this particular element. However, information is available on ways and means to legitimise power and from Portes' (2010) definition given above, it can be concluded that such legitimisation processes give rise to status hierarchies and therefore, by looking at these ways and means, we examine the causes for status hierarchies.

In terms of such legitimisation, NAQ (preliminary remarks and Q17) explains that Sufis in general have a number of *sheikhs* that offer them orientation (called poles) and that in particular the head of their order gives guidance and instructions for all issues pertaining to everyday decisions. This authority is not questioned and seems to be based on a perceived spiritual superiority. In addition, the *Naqshibandi* ideal of a business

consisting of a maximum of three people (NAQ Q32) with an elected emir as principal has already been mentioned. The idea of democratic decision-making being a preferred form of legitimising power is also expressed by LIB and IFIBAF. LIB (Q8, 10) is in favour of grassroots democracy when it comes to certain decisions and that local communities should have a greater influence on decisions affecting them. IFIBAF (Q6, 13, 26) proposes round tables as instruments to bring together different actors and to reach a conclusion that reflects the value base of all. These different statements show that democratic decision-making processes are seen as important mechanisms to legitimise power on all levels, be it individual organisations or society at large.

Two legitimising elements have now been identified: spiritual superiority on the one hand and democratic decision-making processes on the other hand. We can also go back to the idea of social stratification based on merit discussed in the previous section. As a reminder, the idea of social stratification being based on merit was identified there and that this merit is defined by the good deeds someone does. It was explained further that the decision on moral merit does not derive from people, but from God. Thus, ultimately status is not achieved through worldly success, but will only be assigned on the Day of Judgement. This uncertainty of one's status before God can be seen as one factor leading to the egalitarian view of people's relationship with one another that will be discussed in Section 7.4.1. The idea of merit and social stratification pertains to individuals. However, a similar idea can also be found for legitimising the power or influence of businesses. For instance, when interviewees speak about the need of businesses to contribute positively to society (see Section 7.2.2.), which leads us to the next level, the level of organisations.

To briefly sum up this section, we saw that three aspects emerge from the data that legitimise power: spiritual superiority, democratic decision-making processes and merit based on doing good deeds.

7.3.4. Governance

We have now reached the final level of the second part of the proposed Islamic economy model, which is the level of organisations as the visible and collective level of social structure. While institutions describe the soft factors or symbolic blueprints of

organisations (Portes, 2010), organisations themselves describe the hardware that can be depicted, for instance, in an organisational chart.

According to Portes (2010: 55) 'organizations, economic and otherwise, are what people normally inhabit in the routine course of their lives, and they embody the most readily visible manifestations of the underlying structures of power'. As discussed before, we are looking at the meso-level here meaning that the social structure between organisations will not play a role here. Gukenbiehl (2010: 156ff.) points out that organisations have specific aims and purposes as well as structures that have been created in order to realise the achievement of these aims and purposes efficiently and to direct their resources accordingly. We should note that Giddens and Sutton (2013: 824f.) point out that within sociology, the focus of analysis has shifted from the perspective described by Gukenbiehl (2010), looking mainly at the formal aspects of organisations, to the interaction of people within the organisation or the relations with the social and natural environment. However, as this aspect is essentially an expression of the embeddedness of organisations, it will be discussed in Section 7.4. In this section, we will first look at the question of aims and purposes of an organisation as, according to the definition by Gukenbiehl (2010: 156ff.), these determine the structure. Then we will briefly examine the ideal structure for an organisation within the proposed Islamic economy model.

Turning to the question of the aims and purposes of organisations, we saw in Section 7.2.4. that businesses in the proposed Islamic economy model work with an extended target frame. As described, the ideal business should contribute positively to society and support families and communities rather than direct its efforts towards the maximisation of profit alone. The question is how this can be put into action within organisations and what might be stumbling blocks on the way to this achievement. The answer lies in the concept of governance, which is the overarching concept of this element of the Islamic economy. We have briefly discussed the issue of corporate governance in an Islamic finance context in Chapter. As a reminder, Blair (2001: 2797) defines corporate governance as encompassing 'the legal rules, institutional arrangements, and practices that determine who controls business corporations, and who gets the benefits that flow from them'. She explains further that 'Corporate governance issues include how major policy decisions are made in business corporations, how various stakeholders can

influence the process, who is held accountable for performance, and what performance standards are applied' (Blair, 2001: 2797).

Blair's (2001) definition is rather comprehensive, encompassing a stakeholder perspective as well as both procedural and structural elements. As we are dealing with the issues of power in this part of the proposed Islamic economy model, the crucial part of Blair's (2001: 2797) definition is 'who controls business corporations, and who gets the benefits that flow from them'. We assume that whoever owns a business also controls its direction and the flow of benefits. Therefore, ownership needs to be examined once more. Liability is also included in the analysis, because it is an expression for the responsibility for certain actions. As such, it can be seen as the counterpart to control over resources and in that sense a limitation placed on the exertion of power. This includes looking at the relationship between the owners and the managers of the company (the principal-agent problem). The practical aspects of how to implement governance in a company such as supervisory boards, audit regimes and reporting (Blair, 2001) are not part of the present discussion.

As we are moving in a political economy context in this social structure part of the model, the ownership of a company tells us who has control over the capital and the means of production. Hence, the owner of a company determines the purpose and the general direction of the company. The following statements from the interviews are relevant in this context: IFIBAF suggests that within family businesses, there is usually a smaller income gap between top management and staff, thus, ensuring a more equitable society (Q32). Cooperatives are also seen positively because of their inherent equitable and democratic nature (for example: LIB Q59). Large stock corporations on the other hand are seen as anonymous (LIB Q59) and alienated constructs (BUR Q59). In addition, ZMD (Q59) explains that in his view there should be a grading of preferences ranging from cooperatives as the most preferred to publicly limited companies as the least preferred, but that everything that was equity-based and therefore *halal* would be acceptable for him in terms of ownership. These statements do not directly relate ownership structure and purpose of a company. However, they suggest that companies where owners are directly involved in the running of the business are seen as acting less within the profit maximisation paradigm and are focused more on corporate social responsibility. Thus, small family businesses or cooperatives are seen

as the ideal business not only from an institutional perspective, but also from a political economy perspective. The notion of business owners being very closely involved with the decision-making in their company also solves the principal-agent problem, which describes a situation where the owner of a business is so removed from the daily decision-making that they do not realise if their agents, the managers of the business, act in their own interest rather than in the interest of the company. When the owners are closely involved with the dealings of their business, they are able to infuse their values into the running of the company, and therefore enable a business to be serious about sustainability issues, which according to IFIBAF (Q3, 4) needs to be reflected in the company culture and the internal processes and structures including corporate governance and top management priorities. This can be achieved most easily when culture and social structure are aligned.

With regards to liability, we discussed already the importance of ensuring personal as well as corporate liability, which were both seen as inadequate at present. This was seen as the reason for irresponsible behaviour, for instance as witnessed during the financial crisis (for example: IFIBAF, LIB Q14). We also came across references to German law (ZMD Q14) or the 'polluter pays' principle (BUR, JOUR Q20). NAQ (Q14) drew attention to the idea of personal repentance being more important than paying fines. As explained above, liability hedges the exertion of power and ensures that businesses or individuals take responsibility for their actions. The question of ownership is closely linked with the issue of liability and again, we can suggest that the ideal organisation in the Islamic economy is run by their owners who feel entirely responsible for the impact their business activities have on society and the environment and who will be held fully accountable in case something goes wrong.

With regards to organisational structures that support the purposes and aims of an organisation, we find only one direct statement by IFIBAF (Q4) who remarks that the organisational structures should reflect the extended purposes of an ideal business. Further conclusions regarding this matter can be deduced from other issues discussed before. In the previous chapters on the social structure part of the Islamic economy model, we noted that power differentials should be low and that social stratification should be based on merit determined by God. This can be interpreted in the sense that hierarchy levels in organisations should also be rather flat to reflect this general ideal of

equity. Statements such as NAQ (Q33) describing the ideal business consisting of three employees only and JOUR (Q34) claiming that employees should think critically and not be afraid to voice criticism further support the ideal of a flat hierarchy.

To sum up this section, we have seen how ownership is the most important aspect in terms of corporate governance as it influences the definition of aims and purposes of an organisation as well as the issue of liability. These in turn influence the organisational structure. We saw that the ideal organisation in an Islamic economy from a social structure perspective should be a small family-led business or a cooperative. Additionally, we discussed that the organisational structures should reflect the low power differentials that were depicted as ideal in earlier sections.

With the completion of this section, we have now also completed the formulation of the second part of the Islamic economy model proposed in this study, the part that looked at social structure and related power issues. We have seen that on each level, we could identify certain factors that may support or hinder the realisation of an Islamic economy as envisioned in the culture part of the model. On the deepest level of causal influence, we discussed how businesses are seen to currently utilise power in a way that leads to exploitation, and that instead the idea of partnership between, for example, businesses and their employees would strengthen the ideal of businesses supporting families and communities. On the level of class structure, we discussed how power differentials are presently created through the pursuit of profit maximisation and that in the Islamic economy model this would be balanced or replaced by putting the focus on redistribution, which was seen as a task of the state, but where both individuals as well as businesses would have to contribute in the form of *zakat*. The level of status hierarchies was only discussed very briefly under the heading of legitimising power as this will be looked at in more detail in the next section. Finally, when looking at organisations as a whole, we saw that the issue of ownership is central to steering organisations towards the ideals outlined previously in Section 7.2.4.

7.4. PROCEDURES CONNECTING CULTURE AND SOCIAL STRUCTURE

We have now reached the third and final part of our Islamic economy model, namely the part of 'embeddedness'. According to Portes (2010: 1f.; 16f.), the concept of embeddedness is a so-called meta-theoretical assumption, which is a category of abstraction higher than the explanatory mechanisms of culture and social structure. Nevertheless, in his framework, as shown in Figure 7.1., he has included embeddedness as linking the two parts of culture and social structure. According to Granovetter (1985: 487), embeddedness means that economic action cannot be understood without the consideration of the social relations between the actors and, thus, the social context in which an economic action takes place. He points out that 'social relations, rather than institutional arrangements or generalized morality, are mainly responsible for the production of trust in economic life' (Granovetter, 1985: 491) and argues that a 'detailed analysis of social structure (…) is the key to understanding how existing institutions arrived at their present state' (Granovetter, 1985: 505).

Beckert (2007) criticises that Granovetter's understanding of the concept of embeddedness, which has become the predominant definition in economic sociology, has actually narrowed down the idea from the original as formulated by Karl Polanyi in the 1940s. Polanyi (2014) took on a perspective on the liberal market economy - as he termed it - based on economic history and social anthropology. He argued that throughout much of human history, economic action was not happening on markets, but was very much influenced by other economic transaction mechanisms such as reciprocity and redistribution. His argument continues that the focus on the liberal market in capitalistic societies has fundamentally detrimental effects on the social fabric of these societies.

For the course of this chapter, looking at the third part of the proposed Islamic economy, both aspects - social relations as well as alternative economic mechanisms - are relevant. We will first examine the fundamental social relations relevant for our Islamic economy (7.4.1.) and then move on to more concrete elements looking at the sources and procedures that help to define the value base for putting the ideal businesses and framework conditions into practice (7.4.2.). Finally, the last part of this chapter (7.4.3.) examines the 'politics', meaning the processes or mechanisms that help to 're-embed' the economy into society, mainly in a top-down fashion.

7.4.1. Foundational relations

In this first section of the embeddedness part we will look more closely at which relations actually matter within the Islamic economy model on a foundational level and how the interviewees perceive these relations. The idea of social relations is extended to include relations with God, as this particular dimension should make this model different from other, essentially secular models. This relation is best described with the two concepts of *ibadat* and *amalu salihat*. In addition, the relation of people with nature is also included, which is manifested in the idea of *khilafah*. Finally, social relations in their actual sense, meaning the relations among people are looked at. The guiding idea here is that of fairness and equity.

As embeddedness is understood here as connecting the two other parts of the Islamic economy model developed in this study, we should note that these foundational relations, similar to the levels of values and power, are largely invisible and underlying the more visible levels that are described later.

Relations of people with God: Ibadat *and* Amalu salihat

Rather than attempting a comprehensive examination of the relation between people and God from an Islamic point of view, this section focuses on those aspects of such a relationship that are relevant for economic activities and in the context of the Islamic economy model.

To describe the relationship of people with God in two terms, *ibadat* (worship) and *amalu salihat* (good deeds) is based on an answer given by IMAM (Q 28). He explains that there is a general lack of understanding within the Muslim community that worship and doing good deeds are both necessary aspects of practicing Islam. For instance, giving *zakat*, praying and fasting belong to the area of *ibadat*, and it is necessary to practice these to enter paradise, but not sufficient. The notion of doing good deeds is connected to the idea of *iman* (faith), whereby good deeds are an additional requirement to *iman.* Good deeds always mean doing something for the benefit of others, and using ones talents and resources to serve others. IMAM states: ‘Why has the Islamic world failed? Not because the Muslims do not pray, they demand we have to return to Islam, but look the mosques are full, but we do not progress’. And he continues to explain that he understands the relationship between this world and the Hereafter as being horizontal

rather than vertical, meaning that only when one is doing good for society in this world, one progresses in relation to the next. He explains further that praying essentially does not serve society, but is an individual act of worship, whereas the horizontal relationship between this world and the Hereafter requires serving the public good as well. This very elaborate answer is supported by briefer yet similar statements given by LIB (Q31) and ZMD (Q31). The relationship between God and people in the Sufi perspective is somewhat different as the Sufi, according to NAQ (Q17, Q22) seeks unity with God just as described in the *hadith* on *ihsan* in Chapter 2, and this also influences his behaviour in the economic sphere. In NAQ's scenario, the Sufi mainly withdraws from the world and 'the market' as much as possible. This approach stands in stark contrast to IMAM's ideas described above. It has become clear throughout the interviews that NAQ's views are often very different from those of other respondents. Yet, it should be noted that NAQ's statements are coherent within themselves. Such differences are very valuable for the research and theory development in Islamic economics. They show the importance of using empirical data rather than only one's own interpretation of the sources in order to gain a more detailed and comprehensive understanding of economic issues in order to take into consideration the diversity of the Muslim community.

To sum up, the relationship of people with God in the context of an Islamic economy can be described as entailing the two concepts *ibadat* and *amalu salihat* with the former being the practice of worship and the latter being to carry out good deeds for others. Whether both of these aspects are of equal importance seems to be a matter of discussion within the Muslim community.

Relations of people with nature: Khilafah

Moving on to the next foundational relation, the relation between people and nature, the data shows that *khilafah* is the central term describing this relationship. Some interviewees directly mention the term *khilafah* or *khalif* or the English equivalent trustee or custodian, and others describe the concept without using the term. For example, JOUR (Q1) refers to *khilafah* immediately in the first question on key topics with regards to sustainable development. She states that the concept of *khilafah* entails the responsibility of man to treat creation sustainably and carefully. The concept thus entails a certain degree of freedom to shape the earth, but also encompasses

responsibility. She emphasises that nature is a great gift from God. IMAM (Q21) explains the concept in very similar terms, adding that God looks after humanity and thus humans should look after one another and after their environment. He emphasises, too, that the use of natural resources is generally acceptable and part of the idea of *khilafah*. Other interviewees follow this line with slightly different connotations. LIB (Q17), for instance, emphasises the dependence of man on nature, whereas ZMD (Q17) explains that there is a clear hierarchy of all organisms with humans on top, animals in the middle and other organisms on the lower levels. NAQ (Q17) sees nature as a place for retreat and as an indicator for the Sufi how close he has moved to God on his spiritual journey. IFIBAF (Q17) introduces the term *amanah* and explains that the earth is an entrusted good. IFEx2 (Q17) highlights the difference between value and price in relation to nature.

To sum up, the concept of *khilafah* epitomises the relationship between man and nature; it describes how humans are free to use nature and natural resources, but that they also have a special responsibility because of their elevated position within creation. As *khilafah* was described as one of the axioms within Islamic economics in Chapter 2, we will come back to this concept and see how our definition relates to the present use of the term in Islamic economic theory in Section 7.5.

Relations of people with people: Fairness and equity

Other than the two previous foundational relations, concepts that describe how social relations should be characterised in the context of the Islamic economy model cannot be deduced directly from the data. Instead, we need to construe these from concepts developed in previous chapters. For example, we saw in the previous chapter that the idea of partnership is important (*see:* 7.3.1.) in the relationship between an organisation or a business and individuals, for example its employees. In the same line, terms such as fairness or social justice came up when looking at the ideal business in an institutional sense (*see:* 7.2.4). When we talked about redistribution (*see:* 7.3.2.), we saw that differences in income should not lead to a stratification of society and that the relationship between poor and rich should not be seen as that of supplicants and benefactors, but rather they should be seen as essentially equitable. The notions of equity and fairness best describe the ideal relation among people as they sum up everything described thus far.

In summary, we outlined three foundational relations of people with God, with nature and among one another. These foundational relations give us an indication of the drivers that motivate people to put into practice the ideal business and Islamic economy outlined before. The relationship with God can, thus, motivate people not only to perform their prayers or pay *zakat,* but actually to do good deeds and contribute positively. Similarly, the relationship people have with nature may lead them to treat resources and fellow beings carefully. We can also assume a more or less equitable relationship among people that is not influenced by the material status of one's counterpart. It should be stressed again that we are talking about ideal states here, not actual observations.

7.4.2. Defining the value base

This section examines how the elements of the proposed Islamic economy outlined in the first two parts could actually be embedded in everyday life and be put into practice. The analysis still remains on a certain level of abstraction, as the more practical aspects of this question will be looked at in Chapter 8. There are two aspects to the question of how to put into practice the Islamic economy: 'sources of information' and 'procedures'.

We will first examine, which sources of information interviewees referred to in the course of the interviews, as this gives us an indication of which sources might be seen as legitimate references for economic decisions.

'Procedures' means the processes and tools that can be used to determine the value base on which businesses, the state and society in general should base their decisions. That this is an important aspect within the model became evident quite early in the process of analysing the data as sometimes, when interviewees were asked about values, they instead spoke about procedures that help to anchor values within institutions.

Looking first at the question of sources of information, we might assume that the primary and only legitimate source for guidance for Muslims are the Qur'an and *Sunnah*. At least, most of the Islamic finance and economics literature on a foundational level assumes that the value base is determined primarily by the Qur'an and the *Sunnah*. Therefore, these sources have been used to derive the axioms and further guiding

principles.

The interviews can be used to check whether in practice, this reference or indeed sole reliance on the foundational sources of Islam is sufficient to explain the value base for an Islamic economy. The interviewees were actually asked about which Muslim thinkers and which sources they would turn to when dealing with the issue of sustainable development (the answers were not discussed in Chapter 6, but can be found in Appendix B giving a complete list of the initial codes; refer to Questions 6 and 7 here).

While the Qur'an and *Sunnah* are referred to as important sources for guidance and information, other religious references such as Sufi sheikhs are also mentioned (NAQ). In addition, JOUR refers to common sense as well as concepts such as democracy and human rights, as offering guidance enough without having to 'abuse' the Qur'an when looking for arguments for issues relevant to sustainable development. LIB refers to a number of so-called progressive Muslim thinkers that address social and religious issues in general rather than economic aspects. Thus, even such a direct question produces more varied results than current Islamic economics literature with its sole focus on the primary sources suggests.

Throughout the interviews, respondents refer to the Qur'an or cite from it directly to illustrate points. For instance, ZMD (Q13, Q64) states that the Qur'an can be used to define limits to permissible technology and to create other specific exclusion criteria for ratings in Islamic finance. In addition, NAQ (Q22) explains that the values businesses should live and support should be drawn from Qur'an and *Sunnah,* and these should also inform the responsibility of companies towards employees and customers. IFIBAF (Q22), IMAM (Q26) and NAQ (Q21) also use direct quotes from the Qur'an to substantiate points. Similarly, respondents also use *hadith* (*see:* IFIBAF Q13, Q17, 31; IMAM Q23) for this purpose.

As an illustration of how the interviewees use Qur'an and *Sunnah* to deduct more specific behavioural instructions, we can take IFIBAF as an example who states in the context of a question regarding the role of companies for sustainable development (Q3) that from an Islamic point of view, the consequences of (business) decisions need to be taken into consideration, implying that this should be part of the sustainability

management of companies. He thus takes a general principle from Islamic law stating that 'acts are judged by their goals and purposes' (Kamali, 2008:144) and applies it to the specific context of corporate sustainability.

However, throughout the interviews, respondents refer to a wide array of sources, many of which are not related to Islam at all, as reference, especially with regard to such 'worldly' issues as are discussed in this study. For instance, IFEx2 refers to the concept of 'the honourable merchant', which is a fixed term widely known in Germany, especially among business and management graduates. ZMD refers to the idea of a social market economy as a good foundation for an economic system (Q39), and he also refers twice to the German Civil Code when asked about liability issues (Q14; Q40). LIB refers to a number of references that have nothing to do with Islam such as special rapporteur to the UN Jean Ziegler (Q18) and the Christian doctrine of liberation theology (Q27) as well as international standards such as the UN Charter for Human Rights. BUR does not refer to any source or thinker specifically, but he makes an interesting observation when stating that in order to be able to strike a balance between human needs and the carrying capacity of natural systems (Q18), it is necessary to observe and measure the environmental impact of human activities. He thus demands systematic scientific enquiry on issues pertaining to sustainable development and corporate sustainability. IFIBAF states something similar when pointing out that hardly any of the Islamic finance actors are familiar with the concept of sustainable development, and it would thus be important to translate Islamic values to a modern context by means of using *ijtihad* or consultation of experts who are familiar with this concept (Q67). This wide use of references that are not related to Islam shows that the ontological foundations of an Islamic economy can be more diverse than currently assumed in Islamic economics research.

This leads on to the second issue mentioned at the beginning of this chapter: the issue of procedures and tools used to determine the value base. IFIBAF (Q6, 13, 26) proposes the implementation of round tables, for example, when the state wants to make decisions on ethical issues hedging the activities of businesses. These round tables should bring together different religious representatives and other actors that help to establish an ethical value base that takes into account many different perspectives. The same instrument could be used by businesses themselves for example when discussing

the use or production of controversial technologies.

LIB (Q6, 8, 11, 59) is a proponent of grassroots democracy whereby communities should for example direct state and companies towards ensuring sustainability and human rights. He also favours cooperatives because of their democratic structure. He thus goes a step further than IFIBAF with the idea of round tables, as round tables are a consultative instrument, while grassroots democracy means delegating the decisions themselves to citizens. Both instruments fit in with the notions of partnership expressed in Section 7.3.1. and communities as important economic actors described in Section 7.2.4. It also points to the foundational relations of people with people described in Section 7.4.1.

In summary, we saw that a number of different sources are used to guide people's expectations, and ideas about the ideal economy and ideal economic actors, not only Qur'an and *Sunnah*. We also saw that instruments to implement an Islamic economy encompass round tables and grassroots democracy. In a final concluding remark, we may actually allocate the different sources of information and procedures within the different foundational relations discussed in the previous chapter and, hence, transfer these relations to everyday life: Qur'an and *Sunnah* can be understood as an expression of the relationship between people with God, the search for knowledge and scientific enquiry can be seen as representing the relationship between people and nature as we cannot communicate directly with nature. Finally, the reference to other sources as well as the instruments of round tables and grassroots democracy are expressions of the relations of people with people. This last aspect is differentiated further in the following section.

7.4.3. 'Politics'

So far, we have looked at embeddedness mainly from an individual level in the sense of foundational relations of individuals with others, and the sources and tools used to inform and facilitate these relations. In this section, we move on to the meso- and macro-levels, namely the relationship between organisations or institutions and their hierarchisation.

This section is headed 'politics' in line with Streeck's (2007: 16) explanation that from

a political economy perspective, the economy cannot be embedded into society by itself, in a bottom-up approach, but it rather needs the political will to channel and guide economic activity. This is supported by Polanyi's (2014) analysis of the development of our present day capitalist system. He explains that the creation of this system was accompanied by the act of turning everything, including nature (natural resources) and humans (labour) into fully tradable commodities, which had never been the case before. He calls this the creation of 'fictitious commodities' (Polanyi. 2014: 108). He uses examples from anthropology as well as history to explain that previous to the industrial revolution, most economic activity was conducted as either householding, redistribution or reciprocity and that markets with self-regulating price mechanisms only came into existence when the framework conditions were adjusted to make room for them. He also states that especially land and labour were never before exposed to free market forces at all. He thus concludes that in former times, economic activity was always embedded into society, whereas in the present system, society is actually embedded in the economy. Arguing from the perspective of business ethics, Ulrich (1995) (who was referred to already in Section 5.1.2. when introducing the St. Gallen Management Model) comes to a similar conclusion. He argues that within the current economic system, we witness the economisation of politics and society in general. His explanation for this development is based on the concept of *homo economicus*. Originally developed as a methodological concept for a sort of 'worst-case scenario' (what will happen *if* everyone only behaves selfishly), it has now turned into what Ulrich (1995) calls radical normative individualism, that is to say a normative and desirable condition. He explains further that this has had far reaching effects on the way society and democracy are perceived and that from a promise for ensuring the freedom of every citizen equally, the idea of *homo economicus* has had the effect of making society and democracy seem as actually limiting individual freedoms rather than securing them. Thus, whereas Polanyi (2014) describes how in capitalism the economy is disembedded from society, this disembeddedness starts at the individual level in Ulrich's (1995) analysis. Both show the difficulties to re-embed the economy into society, which needs political will, as Streeck (2007) explained above as well as the replacement of the *homo economicus* as the central starting point for economics as is discussed in more detail in Section 7.5.

The focus of the current section lies on the process of re-embedding the economy into society and the introduction of economic mechanisms other than the market.

Re-embedding the economy

In the Islamic economy model, the fundamental, underlying belief is that the economy is embedded in society. This becomes very clear for instance when discussing Friedman's (1970) perspective on this issue or when establishing that businesses should contribute positively to society. As discussed above, some sort of top-down approach is necessary in order to achieve this re-embedding. This is supported by the interview data: For instance, IFIBAF (Q6) states that it is the role of the state to provide the framework for economic activity, and ZMD (Q6) explains that the state can be seen as the representative of society and as such should exert control over the economy (also IFIBAF Q10) as well as provide incentives for positive economic behaviour such as corporate sustainability (BUR Q10). In terms of defining the framework, we should keep in mind the tools identified in the previous chapter, round tables and grassroots democracy, as important instruments for creating this framework. The main obstacles for the state to follow such a course are lobbying, revolving doors and corruption (all Q7), through which businesses exert undue influence on state decision-making processes to the detrimental effects for society.

Another aspect of re-embedding the economy could be to follow a path suggested by LIB (Q10): the state could provide a universal basic income to every citizen. This could be a partial reversal of turning human labour into a commodity as described by Polanyi (2014) or at least it could create a more level playing field, as it would soften the dependence of workers on businesses to earn a living that was discussed in previous sections, and thus, might increase the chance to create a partnership between businesses and their staff. It would also ensure that the basic needs of everyone could be met without those who, for whichever reason, depend entirely on this basic income having to feel like they have to beg for support. This would be in line with IMAM's (Q24) explanations about *zakat* (*see* Section 7.3.2.). Of course, the introduction of a universal basic income could also have the opposite effect as well, leading to lower wages, because businesses could turn around the argument and state that people now do not depend on the wages for their survival after all.

Finally, one decisive step the state could take to re-embed the economy into society is to foster redistribution, reciprocity and householding as alternatives to the market as sole economic mechanism, and we will look at this in more detail in the following section.

Redistribution, reciprocity and householding as complementary economic mechanisms

As explained above, Polanyi (2014) suggests that throughout history, most economic activity was not conducted on markets, but took place in the context of redistribution and reciprocity. In the context of this study, redistribution was already discussed with regards to *zakat*. We established that the collection and distribution of *zakat* can be seen as a central task of the state and we also discussed the difference between *zakat* and charity as well as its spiritual meaning. When following Polanyi's (2014: 51ff.) explanations, we can see that redistribution was often associated with a position of power and could have at best condescending connotations (and at worst could be used to abuse power). At least in theory, the kind of redistribution based on *zakat* within the Islamic economy model would avoid such negative turns. It should be kept in mind that *zakat* is part of *ibadat*, or worship, and thus belongs to the area of foundational relations of people with God rather than among people. Therefore, a condescending attitude towards the recipients of *zakat* would counteract the intention of the act of giving it, which is directed at God. However, the matter is complicated when *zakat* is not a matter of individuals anymore, but the state as well as businesses become involved. It is beyond the scope of this study to explore this issue further. However, it would be important to explore as part of a future research the question of how the understanding of *zakat* and the related implications for Islamic law change when not only applied to individuals, but also organisations.

Moving to the field of reciprocity, we come to face the problem that there is actually no evidence in the data that points towards reciprocity. As a reminder, reciprocity means the exchange of goods or gifts, which does not involve money and that can happen within a very complex set of social relations, rules and measures (Polanyi, 2014: 49ff.). There are a number of schemes that take up the idea of reciprocity in a modern context such as local exchange trading schemes (LETS), time banking or other so called complementary currencies. For example, Blanc and Fare (2013) explain how governments have been involved to strengthen such schemes. However, there is no reference to these ideas in the data, and, therefore at this stage, it can only be stated that reciprocity is a possible alternative to a pure market economy and its role should also be examined further.

The same is the case with 'householding'. When looking at research in economic

anthropology, we can come to the conclusion that householding is an interesting concept when considering more sustainable economic systems. For instance, Hann and Hart (2011: 4) point out that the original Greek term for economy means 'managing a household'. For our discussion, this definition implies two things: firstly that the economy does not necessarily need to be associated with a growth paradigm, where economic success can only be achieved if each year more is produced and consumed than before. Instead, a household may undergo changes, but the success would rather be measured in how well the needs of this household are met and thus, how well resources have been managed. It implies that a reduction in overall production and/or consumption may actually point towards a very successful economy. Economic anthropologist Gudeman (2001) supports this idea when he speaks about a community aiming to maintain a certain base (consisting of public goods for example but also intangible aspects such as traditions) quite removed from any market activity and from the paradigm of growth. From a sustainability perspective the idea of a post-growth economy is discussed, among others by Jackson (2011) and Paech (2012). However, they focus more on the need of such an approach from an environmental point of view. Aspects discussed previously, such as the focus on moderation and moderate consumption, the turning away from profit maximisation and setting families and communities at the centre of attention within the Islamic economy model, can be seen as strong evidence that householding has its place within this model and should possibly be the main approach to the economy. More research would need to be conducted on such thought experiments to examine how an economy based on householding as primary mechanism of exchange could be put into practice.

We have now completed the picture of the proposed Islamic economy model. In this final section, focus turned on the macro-perspective to explain how the realisation of this model could actually be achieved on a political level. It became clear that there are a number of specific instruments that can be used to move towards an Islamic economy. It also became clear that such an economic system would need the support of alternative economic mechanisms such as redistribution, reciprocity and householding.

In the next section, a brief summary of the complete picture of the Islamic economy model developed so far is presented before moving on to the central question of how this model relates to current Islamic economics research.

7.5. AN INTERPRETATIVE CONTEXTUALISATION OF THE ISLAMIC ECONOMY MODEL

The analysis in the preceding section helped to develop a model of an ideal Islamic economy, which emerged from the data extracted from interviews with representatives of Muslim civil society in Germany. In order to gain a thorough and comprehensive view of this Islamic economy, the model is based on a framework suggested by Portes (2010), which depicts various analytical elements and levels for economic sociology. By looking at the data from the perspective of each of these elements and levels and connecting them through the concept of embeddedness, we came up with an Islamic economy model that is based on *rizq* at its core, where decent production and moderate consumption can be seen as major behavioural norms, and where institutions such as businesses and the state should be ultimately oriented towards supporting and maintaining families and communities. We also saw that in terms of social structure in the ideal Islamic economy power relations are guided by the principle of partnership, which is for instance manifested in the implementation of redistributive systems such as *zakat* and in the governance of organisations including their ownership structure. Instruments that help to actually realise this Islamic economy are the seeking and dissemination of knowledge from various sources and institutionalised mechanisms of consultation as well as actively re-embedding the economy, for instance by strengthening alternative economic activities such as reciprocity and householding.

In this section, an attempt is made to relate this model to existing research in Islamic economics, pointing out convergences and explain where this research complements the current assumptions in Islamic economics. This section also highlights where the Islamic economy model differs fundamentally from the existing research and why this research should be considered as a valuable contribution to the theory development in Islamic economics. Instead of taking the entire Islamic economy model, only a few issues that seem to be the most 'original' in the analysis are used here to illustrate the convergences and differences. Therefore, the main focus is on the issue of *rizq*, the role of the *homo islamicus* in Islamic economic theory, z*akat* and finally the concept of *khilafah*. This chapter ends with some concluding thoughts on the overall contribution of this study to the theory of Islamic economics.

7.5.1. Rizq

When we look at the Islamic economics literature of the so-called founding fathers such as Chapra, Naqvi or Mawdudi, we find that there is hardly any reference to the concept of *rizq*. While Chapra (1992: 232) refers to the term of sustenance briefly in the footnotes, Mawdudi (2011:107) cites from Qur'an (20:131) and explains *rizq* as meaning sustenance, then continues to warn Muslims not to be led astray by 'the glitter of worldly pomp' (Mawdudi, 2011:107). Ahmed (2002: 24ff.) talks about sustenance when defining Islamic economics, particularly when defining the difference between relative scarcity as an economic concept and absolute scarcity, which from a theological perspective does not exist, because God provides every being with their sustenance. This comes very close to the discussion presented in this research, but does not go into further detail for example regarding the different interpretations of how *rizq* is composed.

Salleh (2013) revisits the foundational philosophy of Islamic economics as outlined by Kurshid Ahmad, whereby he indicates that the focus of Ahmad's ideas was directed towards an Islamic understanding of development and in this context he associates sustenance with the concept of *rububiyah* (from *rabb* – Lord), which stands for the notion that God (actively) arranges for the provision of humanity (*see* also Asutay, 2007, 2012, 2013).

Beyond this, we find further reference to the idea. For example, El Ashker and Wilson (2006:279f.) point out that Ibn Khaldun differentiated between two types of 'income': *rizq* and *kasb*, whereby *rizq* happens to a person without effort and *kasb* is equivalent to income from work or the like. He further differentiates *kasb* into livelihood and basic needs, and luxuries as well as capital accumulation.

Sharif (1996: 161) refers to the concept of *rizq* in a more detailed manner when talking about distribution within an Islamic economy and even draws some generalised conclusions from the concept of *rizq*, calling it the basis for a social theory that makes sure that everyone's sustenance is provided irrespective of their social status or income level. These ideas are also close to the concept described in this research, but the social theory he proposes is not described further. Choudoury (1999) discusses *rizq* in a similar context to Sharif (1996).

In the context of developing his idea of Entrepreneurship from an Islamic Perspective (EIP), Gümüsay (2014:7) proposes 'that entrepreneurs and managers may actually not judge themselves on their profit-maximisation ability through their competitive advantage, but rather on some form of *rizq* (sustenance) increase'. This already comes very close to the meaning and significance of *rizq* outlined in our model, but he does not elaborate on this idea any further, for example how to measure this increase in *rizq*.

Suggestions, among others, by Wilson and Liu (2011) and Chachi (2005), that *rizq* is actually the origin of the English word risk are interesting, but could not be fully confirmed. If this was the case and there was so close a connection between the concept of *rizq* and the notion of risk, which is an important element in the financial industry, it would be astonishing that the concept has not been looked at with more scrutiny in Islamic economics and finance.

In contrast to the rather cursory treatment of the subject so far, *rizq* gains central importance in the Islamic economy model presented in this study as the primary underlying value when it comes to the role the economy as a whole and individual economic actors ought to play in society. As shown, the promise that everyone is provided for by God can be used both as reassurance to individuals that they are not left alone to fend for themselves and as a measuring rod for society in general how well the economy is in line with basic Islamic principles.

As the central value, it takes up the same position the axioms have played in existing Islamic economics research. As a reminder, Asutay (2007: 3) offers the following succinct summary of the basic axioms in Islamic economics:

(i) *Tawhid* (unity), which as an axiom indicates the vertical dimension of the Islamic ethical system;
(ii) *Al-'adl wa'l-ihsan* (justice equilibrium): This axiom provides for the horizontal dimension of equity;
(iii) *Ikhtiyar* (free-will), which indicates individual opportunities in the economic system to choose between;
(iv) *Fard* (responsibility), which implies that individuals and society need to uphold the public good;
(v) *Rububiyyah* implies divine arrangements for nourishment, sustenance and directing things towards their perfection;
(vi) *Tazkiyah*, which implies growth with purification that should incorporate the good of the others and be conducted with ethical and moral considerations;
(vii) *Khilafah*, which indicates an individual's role as God's vicegerent on earth.

Taking Portes' (2010) definition of values as general moral principles that are not really visible in everyday life, but underlie people's behaviour, it becomes clear that these axioms can be understood as the underlying values of Islamic economics. They can be equated with the basic assumptions of the theory body in Islamic economics. As such they are more general than the values proposed in the Islamic economy model developed here such as *rizq*, moderation, responsible profit and basic needs. The latter can, therefore, contribute to bridging the gap between the underlying theoretical underpinnings within Islamic economics and the everyday *lebenswelt* (lifeworld) of present day Muslims as economic actors. For example, by focusing on *rizq* as the central value within an Islamic economy, we immediately enter into a discussion of income inequalities and poverty levels as described in Section 7.2.1. This allocates the Islamic economy model within the tradition of early Islam as described by Bonner (2005: 392) who states: 'Not only did the Qur'an provide guidance for dealing with the poor; it also dominated much of the thought and behavior concerned with economic activity. Indeed, poverty and economic activity were closely tied in early Islam'. He also claims that a 'distinct and recognizable 'Qur'anic economics' provided the basis for this 'economy of poverty' (Bonner, 2005: 392).

Therefore, the model can help to pinpoint crucial areas that need to be prioritised in an Islamic economy such as meeting basic needs and supporting families and communities. Additionally, it points out ways and means to reach such Islamic economy as described in Section 7.4.2. In this, *rizq* has become the measuring rod that helps to determine how close any economy has come to the ideal Islamic economy depicted here. In addition, although it is beyond the scope of this study to examine this in detail, one can assume that the German economy is probably much closer to this ideal than many economies that have been 'Islamised' in the past decades.

One final observation in the context of *rizq* relates to methodological issues: the more applied, mid-range theorising undertaken in the present study has not been pursuit extensively in the field of Islamic economics (and finance), which is split somewhat between the rather applied, practice-oriented research conducted on Islamic finance issues and the philosophical, text-based and theory-focused research in Islamic economics (*see:* Chapters 2 and 4). Both the model with its different levels and perspectives as well as the use of empirical data have been useful in bridging this gap,

and theory development in Islamic economics could benefit from further research with a similar methodological approach. When taking *rizq* as an example again, we can see how the variety of opinions about the actual meaning of *rizq* among the interviewees as discussed in Section 7.2.1. has brought depth and meaningfulness to the development of the concept. It has highlighted different aspects and has shown that it is not enough to assume that every fundamental principle in Islam is understood in the same way by every Muslim as suggested by the use of axioms in Islamic economic theory so far.

As explained in Chapter 2, Islam is pluralistic and is interpreted differently by different schools of thought, but also depending on social and cultural context. In a social constructivist sense (Berger and Luckmann, 2013), such pluralism is inherent in any kind of knowledge creation and should actually be indisputable in a context that claims to be normative in character. Therefore, the model proposed in this study suggests that this plurality should be reflected in the theory development within Islamic economics as an academic discipline. One step for this integration of plurality is to shift the focus from objective, even universal underlying principles such as the axioms to studying the varieties of opinions and how to integrate them into the theory and practice of Islamic economics and finance.

This section explored the use of the concept of *rizq* in current Islamic economics literature. It then proposed to view the Islamic economics axioms as fundamental Islamic values and *rizq* with its accompanying values as more applied, mid-level values geared specifically towards present-day economic issues. It was also explained how the concept of *rizq*, as developed in this study, serves as a good example of the plurality of understandings of Islamic concepts and how such plurality can be reflected in Islamic economic research.

7.5.2. Homo Islamicus

In this section, focus is turned to the concept of *homo islamicus* that is used in Islamic economics to present an alternative idea of man to conventional economics. It is important to scrutinise to what extend *homo islamicus* fits into the Islamic economy model developed in this study. As a reminder, *homo islamicus* is understood in Islamic economics as a human being who does not only consider his utility in this world, but

also in the Hereafter. As he assumes that he can only reach paradise when behaving within the ethical constraints outlined by Islam, he will consider these in his economic decisions. For example, Chapra (1992: 200) explains the concept of *homo islamicus* as follows:

> Human beings constitute the living and indispensable element of an economic system. They are the ends as well as the means, and unless they are reformed and motivated to pursue their self-interest within the constraints of social well-being, nothing can succeed, neither the 'invisible hand' of the market nor the 'visible hand' of central planning, in actualizing socio-economic goals.

Similar definitions can be found throughout Islamic economics literature (such as: Naqvi, 1994: 46; El Ashker and Wilson, 2006: 66; Asutay, 2007, 2012, 2013). Chapra's definition shows that the idea of *homo islamicus* is essentially the same normative individualism as proposed by Ulrich (1995) for the concept of *homo economicus* (*see:* Section 7.4.3.). The only change is that altruism is explicitly part of an individual's utility, because without it, he will not be able to maximise his utility in the Hereafter.

However, as explained in Section 7.4.3. normative individualism is one of the main weaknesses of conventional economics, because it almost inevitably leads to a disembedded view of the economy, which is not acceptable within the Islamic economy model. It can therefore be argued that within the theoretical body of Islamic economics, we should aim for using a different idea of man and if possible move away from the utilitarian perspective altogether. Instead of replacing *homo economicus* with *homo islamicus*, we can take up the idea of Kahf (2003: 32) when he demands an 'economic theory of a universal and human nature, free of any preconceptions'. *Homo sapiens sapiens* (which is simply the scientific name for modern humans) would then be the central subject of study and we should return to Max Weber's definition of how humans usually conduct social action. Portes (2010: 14f.) provides a succinct summary of Weber's approach:

> In Economy and Society, as is well known, Weber distinguished three types of action: those guided by habit, by emotion, and by the deliberate pursuit of certain goals. The last type, described as "rational" action, is differentiated by whether its means-end structure is oriented toward the pursuit of individual ends (zweckrational) or the pursuit of some transcendental value (wertrational). These distinctions identified the type of action assumed by neoclassical theory as simply one ideal construction among several, all of equal stature. Moreover, Weber also assumed that rational instrumental action is socially oriented in the sense that "it takes into account the behavior of others" and is thereby oriented in its course.

Any kind of economic analysis should consider taking all of Weber's types of social action into consideration. This way, the normativeness of the individualistic perspective (see 7.4.1.) would be avoided, because in the normative individualism of the *homo economicus,* it is assumed that human beings always behaves rational in the pursuit of individual ends and such rationality is the only desirable behaviour. Instead, the analysis would return to a methodological individualism, but also focus more on the social orientation of economic decisions and actions. The Islamic economy model has shown that a strong social orientation is expected of economic action on all levels and parts of the model. It is most clearly expressed when looking at the institutional level (Section 7.2.4.) where it became clear that businesses and the state should actually do much more to direct their economic decisions and actions towards maintaining families who are seen as the cornerstones of society. Essentially it is this social orientation that differentiates the Islamic economy from a conventional economic system, but also from the perspective taken up within sustainability science, because here the environmental consequences of current economic activity and policies are the starting point.

In this section, it was discussed why the idea of *homo islamicus* does not fit in well with the findings outlined in the Islamic economy model developed in this study. It was proposed to take up a different perspective based on Weber's definition of social action. Together with the idea outlined in the previous section to take on a more applied, everyday perspective on economic questions, these two sections have focused on issues where the present model deviates from existing Islamic economics research. The next two sections will focus on issues that are central both in existing research and the model presented here.

7.5.3. Zakat

Zakat has always been an important, maybe even a constitutional component in Islamic economics and finance. It is also acknowledged as being the main redistributive mechanism within Islam. Most aspects of *zakat* are discussed in Section 7.3.2., such as *zakat* having a spiritual and a material dimension, which can be found in the Islamic economics literature as well. As a reminder, the data covered aspects such as the basis for and the rate of *zakat* as well as a discussion of the underlying inner development that is supported by parting with ones possessions, but also of the social dimension of Islam

as a religion. In addition, in the existing literature we find some discussion regarding the degree to which the calculation of *zakat* can be adapted to modern circumstances and organisations rather than individuals (*see:* Mannan, 1987; Warde, 2000) that was not found in the data to such an extent, and essentially all the points made in the present analysis can be found in the literature.

The description of *zakat* in the present study is somewhat more lively and closer to the everyday experience of German Muslims than that in existing Islamic economics and finance literature (for example the vivid description of the number of trousers one would be allowed to own), but does not differ greatly from it. The point of departure in the present study lies in the allocation of the concept within the model and that it opens up the view to a number of non-market economic mechanisms such as redistribution, reciprocity and householding.

As a reminder, *zakat* is discussed in detail on two occasions: in the context of the norm of moderate consumption (Section 7.2.2.) and in the context of class structure (Section 7.3.2.). In the case of moderate consumption, *zakat* can be understood as the reason why this norm of moderate consumption is necessary and relevant, as moderate consumption enables one to give *zakat*. In the case of power differentials that can be understood as the cause for class structure, *zakat* as the central redistributive system in Islam prevents the creation of great power differentials. We also saw that *zakat* may work as a mechanism to shift the focus of entrepreneurs away from sole profit maximisation towards other targets as a portion of that profit has to be dedicated to *zakat*/charity. We also explored in Section 7.4.3. that redistribution can be understood as one among a number of fundamental economic mechanisms, namely market exchange, redistribution, reciprocity and householding. With the market exchange being the basis for our current economic system, these alternative mechanisms have not been addressed at all by Islamic economists. Even though Chapra (1992: 33) actually mentions Polanyi's analysis of the effects of market liberalisation and refers to 'The great transformation' (Polanyi, 2014), he does not take up any of Polanyi's arguments with regards to reciprocity and redistribution or the embeddedness of the economy within social action. Instead, many of the foundational texts in Islamic economics (such as Chapra, 1992, Naqvi, 1994; Mannan, 1987) elaborate on the failings of capitalism and socialism and the superiority of the Islamic alternative, but remain firmly within the 'market logic'.

They acknowledge the use of *zakat* as redistributive mechanism, but seem to be unaware of the broader implications as outlined in Section 7.4.3. Within the proposed Islamic economy model, this study strongly argues for an analytical as well as a practical view that embeds the economy and economic action within the larger context of society (and the environment) as a whole. Sociological and anthropological analyses that focus on non-market economic mechanisms are very helpful in developing an understanding and through this a theory of such an alternative perspective on the economy. This study argues that Islamic economics can make a very valuable and interesting contribution to a whole range of questions and problems, if future research takes up this position and conducts both empirical as well as conceptual studies that look at non-market economic mechanisms in Muslim communities and the Islamic sources. It can thus enrich the body of work done on development from an Islamic economics perspective (such as: Ghazali, 1990; Mirakhor and Askari, 2010) and even enter into debate with research in sustainability sciences that looks at post-growth concepts as mentioned in Section 7.4.3. Recent research such as Ng *et al* (2015) looking at social capital and risk sharing seem to be first steps into this direction.

7.5.4. Khilafah

The final concept to be discussed in relation to existing Islamic economics research is the concept of *khilafah*, which is the only axiom attributed to an Islamic economic system in current Islamic economics theory, which comes up in the data as a standalone attribute as well. The concept is explained in detail in Section 7.4.1. where it stands for the foundational relation between people and nature. In reiterating, we defined *khilafah* as entailing the responsibility of human beings to treat creation in a sustainable manner. The concept encompasses both a certain degree of freedom to shape the earth and an additional responsibility (*see:* JOUR Q1). IMAM (Q21) added that God looks after humanity, and, thus, humans should look after one another and after their environment. He emphasised that the use of natural resources is part of this idea of *khilafah*. Thus, the concept of *khilafah* stands for the environmental perspective within the Islamic economy model.

In contrast, definitions of *khilafah* in Islamic economics centre around the exalted position of humans. Only a few definitions such as Azid (2010: 167) and Asutay (2013:

60) explain that this also has consequences for how humans treat nature and natural resources and that this exalted position therefore suggests additional responsibilities towards nature. They, thus, point out a duality within the concept of *khilafah*. Most other Islamic economists mainly stress the exalted position. Chapra (1992: 202) for example explains that *khalifah* means being vicegerent on earth and with this comes freedom, the ability to think and to reason and to decide upon these faculties. He states further that man 'is by nature good and noble (Qur'an, 15: 29, 30: 30 and 95: 4) and is capable of preserving his goodness and nobility and rising to the challenges before him if he receives proper education and guidance and is properly motivated' (Chapra, 1992:202).

Similar definitions can be found in Ahmed (2002), Zaman and Asutay (2009) as well as Salleh (2013). These definitions are important to explain the idea of man in Islamic economics. The definition outlined in our present study complements this aspect. Understanding *khilafah* primarily as describing the relationship between human beings and nature is an important addition, because the environmental dimension has been neglected in current Islamic economics as is shown in Chapter 2. However, the interviews show that the Muslim civil society representatives are taking the evidence of environmental degradation serious and that they see the need for knowledge creation to monitor this (see for instance Section 7.2.2.).

There is a significant qualitative difference between understanding *khilafah* as being a vicegerent of God on earth or being a custodian of the earth assigned this task by God. In addition, the position within the Islamic economy model of the concept of *khilafah* also sheds a different light on the idea. Instead of proposing *khilafah* as one of the axioms that underlie an Islamic economics theory, it is now described as the foundational relation between man and nature and as such allocated in the embeddedness part of the Islamic economy model. Whereas an axiom is something deep and unchanging, a relationship needs to be fostered and maintained continuously. Just as the relationship to God is fostered continuously through prayer, the relation to nature needs to be fostered through avoiding environmental damage and using resources carefully. Therefore, *khilafah* can be understood as the gateway to environmental sustainability, which is now explicitly integrated into the ideal Islamic economy. Together with the ideas of moderate consumption as well as the introduction of

alternative economic mechanisms such as householding, it creates a narrative that makes the Islamic economy compatible with ideas such as a post-growth economy (*see:* Section 7.4.3.) and creates a link to sustainability science. Islamic economics, especially as outlined in the theoretical model of the Islamic economy introduced in this study, can make a valuable contribution to sustainability science, representing a faith-based and largely human centred perspective. At the same time, the data shows that environmental aspects need to be integrated more systematically into Islamic economics. They have been neglected and there seems to be a lack of knowledge regarding these issues among the Muslim community and Islamic economics related research. Therefore, it would be interesting to see more research in this direction in the future.

In this chapter, the concept of *khilafah* as used in Islamic economics so far and in the Islamic economy model proposed in this study is discussed. By understanding *khilafah* as the foundational relation between human beings and nature, the environmental dimension is integrated explicitly into the body of theory in Islamic economics that has long been neglected. This creates a link between Islamic economics and sustainability science that may be researched further for the benefit of both disciplines.

7.6. CONCLUDING REFLECTIONS

The preceding sections presented the components of the proposed Islamic economy model in this study. This section reflects on the overall research methodology as well as the particular model chosen and their usefulness for contributing to the body of theory in Islamic economics. This seems to be particularly necessary, because the research strategy and methodology chosen for this study stand in stark contrast to what was written by one of the founding fathers of Islamic economics, namely (Naqvi, 1994: 153):

> It needs to be understood that the axiomatic approach is the only procedure to derive – from the aforementioned ethical axioms – logically valid statements about an Islamic economy, and to establish the Islamic (or un-Islamic) character of any economic statements. Any other way of going about the task will be indecisive. For instance, any attempt to reconstruct Islamic economics, brick by brick, on the basis of isolated observations of the real (Muslim) world – i.e., through the so-called inductive method – is doomed on strictly logical grounds.

Even Kahf (2003) who demands a comprehensive reorientation of Islamic economics both in terms of theoretical foundation and methodology does not question that main theoretical premises should be derived from the primary sources, Qur'an and *Sunnah*. He further makes clear that he is certain that there are universal rules or concepts within economics (he mentions the utility function as an example at a later stage), which are however influenced by the believes and cultural and social background of the researcher and thus should be made explicit.

In contrast to these two statements, the explanations of Bryman's (2008: 22) characterisation of qualitative research should be recalled, as being an inductive approach with the main purpose of qualitative studies often being to create theory rather than to test it (deductively). He also reminded us of the role of the researcher as always interpreting the data resulting from his research depending on his/her personal experiences and worldviews in a constructivist manner. By choosing such an inductive and constructivist grounded theory approach, this research by its very nature departs from the understanding of research in Islamic economics as expressed in the two opinions quoted above. Therefore, this research can be understood as enrichment and a change of perspective that helps to enliven the debate and theory development in Islamic economics.

As mentioned, this research enriches the debate because it introduces new concepts such *rizq* and alternative economic mechanisms that have not been explored before and that open new avenues of enquiry. It also enlivens the debate, because it has introduced new voices that have not been considered in Islamic economics and even in Islamic finance so far. These voices are important to give both fields of study a kind of reality check, and therefore, it will help to make the theoretical foundation of Islamic economics and finance more meaningful and ideally move them closer to the *lebenswelt* (lifeworld, see also 7.6.1.) of Muslims today. Of course, the *lebenswelt* this study chose is only that of German Muslims and mainly those that come from a certain educational and social background. Research using a more quantitative approach, such as a survey, could be undertaken in order to check how the Islamic economy model would reflect the *lebenswelt* of a larger number of Muslims from a wider range of social and cultural backgrounds.

As was explained in Chapter 5, this research has had an underlying current of

transdisciplinarity, which as a reminder was defined by Hirsch Hadorn *et al*. (2006: 121) as such:

> … transdisciplinary research is seen as part of a social process with strong elements from the bottom up. These social processes are about making explicit and negotiable values and norms in society and in science, and they are also about attributing meaning to knowledge that comes from science, for societal problem solving.

The Islamic economy model developed in this research, hence, fits well into transdisciplinary research, as it has taken voices from civil society and turned them into a theoretical model that presents their perception of relevant norms and values (and beyond). It has shown that we need to reconsider and refine some of the basic assumptions in Islamic economics.

This research was initially much more focused on looking at research in socially responsible investment and corporate social responsibility for guidance in theoretical grounds. But one realisation when trying to analyse the data was that actually the theoretical grounding of these two fields of study stand on equally shaky grounds as Islamic economics, as they also do not venture out of conventional economics and management on a steady basis, although probably to a larger extent than Islamic economics and finance. Therefore, one of the main contributions of this research to the theoretical debate within Islamic economics is that it ventures out of the discipline of economics altogether, within which both Islamic economics and corporate sustainability are still positioned, and takes up theories and frameworks from economic sociology and anthropology. It can be argued that for any attempt to introduce a more ethical or even just a more realistic perspective into the field of economics, these two are essential starting points as they are more adept to take into consideration that people base their decisions not on the narrow definition of 'rationality' that is used in economics, but on the broader definition of types of social action proposed by Weber (*see*: Section 7.5.2.). As explained before, this broader definition explicitly allows for social action being based on '*wertrationalen*' choices, meaning choices that are informed by transcendental values (Portes, 2010: 15).

The model itself, meaning the levels and parts independent of their content, has proved to be instrumental in ordering very complex issues and allocate them within a certain perspective, such as culture or social structure or embeddedness. This helps to

understand connections between issues and to identify gaps in one's own analysis.

The model presented in this study is termed 'Islamic economy model' expressing that it contains the input of Muslims. It outlines broadly the main issues that would distinguish an Islamic economy in the sense of meeting the ethical expectations of Muslims. With it being so broad and covering so many issues, the individual points remain somewhat shallow and would have to be substantiated further before they could make up a solid theory in their own right. However, with this study being exploratory in nature, it is almost matter of course that it opens up more questions than answering them and this will be further explored in Chapter 9.

In concluding, this study has painted a picture here using the data from the interviews as the colours. This picture consisted of three parts: culture, social structure and embeddedness. It showed how these elements consist of different levels and how the most underlying levels inform the outer, visible and collective levels that are institutions, organisations and 'politics'. The result is a picture that is coherent in itself, but can also be used in a 'look-and-find' fashion to take individual aspects and use them as a basis to tell a story on their own. Examples given in Section 7.5 are, for example, *rizq*, which puts the whole issue of poverty alleviation at the heart of the Islamic economy; *zakat*, which directs our attention to the availability of alternative, non-market economic mechanisms; and *khilafah*, which connects us with ideas of a post-growth, environmentally sustainable economy. These concepts and findings are interesting in their own right, but they also showed that the research methodology chosen for this study can be seen as an interesting new path for the further development of Islamic economics theory with its focus on qualitative, transdisciplinary research venturing out of the disciplinary boundaries of economics altogether.

In the following chapter, the research leaves the plane of theoretical consideration and takes a look at the data from the lenses of practical applicability.

8. DEVELOPING AN ASSESSMENT TOOL FOR ISLAMIC SUSTAINABLE INVESTMENT DECISIONS

In the previous chapter (Section 7.4.3), it emerged that a top-down encouragement to move an economic system into a certain direction is needed, because essentially it is the state that defines the framework conditions in the form of structures and regulations for individual economic actors to operate in. However, this does not mean that these individual actors are completely powerless in their decisions. On the contrary, it is quite clear from the data that businesses are expected to contribute positively to society no matter how the framework conditions are.

In fact, when revisiting the research objectives of this research intends to develop a rating system or assessment tool that could help to identify businesses that behave particularly exemplary in an Islamic ethical way. The interview guideline was developed with this intention in mind and, in fact, the interviewees were approached accordingly. In the initial correspondence with the interviewers, the research is outlined to them with the following words: 'I examine which ethical criteria could be used in Islamic investment in order to decide whether a company acts sustainably or ethically from an Islamic point of view... I want to interview representatives of different Muslim organisations (…) regarding their ethical points of view in order to develop an assessment tool for Islamic ethical investment decisions.' (See also Appendix A)

Therefore, in this final research chapter, an attempt is made to outline elements of such a rating system or assessment tool as a practical outcome of this study based on the findings generated and model proposed. The focus in this chapter is to outline both positive criteria as well as exclusion criteria that could be used in a rating system or assessment tool. The definition and further explanations of these terms are provided Chapter 4.

8.1. OBJECTIVES FOR AN ASSESSMENT TOOL FOR ISLAMIC SUSTAINABLE INVESTMENT DECISIONS

Before starting to develop an assessment tool for Islamic sustainable investment decisions, it should be clear what purpose this assessment tool is supposed to fulfil and which objectives we aim to achieve with it. In order to do so, we also need to answer the question of who would use such an assessment tool.

An investor who wants to base his investment decisions not on financial key performance indicators or mathematical models, but instead on the ethical performance of an investment object such as a publicly traded company, a project, a fund, a *musharakah* or *mudharabah*-like partnership or even his own business, needs some form of matrix that defines what kind of ethical performance he wants to assess. This is actually a highly individual process, because, as we could see from the interviews, there are always variations and personal preferences when it comes to the question of what makes a company ethical or sustainable. Therefore, the assessment tool proposed in this study can only be understood as one type of such a matrix consisting of criteria derived from the data analysis.

From the point of view of Islamic banks and financial institutions, we could argue that most of them do operate ethical screens that cover more or less similar issues (see Bin Mahfouz and Ahmed, 2014) and thus, we have a generally agreed upon definition of this ethical performance, which does not require further additions. However, as discussed in Chapter 3 and Chapter 4, there is a considerable degree of scepticism regarding the ethical or socially responsible performance of IBF institutions that is summed up in the statement 'form over substance' (El-Gamal, 2006; Asutay, 2007, 2012), which was apparent in the interviews as well. Therefore, the main objective of the assessment tool is to go further than the existing screens in terms of determining ethical performance of investments and to strengthen the substance of Islamic finance in achieving social justice and contributing positively to society (*see:* Chapter 4).

With the main purpose of the assessment tool being to help investors in their investment decision process and its main objective being to complement existing ethical screens and add substance to them, the question remains who would use such a tool.

The potential users of the assessment tool that are the focus of this study are Muslim

civil society, Islamic banks, and entrepreneurs searching for a business idea. There are a number of other potential users such as private or institutional investors, or even businesses that aim to be in line with Islamic ethics; however, their requirements would probably be similar to those of an Islamic bank or an entrepreneur and therefore will not be discussed separately here.

To start with Muslim civil society, we should first of all recall what interviewees stated about the role of Muslim civil society. Muslim respondents propose different roles that civil society could take up for furthering sustainable development. Such roles include for instance raising awareness on ethical issues (LIB Q5) or offering spiritual guidance (BUR Q5). They could help people to focus on moderate and responsible consumption when combined with knowledge about production processes and negative impacts of products and services (JOUR Q3). Some also propose a more economically active role; for example, according to BUR (Q5) civil society could take on the role of family businesses and create jobs. Muslim organisations could also play a minor role as investors, but they are generally seen as too weak (financially) to have great impact (LIB Q55; IFEx2 Q5; ZMD Q57). In all of these roles, the assessment tool could be used as guidance to check how well one's actions meet one's own ethical aspirations and expectations. Therefore, the model can be used as a kind of canvas that helps to allocate and order an organisation's particular priorities. For example, this could be helpful in determining areas in which the organisation would want to raise awareness, invest its funds or provide sponsoring.

As the data analysis indicates there is a general agreement among the interviewees, being representatives of Muslim civil society, that ethical investment is important for their respective organisations. However, they admitted that they have not looked into this issue comprehensively. For example, BUR (Q56) states that the foundation, which acts as the operational body of the *tariqa* in Germany, has defined certain criteria in its articles of association of how the available funds are to be used. In addition, IMAM (Q56) explains that he only deals with earmarked donations that he would never use for any other purposes. The Central Council of Muslims in Germany already provides certification of financial products in cooperation with financial experts in London (ZMD Q55), but its representative also states that this topic is difficult and complex and that therefore a rating system would be very useful.

On a similar line, entrepreneurs can use the assessment tool as guidance for creating new businesses and social enterprises or simply for generating new business ideas and business models. This way, the focus on important ethical elements identified in the proposed Islamic economy model such as meeting basic needs, decisions on financing and ownership structure or implementing a marketing strategy that takes into account the value of moderate consumption can be taken into consideration from the start.

Finally, the assessment tool could offer helpful guidance for IBF institutions who want to integrate more ethical considerations in their operations and product development. The main problem here would be to accommodate the use of such an assessment tool and the research associated with it with the structure of IBF institutions, especially the work of the *Shari'ah* boards that are responsible for determining *Shari'ah* compliance. As IFIBAF (Q67) points out, the concept of sustainable development is hardly known among *Shari'ah* scholars working in the Islamic finance industry and, thus, it seems unlikely that these aspects will be incorporated into the decision-making processes on *Shari'ah* compliance. In a first step, they could consider establishing such round tables as proposed by IFIBAF (Q26) bringing together different stakeholders to discuss the value base. Such round tables could be developed further into some form of ethical advisory board in addition to *Shari'ah* boards.

Other actors in the financial industry such as rating agencies or research providers could take up the assessment tool or more generally the idea of ethical screening for the Islamic finance industry, but it seems that there have not been any moves in this direction, and, therefore, further research needs to be conducted in order to evaluate whether there is no demand from customers for Islamic and sustainable products or what might be other stumbling blocks in this direction.

After having defined the purpose and objectives of an assessment tool as well as outlining some of the potential users of the tool, in the next step we will look at developing the criteria themselves that form the backbone of the tool.

8.2. DEVELOPING CRITERIA FOR ISLAMIC SUSTAINABLE INVESTMENT DECISIONS

As outlined above, the assessment tool that is developed in this chapter could serve different users. As also said before, each user is likely to have varying priorities and ideas about the specific ethical criteria that constitute the assessment tool. Therefore, it is important to note that the criteria proposed here are based entirely on the input from the interviews, either taken directly from the categories introduced in Chapter 6 (occasionally backed up by references to the original data) or indirectly from the Islamic economy model as outlined in Chapter 7. In some instances, where topics are raised that seem important, but the data actually does not offer very specific perspectives on this topic, reference is made to existing criteria, mainly from the Global Reporting Initiative (GRI). Because of these limitations, the assessment tool remains sketchy and should not be understood as a comprehensive, even final collection of criteria. Instead the criteria described here are the result of a process that encompasses all stages from the drafting of the interview guideline to the analysis of the data resulting in the Islamic economy model, which, thus, can only be read in the context of this process.

In the following sections, we will address the question as to what could be done next in order to bolster up this collection of criteria in order to make it more comprehensive. The criteria introduced below are mainly meant as positive criteria. However, they could be used to identify investment opportunities in line with impact investment and microfinance as well, while possible exclusion criteria are looked at separately in the final part of this section (8.2.9.). Apart from the differentiation between positive and negative criteria, one can also differentiate between quantitative and qualitative criteria. There are a lot of non-financial aspects of a company's performance that can be measured and quantified. This is very useful for establishing trends over the years or to compare one company with another. Examples for such quantitative criteria are the use of resources such as water, energy, paper or raw materials as well as various labour related issues, such as accident rate or the amount of money spent for example on training or charity. However, many criteria that are relevant in the context of the assessment tool developed here are not quantifiable, but inherently qualitative in nature. Both types of criteria are usually applied for example in SRI ratings (own observations).

Both serve different purposes and together help to create a comprehensive picture of a business and thus both types will also be proposed here.

Before we start introducing the criteria, we need to decide on the general structure of the assessment tool. For example, the Frankfurt-Hohenheim-Guidelines, which are a list of ethical criteria used in SRI screening (see Section 4.2.) are divided into the areas environmental compatibility, social compatibility and cultural compatibility. The St Gallen Management Model could also be used as the structuring element, which would be a logical step given that the interview guideline is based on the model. The structure of the Islamic economy model could also serve as the basis for arranging the criteria along the lines of those elements of the model that look at the level of the individual organisation or business. A final option would be to simply follow the division into ESG, namely environmental, social and governance criteria, which is the most common structure in the SRI industry today.

For the purpose of this study, the structure of the assessment tool is based on the Islamic economy model developed in the previous chapter. This way we can examine how well we can derive concrete guidance and instructions from the theoretical model and the consistency of the thoughts presented here is ensured.

The description of an ideal business as proposed in Section 7.2.4. is used as the base for this structure. As a reminder, an ideal or exemplary business is characterised by not only aiming at profit maximisation but also incorporating other equally important aims into its activities and decision-making such as contributing positively to society. One important element of this extended frame of objectives is to provide good working conditions, which means providing jobs that are safe and secure that have a good work-life balance and are family-friendly. Employees should also have the opportunity to develop and have a meaningful occupation. In addition, a company should keep its employees as well as other stakeholders informed about decisions. Furthermore, businesses can also contribute positively to society by focusing on sustainability, social justice and sponsoring. The implementation of such an extended target frame requires a change in corporate culture and possibly its structure and the business processes. It should also include the entire supply chain. Finally, the product range of an ideal business is restricted to *halal* products and ideally focus on useful products that meet basic needs as explained previously. In addition, an ideal business is rather small and

family owned or a cooperative. Reasons given for this (in Section 7.4.3.) were that such businesses are associated with generally high ethical standards and a serious commitment to the workforce and with a smaller income gap, thus ensuring a more equitable society.

As mentioned above, this summary of an ideal business shall provide the general structure for the assessment tool, from which we can derive seven areas from the description:

1. Business objectives, structure and organisational implementation
2. Labour relations
3. Charity and positive contribution to society
4. Sustainability and environmental protection
5. Products
6. Transparency
7. Moderate consumption

Even though the last issue does not appear in the description of an ideal business, it is a central value and we identified it as important norm and thus it should be looked at as well. Finally, we include a separate section on exclusion criteria. This structure can now be used to identify more specific criteria from the data or deduce them from the Islamic economy model:

8.2.1. Business objectives, structure and organisational implementation

This first section of the assessment tool contains criteria that specify the demand that businesses should not only aim for profit maximisation, but also include other equally important objectives in their target frame. It is not enough for a company to state that it is dedicated to society or to sustainability, because such statements might be simply greenwashing (IFIBAF Q3, Q4). Instead, the assessment tool should examine how a business can incorporate this extended target frame into its structure and procedures.

A good indication of whether a company is serious about social and sustainability targets would be to assess whether a company is linking the remuneration of managers to non-financial performance. This is a positive incentive rather than a control

instrument and shows that businesses are seriously working on a change of culture that aims at greater sustainability (IFIBAF Q3, 4). For example, IFIBAF (Q14) even proposes that similar to the bonus system, which is often part of management remuneration, there should also be a '*malus'* system whereby remuneration would actually be reduced in case of serious mishaps caused by management misjudgement.

Another indication for the dedication of a business to non-financial targets is its lobbying activities, assuming that a business that is sincerely dedicated to contributing positively to society will not lobby for a regulatory framework that is not in the interest of the public. Almost all interviewees mention lobbying as being among the main negative impacts businesses can have on the state along with similar effects such as revolving doors and corruption (Q7). However, they do not actually propose specific criteria that can be applied here. The Global Reporting Initiative's (2011) guidelines suggest one criterion that pertains to 'Public policy positions and participation in public policy development and lobbying' (SO5). It requires companies to explain their lobbying activities and make transparent the positions they lobby for or against. It is complemented by a second indicator (SO6), which demands that companies disclose the 'Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country'[8].

We can assume that mainly large corporations are involved in lobbying, because they have the relevant resources and 'negotiating power' (in the form of, for example, threatening to move headquarters or to lay off workers). As the analysis in Chapter 7 indicates, the size and ownership of a business are important to interviewees. This is not only the case on a theoretical basis, but bears relevance for investment decisions as well. The notion of large corporations being able to push the government to pass regulation that is favourable to them but disadvantageous to the rest of society supports this. In order to mirror these preferences in the assessment tool developed in this study, we could make the assessment more difficult for large companies, for example, they would have to comply with more or with stricter criteria in order to be considered for investment so as to reflect the greater power they exert within society and the greater potential for causing harm. Alternatively, we could put a cap to the size suitable for investment altogether as Oikocredit is doing (disregarding financial and risk criteria in

[8] The latest version of the GRI guidelines, released in 2013, does not contain SO5 anymore.

this case). Bin Mahfouz and Hassan (2013) observe that several studies have found a tendency of Islamic investment portfolios leaning towards small cap companies, which could be read as a support of the preference of such businesses among the interviewees. While this represents an interesting convergence, further research is needed to substantiate whether this is a general preference or whether other reasons are behind this observation.

In terms of the ownership of a business, we saw in Section 7.3.4. that the owners of a business determine its course and therefore the ownership structure itself can be an indicator for the incorporation of non-financial targets. In that sense, ZMD (Q59) proposes a grading system whereby cooperatives would receive high grades, equity based investments would follow and conventional bonds would be excluded as they are not Islamic.

As mentioned before, the structure of a company should also reflect that it is serious about sustainability and social issues. In a previous section (Section 7.4.2), we saw that one way of establishing a target frame that includes non-financial objectives is to establish round tables bringing together a number of stakeholders and representatives from different religions that help to determine the value base for a business. This could be institutionalised to form an ethical advisory board, for example. One criterion could, therefore, be whether a business has established such a board or address more generally the decision-making process concerning the non-financial targets and performance of a company. In Section 7.2.4, we also saw that interviewees think that it is important to have an adequate knowledge base and contribute to gathering relevant knowledge, for instance, on the environmental impact of business activities. This knowledge creation and dissemination internally should also be institutionalised.

Finally, it should be noted that often unethical practices happen in the supply chain rather than within the direct jurisdiction of a company itself (see for instance IFIBAF Q44). Therefore, the assessment would need to be extended to the supply chain or we could create separate criteria that look at how a business makes sure that its ethical values are not violated throughout the supply chain just as *halal* needs to be ensured throughout the supply chain. As the issue is not discussed in great detail throughout the interviews, we will introduce just one criterion asking about the ethical supply chain governance of a business in very general terms.

The criteria introduced here help to understand the general approach of a company to integrate non-financial targets such as contributing positively to society and environmental sustainability into its business. The following chapters spell out this approach for specific areas that have been identified as being particularly relevant.

8.2.2. Labour relations

The issue of labour relations and good working conditions plays an important role in the Islamic economy model. It comes up in different elements of the model, for instance with regards to work-related norms (*see:* Section 7.2.2.), businesses as institutions (*see:* Section 7.2.4.) and power as manifested in the notion of exploitation versus partnership (*see:* Section 7.3.1.). The main themes identified here are the fair treatment of employees, including fair payment and humane and safe working conditions (LIB, JOUR, IFIBAF, IFEx2 Q32) and enabling employees to lead a healthy family life, which includes aspects such as work-life balance (BUR Q23). Further aspects that are mentioned encompass a narrow income gap between management and employees (IFIBAF Q32), timely payment of wages (IFIBAF Q66) and work contributing to the self-esteem and development of knowledge of employees (IFIBAF Q31). These demands can be translated into actual positive criteria for assessment.

There are some quantitative criteria that could be used such as the accident rate, training expenses, and the ratio between management remuneration and average worker's wages, all of which are actually criteria defined in the Sustainability Reporting Guidelines (GRI, 2015) (for instance: 'G4-LA6 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender'; 'LA09 Average hours of training per year per employee, by gender, and by employee category'; 'G4-54 Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country)'). Average worker's wages along with reporting on the working hours can be criteria to measure the family-friendliness of a company's working conditions as could be indications of extending social benefits to family members or providing parental leave and part-time or telework opportunities. All of

these topics touch aspects, which are not so easily quantified and therefore assessment of these issues would have to be complemented through either qualitative reporting or direct engagement with the company being assessed. Such qualitative criteria could ask about the health and safety efforts of a company, for example, or whether the business offers its employees scholarships or regular opportunities for promotion. In the same way, the assessment of whether a company is geared towards exploitation of or partnership with its employees is also difficult to measure. One way a company could encourage such a notion of partnership is to enable employees to partake in direct ownership of the company. Another indicator for a business that aims at partnership would be that it has flat hierarchies as pointed out in Section 7.3.4. or that employees may participate in decision-making processes.

Finally, BUR (Q29) demands that businesses consider their employees in a 'holistic' manner, taking into consideration their spiritual needs, which is also not easily measured. In addition, interviewees state that it should be matter of course to allow religious practices at work (Q28) as long as there are no practical reasons that might prevent such practices. Thus, a positive criterion could address this issue and demand of companies to explain how they cater for religious needs at the workplace. However, interviewees also make clear that such offers should not mean that companies actively try to strengthen people's spirituality (Q30) and that all offers should remain strictly voluntary.

As indicated above, labour relations and working conditions play an important role in determining whether a business operates according to Islamic ideals. The specific criteria introduced here were not necessarily suggested by interviewees, but can be deduced from the rather specific ideas interviewees had in this regard. The same can be said about the following section looking at charity and the notion that businesses ought to contribute positively to society.

8.2.3. Charity and positive contribution to society

The ideal business aims at various objectives and the main non-financial target could be described as contributing positively to society. Some forms of contributing positively are described in other sections such as fair treatment of employees (Section 8.2.2) or

producing useful things (Section 8.2.5.). In this section the focus is on the idea of businesses doing charitable work and also on the question how a business might contribute to social justice.

Interviewees find corporate giving or charity important (*see:* IMAM Q27; BUR, JOUR Q23). This topic lies at the core of the idea of corporate social responsibility and is also practiced already by Islamic financial institutions that need to purify certain incomes through *zakat* and charity. It is still worthwhile to identify the expectations of respondents on this issue, especially as there is relatively little detailed information on the distribution of *zakat* and other charity (*sadaqat*) through IBFs (*see:* Haniffa and Hudaib, 2007).

Criteria used for assessing the performance of a company with regards to charitable contributions could again include quantitative indicators such as the percentage of charitable giving compared to net sales or annual rate of return (similar to GRI, 2011: 'EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments') as well as qualitative criteria such as an explanation of how charitable projects are chosen.

With regards to suitable areas for charitable work, we can find some direct suggestions in the data analysis. They include for example running an orphanage (IMAM Q27), providing scholarships and education (JOUR Q23), and sponsoring culture and the arts (BUR Q22). The latter is seen as a compensation for meaningless products sold by the company and in that sense complements the idea that companies should produce useful products that will be discussed further in Section 8.2.5. As IMAM (Q27) explains, running an orphanage would not only be a charitable act, but it would actually put an entrepreneur in touch with everyday life and the life and problems of ordinary people. This is a reminder that behind the idea of charity and *zakat* stands a specific approach to society being based on equity, fairness and partnership without significant social stratification and with a focus on harmony between different social groups (see Section 7.3.). This is also in line with the expectation that businesses contribute towards social justice that was also mentioned above in the description of the ideal business (JOUR Q22). Therefore, the qualitative criteria looking at how charitable projects are selected could be extended to include the question of how charitable projects are seen to

contribute to a more just and equitable society. It should be noted that the idea of businesses helping to meet basic needs is not discussed in this section on charity, but rather in Section 8.2.5. when defining criteria regarding the products and services companies offer.

Charity and the notion of businesses contributing positively to society lie at the heart of the expectations of respondents towards businesses in the Islamic economy. In this section, we identified both quantitative and qualitative criteria to assess the performance of businesses, and we concluded that the main purpose of charitable work should be to work towards a more just and equitable society.

8.2.4. Sustainability and environmental protection

In this section, environmental sustainability issues are considered, as follows:

As a general observation, the Muslim respondents' statements in this study regarding environmental issues were somewhat less specific than those of the SRI experts. This trend can be deduced, for example, from the answers to Q19 and Q20 asking whether and how businesses should be made responsible for the damage they cause to the natural environment. Here, the answers from the SRI experts OIKO and ANA point out very specific problems such as the externalisation of costs and the problem of traceability on a company level as well as rebound effects and planned obsolescence on a product level. The latter is also pointed at by JOUR (Q20), but in general, the answers of the Muslim respondents are less detailed than those of the SRI experts. They do not point to specific instruments available such as the use of social and environmental balance sheets or the use of state of the art technology. Still, interviewees agree that environmental protection is important, as was shown in the Islamic economy model. It is one of the norms grouped into the notion of decent production along with similar norms such as not causing harm to the environment, no wastefulness, and no exploitation of natural resources. Therefore, the first criterion in this field would look at measures undertaken by a company towards environmental protection and resource efficiency in general. These general observations are backed by more concrete demands such as the protection of animal rights and the use of renewable energies and environmentally friendly means of transport (*see:* LIB Q13; Q22; Q23). ZMD (Q13;

Q64) is strongly opposed to industrial livestock farming and even counts it among his list of possible exclusion criteria. He proposes a grading system for meat with *halal* and organic meat being the most preferred option and *haram* meat being the bottom line. In this classification, industrial livestock farming would be somewhere near this bottom line.

When we take into consideration the answers given to the question about the value of nature (Q17), we notice that ZMD and IMAM take the perspective that humans are explicitly allowed to utilise nature, the two Islamic finance experts stress the fact that humans are custodians of the earth, while JOUR, BUR and NAQ highlight the spiritual dimension of nature. What these answers have in common is that they argue from a human perspective. This is something characteristic in the Islamic ethical assessment tool. Instead of arguing with limits to the carrying capacity of ecosystems and defining criteria from there, we could use the value of moderation and the norm of moderate consumption as the basis for criteria that essentially create an environmental benefit such as the reduction in resource use. Products of high quality that last longer (JOUR Q20) and that are easy to repair (IFEx2 Q27) are such examples.

In terms of harmful technologies, interviewees mentioned nuclear power due to its potential dangerousness, which, again, pertains to humans as it does to nature, and, therefore, it supports the suggestion of looking from a human perspective at the issue of environmental protection in our assessment tool.

In summary, environmental protection is an important topic that has not been differentiated greatly within our assessment tool. The few specific issues we can identify from the data as relevant are the protection and humane treatment of animals, use of renewable resources, environmentally friendly means of transport, and the reduction of use of resources through instruments such as improving the quality and longevity of products that also goes hand in hand with the ideal of moderation/moderate consumption.

8.2.5. Products

This section looks at criteria that can be used to assess the range of products and services companies offer. These criteria are directed at the fulfillment of basic needs, the limitation of the range to halal products and services, and the usefulness of products.

As can be seen in Chapter 7, the fulfilment of basic needs is one of the central values of the Islamic economy model and interviewees were quite clear that they also expect individual companies to help supply basic needs related goods to people and do not only see it as a general task of the economy as a whole. For instance, BUR (Q22, 24) states that a central value and responsibility of companies towards society should be to cater for basic needs. He does not go further into detail, but as we established a rough definition of what constitutes basic needs (*see:* Section 7.2.1.), we could evaluate it as positively when businesses provide these basic goods and services (such as food, medicine, education, shelter, clothing) in a manner that ensures that everyone has equal access to them. Moreover, IMAM (Q16) states that it would be wasteful to invest in unnecessary technology when at the same time people die from poverty. This could also be turned into a positive criterion along the lines of grading the product range, such as weighing the sales of products meeting basic needs with the sales of products that do not fall into this range. More specific criteria with regards to the product range might require a sector-specific approach as suggested by IFIBAF (Q1).

In terms of *halal* products, we saw in the previous section that a grading system could be applied to meat (Section 8.2.4.). Such grading could also be applied to other areas where the question of *halal* or *haram* plays a role such as media content, leisure companies (who might operate casinos along hotels and also earn significant portions of their revenue from the sale of alcohol) or of course financial institutions. Applying a grading system would give investors the flexibility to adapt different tolerance levels in their investment decisions. Otherwise, every business that generated any income with *haram* activities would have to be excluded, which in turn would greatly diminish investment opportunities as IFIBAF Q67 explained who investigated such a zero tolerance scenario for Switzerland with the result that all major companies except five or six could not be included in the investable portfolio.

Finally, interviewees raised the idea that companies should produce useful products.

The notion of usefulness was not further defined (*see:* Section 7.2.2.), but a qualitative criterion could demand of a company to explain the usefulness of major product groups or how the product helps to solve major societal problems.

Some criteria dealing with products are already covered in Section 8.2.4, as they are relevant to the sustainability performance of a business. Therefore, aspects such as products being easy to repair and longevity is not addressed here in greater detail.

As a reminder, the ideal business should offer products or services that help to meet basic needs, it should ideally only produce *halal* and useful products. Criteria were suggested to assess the performance of a business in fulfilling these expectations. The next section remains on the level of products and services and asks how a business can put into practice the task of actually encouraging customers to buy less.

8.2.6. Moderate consumption

The criteria we develop in this section aim at the question what companies can do to discourage their customers from buying their products. This requires not only a change in the fundamental self-conception of a business and the respective changes in the target frame as described in Section 8.2.1., including a reworking of the marketing strategy encompassing every step from product development to advertisement campaigns.

In Chapter 7, moderation is identified as one of the central values (*see:* Section 7.2.1.) and moderate consumption is the heading for a group of norms (*see:* Section 7.2.2.). Whereas the value of moderation pertains mainly to individuals rather than companies, as discussed in Section 7.2.2., some interview partners actually expect companies to actively encourage moderate consumption (*see:* ZMD Q27). One example, as depicted in Figure 8.1, that shows that this is possible is outdoor outfitter Patagonia that ran an advertisement campaign asking their customers not to buy a new jacket backed up with information on the environmental protection efforts of the company. In addition, the steps discussed in Section 8.2.4, in the sense of producing long-lasting, high quality products that are easy to repair, also help to encourage moderate consumption, because they contradict the notion of a ‘throw away’ mentality, where products are bought only for a season or two and are then replaced with something new.

Figure 8.1. Patagonia Advertisement
Source: www.patagonia.com/email/11/112811.html;
Accessed: 17.06.2016

For such products and such a mindset change to gain priority within a company and among customers, a specific kind of marketing strategy becomes necessary that is not geared towards selling a maximum amount of products and/or services to customers, but that aims to integrate moderate consumption (as well as the other values and stipulations for an Islamic ideal business) into all steps from product design to point of sale and beyond. This marketing strategy would also see the customer as a partner at eye level and communicate honestly and transparently including negative effects of the products and services. This would be in line with ZMD's statement (Q38) that customers have the right that the production itself is decent, because if they buy a product such as a pair of trousers, they would not want this to be produced by exploited children, this would not be part of the deal and eventually in a spiritual sense it would fall back unto the customer.

This notion of marketing for moderate consumption goes somewhat beyond what is currently understood as Islamic marketing as described in Chapter 3, as Islamic marketing largely investigates the behaviour of religious consumers or the Islamic branding of products. Wilson (2012a: 6) suggests that Islamic marketing encompasses

‘an acknowledgement of a God-conscious approach to marketing: from a marketer’s and/or consumer’s perspective, which draws from the drivers or traits associated with Islam’. However, his further conceptualisation does not offer any suggestions that one of these drivers or traits could actually require a business to discourage consumers from consuming. Therefore, criteria regarding moderate consumption tread new, largely unexplored grounds and should correspondingly be phrased in a way that invites musing over the issue rather than expect well-developed and defined concepts in this field. The criteria could be formulated as: ‘Which steps does the company take to integrate moderate consumption into all steps from product design to point of sale and beyond’; and ‘provide evidence that the company communicates honest and transparently with its customers including negative effects of the products and services it offers’. These criteria would be aspirational in nature, because apart from a few sustainability leaders such as Patagonia, companies are unlikely to have taken any steps in this regard.

In this section we discussed the use of criteria that aim at examining whether companies actually take measures to encourage moderate consumption in their customers. Such criteria should be understood as means of raising awareness rather than examine well established concepts. They can be seen as door openers to the idea of moderate consumption for businesses.

8.2.7. Transparency

Moving on to the issue of reporting, transparency is among the basic behavioural norms regarding businesses in the proposed Islamic economy model (*see:* Section 7.2.2.).

Interviewees demanded that companies would be transparent towards employees and the general public as a whole for instance with regards to lobbying activities, but also regarding general business decisions. A business should also be transparent towards its customers as they have the right to decent production as outlined in Section 7.2.2. We also saw that by being transparent, a company acknowledges that it is answerable towards stakeholders and that it does not act in an empty space but rather that its decisions may have impacts on third parties. It is thus the most important instrument for bridging information gaps.

Interviewees therefore stress the importance of transparency, but do not address in detail how this transparency should be executed. In CSR rating systems there are different methods of how to deal with the non-disclosure of information. One way is, for example, to assign the lowest mark to an item on which no information can be obtained. The difficulty we are facing is that SRI ratings mainly examine large multinational corporations that issue shares or bonds and are thus interesting for potential ethical investors. The assessment tool developed here has a different outlook and should be applicable to a range of companies, including those that are not required to publish data, as well as projects and business ideas. It seems that the need for transparency is linked to the potential impact a business has on society and the environment, and therefore it seems plausible to measure the degree to which a business discloses information in a simple manner, for example the percentage of criteria for which information is disclosed, whereby disclosure can also mean that an entrepreneur can answer an investor's question directly concerning an issue. We could then assign different thresholds to different types of businesses. For example, a family business would have to be above the transparency threshold of 50% (information is available on at least 50% of the criteria) to be eligible for investment at all. For large corporations a higher threshold could be applied, thus taking into account the higher impact they potentially have in social and environmental terms. Investors could also single out topics they find particularly important and assign thresholds only for these topics (for instance: 90% transparency required for information on working conditions only). This would increase the flexibility of the assessment tool and therefore its usability.

In summary, transparency plays an important role in the assessment tool. However, there is no particular criteria that will assess the transparency. Instead the percentage of criteria for which information is disclosed can be used as a threshold to determine whether investment will be considered at all. In that sense, transparency can be seen as an overarching exclusion criterion as it screens out businesses that do not disclose information sufficiently. Exclusion criteria in their common understanding will be addressed in the next and final section.

8.2.8. Exclusion criteria and summary

Before we sum up all criteria developed for the assessment tool and offer some thoughts on how to further develop the tool, we need to cast a look at the second kind of assessment criteria mentioned, namely the exclusion criteria. We can deduce several such criteria directly from the interviews. For instance, ZMD (Q64) was asked whether he had in mind a specific list of exclusions and he mentioned child labour, exploitative (women) labour, fraud, industrial livestock farming, and inhumane debt collection. He added that further guidance could be found in the Qur'an, so we can add that everything that is declared *haram* could also be added to the list. We also have clear exclusions in the field of technologies. All interviewees stated that nuclear power, weapons of mass destruction and genetic engineering are technologies that they deem not acceptable from an Islamic point of view (Q13). Individual interviewees added further technologies, for instance fossil fuel technologies (LIB), some reproductive technologies (ZMD, IMAM) as well as some everyday technology, especially in the field of telecommunication (IMAM, ZMD, IFIBAF). Finally, we saw the strict opposition to lobbying, revolving doors and corruption (Q7). Consequently, we could define that companies that are involved in any of these activities would be excluded from investments.

Based on the discussion and description provided in the preceeding section, the following overview summarises the structure and criteria we identified for the assessment tool:

Transparency: x% (information available for percentage of criteria); threshold: x% (depending on type of company)

1. Business objectives, structure and organisational implementation

1.1. Linking the remuneration of managers to non-financial performance

1.2. Existence of a 'malus' system whereby remuneration would actually be reduced in case of serious mishaps caused by management misjudgement

1.3. 'Public policy positions and participation in public policy development and lobbying' (SO5 GRI, 2011)

1.4. 'Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country'. (GRI, 2011, SO6)

1.5. A grading system for the ownership structure

1.6. Cap or more difficult criteria for large corporations

1.7. Existence of ethical advisory boards or other ways to integrate non-financial targets into the business and monitor its performance against these targets

1.8. Institutionalised knowledge creation and dissemination internally with regards to the social and environmental impact of business activities

1.9. Ethical supply chain governance

2. Labour relations

2.1. Humane and safe working conditions, such as 'G4-LA6 Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender' (GRI, 2015); describing the health and safety efforts of the company

2.2. Family-friendliness, such as fair payment (living wages) and working hours, extending social benefits to family members, providing parental leave and part-time and / or telework opportunities

2.3. Narrow income gap between management and employees, such as 'G4-54 Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country' (GRI, 2015)

2.4. Timely payment of wages

2.5. Work contributing to the self-esteem and development of knowledge of employee, such as 'LA09 Average hours of training per year per employee, by gender, and by employee category' (GRI, 2011); whether the business offer its employees scholarships or regular opportunities for promotion

2.6. Employee participation, such as employee ownership schemes, flat hierarchies, participation in decision-making processes

2.7. How do businesses cater for religious needs at the workplace

3. Charity and positive contribution to society

3.1. Percentage of charitable giving compared to net sales or annual rate of return (similar to GRI, 2011: 'EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments')

3.2. Explanation of how charitable projects are chosen

3.3. How do charitable projects contribute to a more just and equitable society

4. Sustainability and environmental protection

4.1. Measures to ensure environmental protection and resource efficiency

4.2. Protection of animal rights (grading system)

4.3. Use of renewable energies

4.4. Environmentally friendly means of transport

4.5. Products of high quality and durability

4.6. Products are easy to repair

5. Products

5.1. Provision for basic needs (such as food, medicine, education, shelter clothing) in a manner that ensures that everyone has equal access to them

5.2. Grading the product range, such as weighing the sales of products meeting basic needs with the sales of products that do not fall into this range

5.3. Grading of *halal*/*haram* products in those areas where this could play a role

5.4. Explaining the usefulness of major product groups and show how the product helps to solve major societal problems

6. Moderate consumption

6.1. Steps taken by the company to integrate moderate consumption into all steps from product design to point of sale

6.2. Provide evidence that the company communicates honestly and transparently with its customers including negative effects of the products and services it offers

7. Exclusion criteria

(i) Child labour

(ii) Exploitative (women) labour

(iii) Fraud

(iv) Industrial livestock farming

(v) Inhumane debt collection

(vi) Everything that is declared *haram*

(vi) Nuclear power

(viii) Weapons of mass destruction

(ix) Genetic engineering

(x) Fossil fuel technologies

(xi) Reproductive technologies

(xii) Some everyday technology, especially in the field of telecommunication

(xiii) Lobbying

(xiv) Revolving doors

(xv) Corruption

All in all the assessment tool outlined here consists of 31 positive criteria, 15 exclusion criteria and one measure of transparency. We need to keep in mind that this list of criteria is based on the collation of inputs from all Muslim interviewees involved in this research. However, there might be variations on an individual basis: For instance, the representative of the Liberal Islamic League (LIB) or of the *Naqshibandiya* order (NAQ) might not agree with those criteria proposed by the representative of the Central Council of Muslims (ZMD) and *vice versa*. Therefore, in order to develop this assessment tool further, we would have to go back to the individual interview partners and have further discussions with them. Due to the exploratory nature of the research and the focus on theory development, this step was not taken at this stage, and future research is necessary to complete the assessment tool.

Further steps that would also need to be taken to mould the criteria into a coherent, functional assessment tool would be to define how the criteria should actually be assessed. Here the decision would have to be made on the actual assessment process: would some kind of grading be used, marks given, checkboxes ticked or would the criteria be used mainly as a guideline for communicating directly with the company without any fixed procedures beyond this? As explained above, IFIBAF raises the question of tolerance levels (Q67), explaining that a study on Swiss companies found out that if all *haram* activities were excluded on a zero tolerance basis, the titles suitable for investment would be reduced to a handful. This is a particular important observation for the area of exclusion criteria, for which further discussions and refinement would be required, as this goes beyond the scope of this study.

In the next section, the assessment tool developed in this section is put into context with wider research on Islamic finance and Islamic management by comparing the criteria developed here with criteria used in indices or matrices in other studies.

8.3. COMPARISON WITH RELATED INDICES AND MATRICES

As outlined in the beginning of this chapter, the main purpose of the assessment tool is to help investors in their investment decision process and its main objective is to complement existing ethical screens and add substance to them. Other than existing screens, for example, used in the Islamic financial industry, the criteria described here are not limited to issues clearly prohibited according to the *Shari'ah*. Instead, the assessment tool largely consists of positive criteria that aim at identifying businesses or projects that operate in a manner that is in line with a particular Islamic understanding of the notion of sustainable development. Going back to the discussion of 'form versus substance' introduced in Chapter 4, the criteria identified in this chapter go beyond the 'form' expectations and aim to add 'substance' to investment decisions by identifying Islamic morality and, thus, providing a response to the debate on 'form versus substance'.

As discussed in Section 3.3, there is a considerable number of studies examining the corporate social responsibility of businesses that claim to be Islamic as well as research that defines corporate social responsibility from an Islamic perspective. The main focus of this section is to compare the criteria developed here with this research and the CSR indices or assessment matrices developed in this context. The main question is the degree to which the list of criteria presented here is consisted with or different from existing empirical and conceptual works that also aim at analysing the ethical performance of businesses called Islamic (among others *see:* Haniffa and Hudaib, 2007; Gilani, 2015; Bedoui and Mansour, 2015; Aribi and Arun, 2015).

Some of the relevant studies take the *maqasid al Shari'ah* as a measuring rod for the social responsibility of Islamic banks (*see:* Bedoui and Mansour, 2015; Asutay and Harningtyas, 2015; Lladin and Furqani, 2013). As a reminder, the *maqasid* encompass safeguarding life, intellect, faith, lineage and property by all means (Kamali, 2008) (see also Section 2.2.). Bedoui and Mansour (2015) propose that in an ideal business setting, all five dimensions of the *maqasid* would be fulfilled to the maximum extent possible. In an extended version, they also propose to extend the Ghazalian maqasid frame by introducing 'ecology and human rights'. Asutay and Harningtyas (2015) use this extended frame to test the performance of Islamic banks. For Lladin and Furqani (2013) the *maqasid* does not necessarily pertain to the five dimensions mentioned above, but

rather translates into the ends of Islamic finance, which they define as wealth circulation, fair and transparent financial practices and justice in the macro- and micro-level, in the sense of individual and societal level.

According to Mallin *et al.* (2014) various studies use either the indices of Haniffa and Hudaib (2007) or Maali *et al*. (2006) as matrix for their own research.

In terms of CSR indices, Haniffa and Hudaib (2007) lay the ground by measuring the reported ethical identity of Islamic banks in relation to an ideal ethical identity. For the definition of this ideal identity, they refer to the literature on Islamic economics and finance and come up with a checklist that consists of five themes, consisting of eight dimensions, which are then subdivided into 78 constructs (or criteria). The first of the eight dimensions looks at the vision and mission statements. Corresponding criteria address the question whether the normative base of the bank considers issues such as adhering to *Shari'ah* principles and serving the needs of the Muslim community. The second dimension looks at the board of directors and top management of the bank. Criteria here focus on the disclosure of information on the directors and top management as well as some corporate governance aspects such as shareholdings of board members and multiple directorships. One dimension looks at the products, in which criteria examine for example the involvement in non-permissible products and the process of *Shari'ah* approval of new products. Another related dimension examines *zakat* and other charity including *qard al hassan*. This dimension has the largest number of criteria, all dealing with specific aspects revolving around *zakat* and charity. The next dimension deals with employees and examines issues such as training and equal opportunities. One dimension examines the issue of debtors, analysing whether the company has a debt policy for instance and whether the company discloses in detail its types of lending activities. The next dimension deals with the issue of community, covering a number of diverse criteria such as examining whether the bank offers women branches, sponsors community or civil society organisations and conferences on Islamic economics. The final dimension deals with the *Shari'ah* supervisory board and criteria examine different aspects regarding this organ such as disclosure of information on its members, their remuneration and details of the activities of the board as well as the supervision processes. As we can see, environmental aspects are not at all included in this set of criteria.

Maali *et al*. (2006) also develop their own index to examine the CSR disclosure of Islamic banks. Their criteria cover similar issues like Haniffa and Hudaib (2007): *Shari'ah* opinion, unlawful (*haram*) transactions, *zakat* (subdivided into banks required and not required to pay it), *qard al hassan*, charitable and social activities (what activities, how much, where did funds come from), employees (remuneration, training, equal opportunities, working environment), late payments and insolvent clients, environment (donations to protection; projects financed that may harm the environment) and other aspects of community involvement (role in economic development and in addressing social problems). Here, the environment is considered and we can see that even though banks may not have significant direct impacts on the environment, they do so through their investments. Apart from this difference, the criteria cover very similar topics as the Haniffa and Hudaib (2007) index.

Kamla and Rammal (2013) examine whether social justice plays a role in the operations of Islamic banks. In order to examine this question, they develop five dimensions consisting of adherence to *Shari'ah*, funding socially motivated investments and projects financing infrastructure projects, incorporate social and environmental concerns, long-term projects, 'grass-root investments, non-financial criteria, access to credit and schemes for financial inclusion of the poor and disadvantaged, community contributions (requiring the disclosure of how much and what for), and *qard al hassan.*

Aribi and Arun (2015) conducted a qualitative study examining the CSR perception of managers of Islamic banks in Bahrain as well as the disclosure of such information in annual reports. They work with a definition of CSR for Islamic banks that incorporates environmental considerations as well as some general working conditions (wages, training, equal opportunities) along with the common issues, mentioned above such as *Shari'ah* compliance, *zakat*, charity, and *qard al hassan*.

It is very clear that all of these indices differ greatly from the assessment criteria proposed in this study. Of course, one main difference is that the criteria proposed here are not directed towards the Islamic financial industry, but rather towards production companies that Islamic financial institutions might consider investing in and thus a number of criteria that are concerned with *Shari'ah* boards or product development in the previous indices are not relevant *per se* in the assessment tool.

It should, however, be noted that the difference in industry focus cannot explain all of the divergences. Even though some of the overarching dimensions or topics are quite similar, such as charity or the general management and corporate governance of a company, the criteria themselves seem to be more generic in the previous studies. Taking the issue of labour relations as an example, Table 8.1. shows the criteria used in some of the studies mentioned above.

Table 8.1. Criteria for assessing labour relations in selected studies

Authors	**Labour Relations criteria**
Haniffa and Hudaib (2007: 101)	(i) employees' welfare; (ii) training and development (especially on *Shari'ah* awareness), amount spent on training, provision of special training or recruitment schemes; (iii) equal opportunity; (iv) reward to employees.
Maali *et al.* (2006: 279)	The policy on wages and other remuneration The policy on education and training of employees The policy of equal opportunities The policy on the working environment
Aribi and Arun (2015: 793)	The policy on wages and other remuneration The policy on education and training The policy on equal opportunities

When compared to the criteria described in Section 8.2.2, it becomes clear that the criteria developed here cover a broader range of relevant topics (such as health and safety, income gaps, self-esteem and development opportunities, family-friendliness *etc*.) and are also more specific in their requirements. Instead of asking for a policy alone, they are directed towards some quantitative measures (as Haniffa and Hudaib, 2007 require in some instances) and also search for disclosure or explanations of actual activities. It is not certain that a policy will be executed to the letter, whereas concrete evidence of activities taken gives a better insight into how social and environmental issues are implemented.

In addition, when we look at *Shari'ah* screening practices we note that the list of exclusion criteria presented here differs greatly from exclusion criteria currently used in the industry. The following issues are listed by Bin Mahfouz and Ahmed (2014) as being excluded from investments by most indices: alcoholic beverages, broadcasting and entertainment, conventional financial services, gambling, hotels, insurance, media agencies (except newspapers), pork-related products, restaurants and bars, tobacco,

trading of gold and silver (only one of the examined indeces excludes this), weapons and defence. These products are excluded only implicitly in the list of exclusion criteria given in Section 8.2.8 in that they are or include *haram* activities or products. Beyond these, however, there are a number of issues that most Muslim respondents agreed should also be excluded such as nuclear power and genetic engineering, which are not currently considered in any of the Islamic indices examined by Mahfooz and Ahmed (2014).

The main reason for the difference between indices from previous studies and the assessment tool presented here lies in the process behind the development of criteria. Whereas the indices of previous studies are largely based on the basic assumptions prevailing in the Islamic economics and Islamic finance literature, the assessment tool criteria are based on the input of members of the Muslim civil society. In a social constructivist sense, it should be noted that the development of the assessment tool has also been influenced by my own experience as a researcher in socially responsible investment as pointed out in Chapter 1.

The use of data from interviews with civil society representatives has introduced new aspects such as the focus on basic needs, the need for a marketing strategy that actually promotes moderate consumption or the strong disapproval of lobbying activities. These aspects have so far not been considered in such clarity in previous indices or screens, while the criteria proposed above break down the expectations regarding an ideal Islamic economy to company level and show how businesses can be assessed on the basis of the elements discussed in Chapter 7.

It should be stressed again that the list of criteria collated in Section 8.2.8 is not a final list but one way of interpreting the input of the Muslim representatives interviewed for this specific study. In that sense, if such an assessment tool should ever be applied to real world investment decisions, the whole process from data collection through to analysis or at least parts thereof would have to be repeated in order to arrive at an assessment tool suitable for the specific requirements of a particular investor.

It has often been criticised that in Socially Responsible Investment, there is not one uniform definition of what actually constitutes SRI. The development of the criteria introduced here shows that because of the complexity of the issue of sustainable

development and corporate sustainability on the one hand and the diversity of ethical preferences and ideas on the other hand, it is not possible to arrive at a uniform definition. For the same reasons, also in Islamic finance and investment such a uniform definition would not be possible, if more ethical aspects should be included in the screening and assessment practices.

The main conclusion that can be drawn from this comparison of the assessment tool outlined here and indices developed in previous studies is that on a general level there are some similarities between deriving criteria from the basic assumptions in Islamic economics or from the model of an Islamic economy as introduced in Chapter 7. On a more specific level of detail, differences emerge as shown in the instances of labour relations and exclusion criteria. Such differences can be traced back to the greater variety of opinions, ethical perspectives and preferences that have been considered in the development of this assessment tool. A further integration of ethical aspects into Islamic finance practice would therefore mean a diversification of screening practices to accommodate for the preferences of the individual investors.

In this chapter, an assessment tool for Islamic sustainable investment decisions was outlined. First, objectives and potential users for such a tool were identified. Secondly, around 31 positive criteria, 15 exclusion criteria and one measure for transparency were developed on the basis of the Islamic economy model introduced in Chapter 7. Finally, the developed criteria were compared with existing research that used similar indices. The differences between this and previous studies can be explained by the different procedures undertaken to derive the criteria. It is suggested that a greater diversity of topics and ethical expectations is to be expected when integrating individual investors' preferences into the creation of positive and exclusion criteria. The entire process presented in this research could be reiterated for the purpose of developing assessment tools for real world investment decisions.

The following chapter attempts a critical reflection as well as some concluding remarks to complete this study.

9. CRITICAL REFLECTION AND CONCLUSIONS

9.1. SUMMARY OF THE FINDINGS

The purpose of this final chapter of the study is to briefly summarise the findings of the research and to reflect critically on the research process. This includes a brief discussion of the limitations of the study and the identification of potential future research that can build on the findings of the study presented here.

The first stage of the research encompassed a broad review of the literature that aimed to set the frame and to draft the context in which the research should be located and understood. Therefore, the study started with an introduction into basic Islamic principles and terms as well as into the so-called three schools of thought in modern Islamic thought: the revivalist, modernist and traditional or Sufi schools of thought. This was important for laying the ground for one theme of this research, which is to trace the plurality of opinions and approaches within Islam with regards to economic issues. In a next step, the discipline of Islamic economics was introduced. The focus was placed on three different areas that can be identified in Islamic economic research such as the systems approach, the economics approach and the behavioural norms approach. In addition, the so-called axioms of Islamic economics were discussed briefly. The study also examined the attempts to come up with genuinely Islamic principles regarding the economy, while certain central ideas within economics such as the focus on self-interest and the utility function live on in Islamic economics.

The next section explored the idea of sustainable development, which was established as a guiding principle in international politics in the second half of the 20th century as an attempt to align human and economic development with the natural limits of the planet. In the final section of this chapter, it was established that Islamic economics has not really taken up the concept of sustainable development even though the two concepts have much in common.

In Chapter 3, Islamic perspectives at the corporate level were addressed, including topics such as corporate governance and business ethics. The newly emerging field of Islamic marketing was also introduced. We then looked at CSR and corporate sustainability,

introducing a number of concepts and ideas. Concluding with the idea of social businesses, we saw that businesses today may actually allocate the same importance to social or environmental objectives as they do to financial targets. We then looked at CSR from an Islamic perspective, where it was shown that in the literature, there are both purely conceptual papers as well as empirical studies and that the main focus of the latter lies on the CSR performance and disclosure of Islamic banks whereas the conceptual papers aim at defining CSR from an Islamic perspective. The review of the existing literature shows that no study actually uses empirical evidence to *develop* a conceptual model of CSR or corporate sustainability. This observation is important, because this was the path chosen for the present study.

When looking at Islamic finance (Chapter 4), the focus of this literature review lay on research that examines the workings of the industry and their underlying theoretical assumptions critically. As was the case with the Islamic economics literature, we saw that basic assumptions known from economics prevail in the Islamic finance industry to a certain degree. Introducing SRI, we saw that there is a range of different investment strategies available in this field. We also examined the development and selection of criteria for SRI. In the final section, we looked at developments and research at the nexus between Islamic finance and SRI. This research has only begun in recent years and there are still many gaps in the research. It should be noted that further literature from the fields of (economic) sociology and anthropology was also relevant in the context of this study, Due to the exploratory nature of the study as well as its grounded theory approach, this literature was only introduced in Chapters 7 and 8 in the context of the analysis and interpretation of the data.

Chapter 5 explained the research methodology used in the present study. In this context important terms such as transdisciplinarity and system theory were explained. The theoretical background of the study was described as transdisciplinary due to its footing in the different disciplines such as Islamic economics and finance and sustainability studies as well as the integration of the perspectives of practitioners. The description of the theoretical background was followed by a description of the organisational background in the form of the St. Gallen Management Model. The model itself was described together with its origins in systems theory. It was explained that the model formed the basis for the interview guideline. In a next step the research methodology

was introduced as qualitative research with a research design in the form of an inductive and exploratory study using semi-structured in-depth elite interviews. All of these terms were explained in detail. Moving on to the issue of sampling, the German Muslim civil society was introduced briefly and it was explained that purposive sampling was used for the selection of the sample base. Finally, the data analysis and evaluation was described in some detail, focusing on the problems associated with the different steps and the journey that eventually led to the development of the models and concepts that were then introduced in Chapters 7 and 8.

Chapter 6 served the purpose of presenting the data in a succinct yet informative manner. For that matter, tables displayed the categories derived for each question from the individual interviewees. These were accompanied by further explanations of the answers so that the richness and variety of the answers could be recognised.

In Chapter 7 a theoretical model was developed that showed an Islamic economy consisting of three parts: culture, social structure and embeddedness. These parts were derived from a framework proposed by Portes (2010) for the routes of enquiry existing within economic sociology. Portes' (2010) framework demonstrates how these parts consist of different levels and how the most underlying levels inform the outer, visible and collective levels, namely institutions, organisations and 'politics'. Because of the analytic breadth offered by the framework it was possible to order and interpret the data and at the same time keep their richness and diversity. The resulting Islamic economy model presents an economy that centres on the idea of *rizq* and the provisioning and support of families and communities. As discussed, the model suggests that all economic action should essentially be geared towards achieving these goals. In terms of social structure, the model illustrates that power relations should be based on an essentially egalitarian understanding with emphasis being placed on the ideas of partnership and the legitimisation of power through democratic means. The embeddedness of economic action into society is emphasised in the model, which could be expressed through the strengthening of non-market based economic exchange mechanisms of which the most prominent in an Islamic understanding is *zakat*. Chapter 7 also showed that the research methodology chosen for this study can be seen as an emerging new path for the further development of Islamic economics theory with its focus on qualitative and transdisciplinary research venturing out of the disciplinary

boundaries of economics altogether.

Finally, in Chapter 8, an assessment tool for Islamic sustainable investment decisions was outlined. First, objectives and potential users for such a tool were identified. Secondly, around 31 positive criteria, 15 exclusion criteria and one measure for transparency were developed on the basis of the Islamic economy model introduced in Chapter 7. Finally, the developed criteria were compared with existing research that used similar indices. The differences in this study and previous studies can be explained by the different procedures undertaken to derive the criteria. It is suggested that a greater diversity of topics and ethical expectations is to be expected when integrating individual investors' preferences into the creation of positive and exclusion criteria. The entire process presented in this thesis could be reiterated for the purpose of developing assessment tools for real world investment decisions.

9.2. CRITICAL REFLECTIONS ON THE STUDY AND THE FINDINGS

After presenting this brief summary, it is important to provide a critical reflection on the research presented in this study. The main issue that needs to be addressed in this context is the fact that this study has ventured far out of the disciplinary boundaries of economics and management and even the related fields of Islamic economics and finance and sustainability research, and instead economic sociology and anthropology have become important points of reference in terms of understanding and interpreting the data.

There are, however, two problems attached to this shift in disciplinary focus. The first problem is that a researcher venturing far out of their own background may not comprehend all of the theoretical underpinnings of the new discipline, which in turn may increase the danger of misunderstanding concepts or misinterpreting data. Therefore additional caution and due diligence are required, accompanied if possible by exposing the findings to the scrutiny of other researchers from the new discipline. Both of these measures have been taken in the case of this study.

The second problem is that by venturing into completely different disciplines that have a different logic with regards to basic understandings of certain issues, a situation might

arise where the research is not actually compatible anymore with the discipline for which it was originally intended. This may be the case for instance in this research with the idea of departing from the understanding of human action being entirely driven by rationality that dominates the notion of *homo economicus* and *homo islamicus* versus an extended definition of social action as used in sociology or with the idea that businesses should aim at encouraging moderate consumption among their customers. This issue will need to be deferred to the future, as only future research will show how well the ideas proposed here are received or whether they will in fact prove to be incompatible with research in Islamic economics and finance.

Closely related to these two issues outlined above is the question of how *Islamic* the outcome actually is given the frequent reference to Western social sciences and the use of non-religious sources by interviewees who on top of that seem to be very integrated into German society and culture. In fact, this study could be used as an argument against using empirical data for the theory development within Islamic economics and as an example of how important it is to argue on the basis of the primary sources alone. One could also argue that this study has been more of an empirical test of the prevailing concepts in Islamic economics than an attempt to advance the theoretical foundations of Islamic economics as many of the concepts can after all be identified in the data. Both of these claims are true to an extent. However, first of all the second claim is already the answer to the first, because despite the reference to Western social sciences and non-religious sources, after all the concepts proposed in the Islamic economy model are largely similar to those developed in previous Islamic economics research, which shows their footing within Islam.

Secondly, such claims would not take into consideration the particular aims and objectives of the study as explained in Chapter 1, as the research had a very practice-oriented outlook at the beginning. This practice-orientation has been an undercurrent in the research process and therefore the applicability even of the theoretical model proposed here has been an implicit objective throughout. In Section 7.5.1., this was expressed as the notion that the values proposed in the Islamic economy model such as *rizq*, moderation, responsible profit and basic needs can contribute to bridging the gap between the underlying theoretical underpinnings within Islamic economics and the everyday *lebenswelt* (lifeworld) of present day Muslims as economic actors. The

practice-orientation is also inherent in the choice of a transdisciplinary research approach that by definition aims to solve real world problems (*see:* Section 5.1.1.). This inherent practice-orientation has shown that although the concepts may not differ much on the surface, there are great variations in their understanding and interpretation even among the small group of interviewed participants for this study as was shown in the instance of *rizq* for example, which ranged from the understanding of *rizq* being entirely a gift from God to the idea of three quarters of *rizq* being generated through one's own work and efforts. Neither of these statements is true or false, they are simply expressions of the plurality that exists in Islamic discourse and practice. This is an important observation that needs to be taken into consideration more in future research in Islamic economics.

9.3. LIMITATIONS AND CONSIDERATIONS FOR FUTURE RESEARCH

The critical reflections in the previous section have already highlighted some of the limitations of the present study. Further limitations that should be mentioned are for example the fact that due to certain constraints, such as word count and especially time, the input from the SRI experts was in the end not included in the interpretation and final analysis of the data. There was no adequate room for these the way the arguments developed in the end. These data might be analysed further for future research, which could use the theoretical framework and propose a sustainable economy model developed on the grounds of the input of the SRI experts.

Another regrettable limitation is that no member of the major representative organisations such as DITIB showed any interest in participating in the study. This was not in the hand of the researcher, but it reduced the diversity of opinions presented and would have been a valuable contribution.

Similarly, such a study could be conducted in a country with a majority Muslim population that might already have an Islamic finance industry as well. This would greatly increase the applicability of the research. Future research could aim at closing some of these gaps and explore other countries or interview other organisations. With the study being exploratory and qualitative in nature, these limitations do not actually have an impact on the overall quality of the research results, as it is not the aim of such

a study to be representative.

Out of the limitations presented above, directions for future research have already been pinpointed. Further ideas for future research have already been presented in Chapter 7. These were directed largely at research on the different concepts proposed in the context of the Islamic economy model such as the question of how the understanding of *zakat* changes when not only applied to individuals, but also organisations (Section 7.4.3.); conducting studies that look at non-market economic mechanisms in Muslim communities and in the Islamic sources (Section 7.5.3.); and in the context of *khilafah*, a more systematic integration of environmental aspects into research in Islamic economics, as these have been neglected and there seems to be a lack of knowledge regarding these issues among the Muslim community (*see*: Section 7.5.4.).

9.4. EPILOGUE: CONTRIBUTIONS AND IMPLICATIONS OF THE RESEARCH

To conclude this study, some of the main contributions of this research will be reflected upon under special consideration of the implications that can be drawn from them in terms of theory development in Islamic economics and the practice of Islamic finance or beyond.

The major contributions of this study can be divided into content and methodology. On the level of content, the theoretical model proposed in this research identifies various Islamic concepts such as *rizq* that have so far received little attention in Islamic economics. It also helps to refine some of the concepts that are an integral part of the Islamic economics body of theory such as the notion of *khilafah*.

It further proposes to move away from concepts such as the *homo islamicus*, arguing that this concept is still based on a narrow understanding of what constitutes rationality in social action and that instead a more sociological understanding of the driving forces behind human social action would help to shift the focus towards how economic action is always embedded in a social context that cannot be explained by instrumental rationality alone. The implications of these findings for future research have been

outlined in the previous section. In terms of contributions and implications beyond the academic environment, these findings are a small building block in the general effort to move the economic system towards a more sustainable course. They can help to connect an Islamic perspective with the wider debate on sustainability, and thus, propose a positive perspective in times when Islam as such is often perceived as a destructive force. In order to be more effective some of these findings should be put into practice in the sense as described in the interviews: it needs role models and positive examples to show that it is possible to actually run a business or an economic system in the way proposed by the model and the assessment tool presented here.

The assessment tool contributes to research in Islamic economics and finance in that it proposes criteria for the assessment of businesses that represent the breadth of topics that are relevant when assessing the performance of businesses beyond the financial market. It also shows the level of responsibility expected of businesses from the point of view of Muslim civil society actors and thus can be understood as a first sketch of applied Islamic business principles that would need to be refined and differentiated further. Its implications on the practice of Islamic finance could be far reaching, as it can be developed into an institutional benchmark to evaluate and critically examine the performance of IBFs. For example, the assessment tool could be used by IBF institutions to expand their screening practices. It would be particularly interesting to see the integration of sustainability experts into the *Shari'ah* governance structure of IBF institutions. Furthermore, as explained in Chapter 8, start-up entrepreneurs could use the assessment tool as support for developing new business ideas, for example in the form of Islamic social businesses.

In terms of methodology, the major contribution of this research is that it has brought new voices into the debate within Islamic economics that had found little consideration before: the voices of Muslim civil society representatives. The role of civil society organisations in the world today is contested. In fact, reports show that the work of civil society organisations is being impaired worldwide by governments for different reasons (*see*: Sherwood, 2015). However, this research has shown that civil society organisations can be important and active contributors to the realisation of sustainable development also from an Islamic perspective. Therefore, the main implications this study has in terms of methodology for Islamic economics and finance research and

practice is to take on board civil society actors and experts for environmental or development issues. The project of Islamic economics once set out under the impression that an Islamic state could be created in a top-down fashion with an economy that truly reflected Islamic values, and Islamic finance can in a way be understood as an articulation of this idea. However, from the research presented in this study, it can be deduced that grassroots initiatives supported through civil society might be better placed to achieve sustainable development that centres around the support of communities and families as well as protecting the 'base' (Gudeman, 2001) in terms of environmental, social and cultural capital. It remains to be seen whether a more active involvement of civil society in the operations of IBF institutions will help to address some of the criticism that has been raised in the 'form over substance' debate including the disregard of most issues pertaining to sustainable development.

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Appendix A

Interview Guide

Introduction (to give participants a general idea of why I am interviewing them and where I am coming from)

In ethical investment a number of methods are used, sometimes based on complex and deep sets of evaluation criteria, to identify which companies and investment opportunities meet an investor's ethical demands. Especially civil society actors such as foundations and charities use ethical investment to ensure that their financial behaviour does not stand in contrast with the values and causes they promote in their work. The same methods can be used in the evaluation of sponsorships or other types of cooperation with companies.

For Muslim organisations, in theory the Islamic financial market is available to them to ensure that their own financial management is in harmony with their religious beliefs. However, Islamic investment in its current practice does consider a very wide range of ethical criteria. It rather focuses only on excluding a few *haram* business fields such as production and distribution of alcohol, tobacco etc. (above a certain threshold, most commonly measured as percentage of revenues generated by this business field). Softer ethical criteria such as the treatment of employees and environmental protection are not considered in Islamic investment at all at the moment, they do play a major role in ethical investment however.

In my research I want to find out which ethical criteria Muslim organisations in Germany would apply for investing their finances in an Islamically ethical way. I think that ethical investment as it is practiced in Christian churches or environmental organisations is very different from the requirements of Muslim organisations and at the same time it should be acknowledged that many Muslims are very sceptical about Islamic finance. Some of them miss the theological depth behind the concept and do not see a great difference to conventional financial actors. I am interested in the dimension of theological depth. I think that in order to establish which ethical dimensions and criteria should be used in a 'deeper' approach to Islamic investment, Muslim organisations and other community leaders are the best partners to define such criteria. I concentrate my research on investments rather than other financial products because they lie at the interface between the financial market on the one hand and the real economy on the other hand.

The interview guide is based on a model used in management training that takes a 'holistic' view of a company or any business units in its environment. This way I hope to ensure that all possible relevant topics are covered in the interview and no issues are left out. Of course, some issues might be deemed irrelevant and I would also like to find out, which issues are seen as more relevant that others.

The interview itself will take about two hours. I will record the session. If participants are interested and willing, they can take the questions with them and send me more input if they feel they overlooked something in the session and would like to add something.

Ideally, there will be a second session where I present to them the result from the interview and they help me to structure and prioritise issues and maybe help to define those issues that are particularly important in greater detail.

FIRST PART: ISLAMIC BUSINESS ETHICS

Sustainable Development in General:

In an international context, the concept of sustainable development plays a leading role in shaping the discourse of what development is or should be. It has been defined as 'development that meets the needs of the present generation without impairing future generations to meet their needs'.

Can you please name topics and fields of activity that you think are most important for sustainable development?

Why do you think these topics are particularly important?

Which role does the economy play in creating sustainable development?

Which role do individual companies play in creating sustainable development?

Which aspects of business activity are particularly important in this context?

Which role does Muslim civil society in furthering sustainable development?

Are there any Muslim intellectuals that address issues of sustainable development and that may be referred to in this context?

The corporate level:

Environmental spheres:

<u>Societal sphere:</u>

Companies are embedded in the society they are active in, because they are run by humans and these humans have certain values and these values are shaped or at least influenced by society. At the same time, companies themselves influence society directly or indirectly. Therefore, I would like to know the following:

Which values should a company live and support?

How should it do this?

What is the main social responsibility of companies towards society at large?

Is this social responsibility mainly of an economic nature, i.e. ensuring economic growth, securing employment opportunities, creating return on investment for investors?

Or do you think a company has further social responsibilities? Could you name some?

Clues: community involvement / supporting charities (financially, in-kind donations, corporate volunteering); product responsibility (safety, halal, usefulness, supporting an ethical lifestyle)

Natural environment:

Business activities always have some negative impact on the natural environment, because they use natural resources that need to be taken from the environment and they emit emissions that can be harmful. Businesses might also make products that have detrimental effects on the natural environment. In this context I would like to know:

How do can you strike a balance between the needs of humankind and the limits of the natural world?

Does nature have a value in itself?

Which measure should be applied in determining when to put human wants or needs first and when to put the environment first?

Should companies be made responsible for damage they cause to the natural environment?

To which extent should they be made responsible? (I.e. in terms of product lifecycle)

Finally, in the Islamic debate about the issue of resources, there seem to be two contrasting opinions> Islamic economists often like to refer to the idea that God provides us with all we need and therefore, there is no real scarcity of resources from an Islamic point of view. On the other hand, many hadith speak of the importance of saving water for example or being moderate in consumption in general. What is your opinion to these contrasting points of view?

Technological sphere:

Most technological progress has been brought about by companies, because even if originally developed at universities or other public institutions, it is often private companies that make technologies accessible to a large number of people. With every new technology there is some added value, but also possible risks and tradeoffs. I am interested in the degree of risk acceptable, but also the degree of responsibility of companies for technologies. First, I would like to know:

Are there any technologies that from an Islamic point of view are not acceptable?

Why are they not acceptable?

Clues: nuclear power, information and communication technology, genetic engineering, nanotechnology – business fields e.g.: military, agriculture, medicine, transport, telecom, energy

How far should companies be held liable, i.e. made responsible for risks associated with technologies?

Should companies pay for negative effects of technologies developed by them? And if they only use them, but have not developed them themselves?

What do you expect from a company with regard to controversial technologies: not use it at all, use it in certain circumstances (define), use it if legal, others

Economic sphere:

This describes the immediate environment of a company. The economic sphere is largely influenced by the relationship of the state with the economy, but also by social framework conditions such as level of qualification of people or the demography a company is faced with. Questions concerning this sphere aim at finding out the ideal framework conditions of a business from an Islamic point of view and how companies should try to shape these framework conditions themselves:

What is the main role of the state with regard to the economy as such?

Can you think of negative impacts the economy can have on the state?

What are the main negative impacts from state regulation on the economy?

There are a number of activities / business fields that can be undertaken by both the state or private companies or charities, for instance childcare, health services (hospitals, care homes), communal services (water, energy, waste), public transport, even infrastructure etc. What are the main criteria in determining who is offering those services? Are there any limits? I.e. are there services that should be carried out by the state whatever it takes? Or do you disagree with private companies offering any of these services?

Clues: Bureaucracy, control mechanisms, taxes, lobbying, privatisation, corruption, legal compliance

Spiritual sphere:

These days, it can appear as if spirituality and religion have become contestants to a life that has become focused on material and economic issues. The business ethicist Peter Ulrich speaks of the "economisation" of different areas of life in this context. At the same time, especially in the West, there is a wide criticism of religions also from actors

that do not necessarily approve of this economisation. I am therefore curious to learn about your evaluation of the relationship between the economy and religion in general, but also about the degree to which religious matters should precede over economic concerns.

What is your perception about this competition between the economy and spirituality? Does it exist? Which dimensions has it got?

What would you expect a company to do in order to soften this competition?

How important are practical aspects of allowing religious practice in companies?

Which practices should be allowed or fostered?

What would be legitimate limits to practicing religion in companies?

Do you expect companies to meet all those religious requirements expected by different religions? What if they are a source of conflict or cannot be met equally?

Do you think companies could play an active part in strengthening peoples' spirituality? What could they do to do so?

Stakeholder groups:

Now I want to introduce the different stakeholder groups to you and discuss with you the relationship between these groups and an individual business.

Stakeholders are generally understood as groups of people that have a 'stake' in a company and its activities in one way or another. The concept of stakeholders is commonly used in sustainability management in order to identify which demands different people might have from a company, to identify contrasting needs, but also to establish which positive and negative impacts a company has on different groups of people. In the model I am using, there are three levels of interaction a stakeholder group might have with a business: resources, values and norms, and concerns and interests. That means that most interactions can be classified as belonging to either one of these three levels.[1] In ethical investment, the investor can define what he thinks is the main responsibility of a company with regard to the respective stakeholder group and what he thinks are the most important issues. It is also important to establish some form of hierarchy of stakes and issues as usually there will be compromise between the demands of the different stakeholder groups and therefore, some form of prioritisation is often necessary.

[1] For instance, employees and companies might have issues about the resources time and money with one another, whereby it is the interest of employees to get more money or have more time for their families, but they might have further interests such as a diverse job and respectful interaction with superiors and colleagues whereas companies might want to pay as little as necessary and have access to employees beyond agreed working times, but they might also be interested in keeping the experience of employees within the company and not lose it to competitors and to have staff that works efficiently and independently.

Employees:

What are the main responsibilities of a company towards its employees?

More generally, what is the value and significance of work (in a Muslim's life)?

Which rights do employees have over their employee? And vice versa?

What are minimum requirements for a place of work from an Islamic point of view?

What do you think about the strife in the West to enable women to have similar chances in the work environment as men and similar conditions in terms of payment, access, career paths etc. Do you think this is a good thing or a negative development? Please give reasons for your opinion.

To what extend are employers responsible for the welfare and well-being of their employees?

Please describe your ideal of the relationship between an employee and their superiors.

What do you think about international norms such as the ILO conventions or the UN Declaration of Human Rights. From an Islamic point of view do you think they are acceptable and sufficient as guidelines of what constitutes adequate working conditions or do you think that Islamic investors and other Muslim actors should not feel bound by these?

Customers:

What are the main responsibilities of a company towards its customers? What can a company do to ensure it meets these responsibilities?

How far does this responsibility extend? For instance, should a company be held responsible for harm caused the customer or third parties through the company's products and services? Or in other words under which circumstances should the company be held responsible? If associated with misuse of a product? If associated with a risk of the product / service? If associated with a lack of information about weaknesses and risks of the product/service?

When developing and selling a product and services, which criteria should a company consider above purely economic terms?

Clues: Products: quality, longevity, safety, usefulness, environmentally friendly; Services: honest, transparent,

Suppliers

What are the main responsibilities of a company towards its suppliers? What can a company do to ensure it meets these responsibilities?

How deep into the supply chain does the responsibility of a company extend? Is it responsible only for immediate suppliers or beyond?

Do you have an opinion about the tendency of companies to outsource an ever increasing proportion of their activities to suppliers?

Clues: labour rights, keeping to contracts, transparent business dealings, not abusing a position of power, potential for innovation and cooperation

General public

What are the main responsibilities of a company towards the general public? What can a company do to ensure it meets these responsibilities?

Clues: human rights

Competitors

What are the main responsibilities of a company towards its competitors? What can a company do to ensure it meets these responsibilities?

Clues: Fair competition, cooperation necessary sometimes (e.g. research and development), ambiguous role of lobbying

Investors

What are the main responsibilities of a company towards its investors? What can a company do to ensure it meets these responsibilities? At the same time, what are the responsibilities of investors towards a company?

Clues: Reporting, transparency, ethical investment, pressure of financial market to produce high returns by all means, divergence between financial market and the real economy

Non-governmental organisations (NGOs)

What are the main responsibilities of a company towards NGOs? Does it have any? What can a company do to ensure it meets these responsibilities?

Clues: reputation management, public pressure and campaigns often move companies into behaving more sustainably, but they hate it, chances of cooperation often not taken therefore, a great deal of mistrust on both sides

State

What are the main responsibilities of a company towards the state? What can a company do to ensure it meets these responsibilities?

(Refer to economic sphere, many issues covered there)

Which state should be the main concern for a company? The state it is registered in? It was founded? It has its greatest sales base? It has its production base? All of these?

SECOND PART: ETHICAL INVESTMENT – METHODS AND MOTIVATION

How important is it for your organisation to invest the money you are managing ethically?

This is an open question, aiming at finding out whether the company is already active in this field or aims at becoming so

Have you ever considered using Islamic finance products and services?

Where do you see strengths of Islamic finance?

Where do you see weaknesses of IF?

What is your primary motivation for investment decisions?

Exclusively based on the return

Exclusively based on ethical criteria

Both equally important

Both taken into account but ethics / return more important than the other

Type of investment most suitable from an Islamic point of view:

<u>Ownership of a company:</u>

Public limited company, limited partnership, family owned, others:

Important – relatively important – relatively unimportant – unimportant – exclusion criteria

<u>Company size :</u>

Large, medium, small

Important – relatively important – relatively unimportant – unimportant – exclusion criteria

<u>Main area of business activity:</u>

Globally, Muslim countries, in Germany, in country of origin, with an Islamic focus

Important – relatively important – relatively unimportant – unimportant – exclusion criteria

Type of investment:

Shares, other forms of direct investment: equity based, 'debt' based, project based, long-term investment, start-ups or well-established companies, focussed on individuals, e.g. microfinance; mixed forms. Please state preferences

Important – relatively important – relatively unimportant – unimportant – exclusion criteria

Investment methods:

Negative screening (simple exclusions, norms-based exclusions, multiple exclusions), positive screening (best in class, themed funds), engagement/ shareholder activism, impact investment (microfinance, social business etc.), integration

Important – relatively important – relatively unimportant – unimportant – exclusion criteria

Appendix B

Interview Codes

1. Main topics for sustainable development

Interviewee	Statements
LIB	Levels of destruction: War Destruction of people and nature Pollution / exploitation Human trafficking Drugs Making money with the above Destructive business decisions
ZMD	-
NAQ	Spiritual development of individual and society Nature as part of society Economy and technology not important issues
Jour	Sustainability as main topic Nature and environmental protection protection of resources (especially with regard to sustainability in companies) Khilafa as guiding principle meaning the responsibility of humans towards creation Freedom to shape the world and responsibility to protect creation / guard it from destruction Gift from God to have nature and resources Technology part of these resources As well as human resources
BUR	Defining basic needs Basic rights: home, work, food Securing basic needs Intergenerational justice Responsible /sustainable use of resources Environmental protection Economic growth without exploitation Problem: exploitation of earth for economic growth Moderation to secure future
Ana	Three pillars of social, environmental and economic aspects Further differentiate between intergenerational and intragenerational Resource protection Climate change Human rights Social justice / imbalance Economic structures /system Growth debate Economic structures in industrial countries lead to imbalance at the expense of sustainability

OIKO	Climate change Its impact on the poor Chain of impacts also affecting Oikocredit
IMAM	-
IFIBAF	Food sector: Number of labels, achieved move from niche to mass market (e.g. organic food found in supermarkets and discounters, not only organic food stores), good example Car industry: Emobility, not yet mainstream, due to price differences and problem of cruising range (VW Golf twice as expensive as emobile) Financial industry: On a smaller scale, due to financial crisis (gives numbers for Germany), social banks have high growth rates (double-digit), transparent how money is used (eg customers / debtors with over EUR 50,000 can agree to be disclosed in annual report, Deutsche Bank would never do that), this way, customer has some level of control over how money is used and whether bank uses it properly as is main task, other areas: food speculation, financial transaction tax, yet still small scale Consumer goods: Energy efficiency, (example vacuum cleaner, fridge), In general, more regulatory support needed such as traffic light label for food and consumer goods, needs simple labels to be accepted
IFEx2	Resource efficiency (Israf) Vicegerent (Khalif)

2. Role of economy for sustainable development

Interviewee	Statements
LIB	Unethical economisation of society Economy *all encompassing* influences most basic and essential human life choices Role cannot be overestimated In a positive sense: Satisfying basic needs Economy should serve the people, not the other way round Basic needs of present generations have to be fulfilled before thinking about future generations Until economy satisfies basic needs of all people it is unethical and unislamic
ZMD	-
NAQ	Not important for Sufis, as individual it plays a role
Jour	Has the main responsibility due to economisation and general complexity of life ->*economy all encompassing* Using resources even when not evident Big companies more important than personal consumption decisions They bear the main responsibility Role of the state The economy overly regulated (from Brussels) Therefore state also has great responsibility But companies have their strong own interest

	Not interest of the public E.g. Monsanto attempt to have ruling that forbids private sowing of old seed types Dangerous influence of economy on state Undermining of democracy Sustainability as guiding principle - *organisational level* - *systemic level* *-> power struggles for self-interest obstruct sustainable development*
BUR	Economy plays major role because we live in a consumer society based on creating artificial needs Creation of artificial needs leads to overproduction Opposite of sustainability -> *incompatibility* Economy plays central role No faith in free market economy
Ana	Major stumbling block due to profit and growth But can also be positive force Moving away from fossil fuels positive No way around the economy Everything else is marginal Change needs size
OIKO	Major destructive force when it comes to global players E.g. destruction of rainforest for biofuels, displacement of small scale coffee farmers, European, Spanish fishing industry overfishing the oceans so local fishermen don't have enough catch -> *examples* THE economy not right: different actors with different impacts Everyone is part of an economic cycle Some they support, some make their work more difficult (above examples)
IMAM	-
IFIBAF	Not asked because all the topics described above belonged to the area of the economy.
IFEx2	The honourable merchant sits beside prophet in paradise Shows importance of economy to provide benefit (rather than profit / growth)

3. Role of individual companies for sustainable development

Interviewee	Statements
LIB	Problem more of a systemic nature Individual companies cannot escape unsustainable system Consumer boycotts still good Put pressure on companies } *available modes of action / influence* Create awareness But not enough in the end
ZMD	-
NAQ	Do not play a role for spiritual development Sustainability not important for Sufi because only concerned with eternal things
Jour	Takes on consumer point of view:

	Cost-benefit analysis with benefit being sustainability Boycotts companies involved in privatisation of basic supplies (Nestle, water)-> Human rights violation, colonialist behaviour, sells people for lot of money what they could access for free before Least thing is to be informed Herself looks at topics e.g. electricity, water, textiles, plastics, hazardous substances, seeds (Monsanto) *examples* Intransparency of production process (e.g. of food) Labels don't help much Important: hazardous substances, substances of concern *(topics based)* Often associated with very specific companies Boycott sometimes more against specific product, not entire company (informed consumer decision) Health risks of plastic (e.g. in textiles) Aims to raise awareness within own social network Prefers products she knows were produced in a responsible, sustainable manner
BUR	Can be role models for successful sustainable business It needs pioneers
Ana	Depends on the market power, often more up to politics */ state* But each business could take up responsibility and play a role Not putting pressure on supply chain for instance As this is entirely done by company, noone else Have own responsibility and responsibility regarding influencing consumer choices Also considering sheer financial power of some companies (exceeding national income of some states) -> *power divide*
OIKO	One large company active in sustainability can achieve more than a small farmer, because better integrated in economic system and thus has more outreach -> *impact of size* If it keeps to social standards, ethical and labour standards, support employees and its supply chain -> *social responsibility* But question is whether company really willing to do this Shareholder value want high profit margins and company feels / is bound to that Changing expectations, nowadays benefit to company if it keeps to ethical standards Purely shareholder value ten years ago Now reporting extended to CSR issues Danger of greenwashing
IMAM	-
IFIBAF	People within company matter (in terms of how this company is perceived) Companies play great role But, critical point, currently most topics on voluntary basis (eg reporting), question arises whether only greenwashing or sincere interest Change of culture needs to read people's minds (e.g. Deutsche Bank claims cultural change, but does not accept reports saying food speculation leads to price hikes in developing countries. E.g. in Islamic finance three filters: industry screenings, financial ratios, ethical screening

	E.g. textiles company in case of fire in factory in Bangladesh, nobody wants to be associated and take responsibility, but this shows how dedicated a company really is. E.g. Sarasin: associated with aiding tax evasion and yet portray themselves as sustainable Sustainability means sustainable processes, management and responsibility Responsibility means to respond From Islamic perspective: Here and Hereafter Think problem through from end to beginning: If decision causes problem, is it manageable, if not, does investment make sense? E.g. Many Islamic scholars against nuclear power because harm greater than benefit (refers to alcohol): lowest level sets limits This critical point needs to be considered more by companies And portrayed to outside by representatives E.g. discussion of relation between fixed income and bonuses in financial industry Generally ok, but needs limits (How could supervisory boards approve of such excessive bonuses) Success only pecked to short-term financial indicators rather than long-term business success. Idea of rising fixed income misses the point If you want to improve public image, these questions need to be addressed, not a question of envy. Applies to IBFs as well
IFEx2	Greatest responsibility as they are the main form of organisation in the economy

4. Which aspects of business activity are particularly important in this context?

Interviewee	Statements
LIB	Exploitation of millions of people Main problem: profit maximisation as sole driving force behind economy (core issue) Specific problems: exploitation of people, of animals, maltreatment of animals, deforestation, general exploitation All related to core issue Chain of exploitation: mainly related to staff Even in industrial countries: exploitation takes the shape of excessive working hours e.g. Too little punishments of top executives In current economic system no morals, no ethics, no justice Consequence of this all negative effects described above
ZMD	-
NAQ	-
Jour	Handling / Use of resources Responsibilities beyond direct impact of activities E.g. financial crisis showed complexity and interconnectedness of economic system Example food speculation Complex issues not visible to consumer Therefore responsibility of companies and politics

	Curb water privatisation, food speculation -> *Protection of basic needs supplies*
BUR	Tradition of family businesses Difficult to maintain because of globalisation Have high ethics Securing jobs high priority Well-being of workers, part of the family and therefore high social responsibility -> *Good relations with workers, sense of partnership* Employee profit sharing Right to work as basic need -> companies responsible for creating jobs so people can make a living.
Ana	Most important is what has the main impact in terms of sustainability Responsibility of company to identify risks and impacts Example bank: claims environmental protection not important b/c they are service provider, but they do finance producers Depends on the type of business, sometimes labour standards, sometimes supplier standards
OIKO	Consider both social and environmental sustainability In terms of environment: resource efficiency throughout entire lifecycle In social terms: ensuring throughout supply chain that social standards are met, that people can lead dignified life and get decent pay they can live off, send their children to school and get health care.
IMAM	-
IFIBAF	Corporate culture: corporate governance and internal processes If company claims to be socially responsible: E.g. one company produces in Germany with green energy, another produces abroad with no use of green energy: this company should display entire supply chain, how does it ensure those standards it claims to have down to last supplier Customers cannot evaluate this, only sees cheap price tag, does not question how it came about, needs e.g. rating agency that really examines the supply chain (example Shell in Nigeria: Great public image despite huge environmental devastation) Sustainable image, but backyard discarded (greenwashing) Are they actually committed to their standards or only shareholder value? Usually companies get away with it
IFEx2	Market orientation of products under consideration of social and environmental concerns

5. Which role does (Muslim) civil society play in furthering sustainable development?

Interviewee	Statements
LIB	They don't understand Islamic ethics Should principally aim at raising awareness for Islamic ethics Show connections between personal ethics and the picture of society presented by Islam -> *educational role* Liberals often see religion as strictly private But Islamic ethics should make people speak up against exploitation -> *religion not only private* Different methods of protest: Local direct action, letters of protest,

	organise to remove grievance Personally against state and power, but pro political activism
ZMD	-
NAQ	Not important for Sufi Differentiation between Sufis and Muslims For normal Muslims, important, because Islam is a social religion But Sufi seeks divine essence
Jour	Play too little role One organisation, Hima, aims at raising awareness, especially among young Muslims Some people are aware of issues But many lack knowledge Disinformation through large companies -> *information divide* Affects all of society Many people do not know about content of products and production processes Not only Muslim problem Educational background of people plays a role Issues play too little a role on a religious level Muslim (civil society?) in Germany too concerned with political issues Islamic theology also politicised Image of Islam and religion Sustainability and environment should concern religious people Possibly discourse in England broader In Germany only very few Muslims look at these issues One thing is to know about things, the other to adjust activities accordingly Stigmatisation as eco-fanatic / social prejudices Use common sense as argument not Islam More should happen Responsibility of mosques, but generally irresponsible, incapable or unwilling to be active
BUR	Currently have little political impact Focus solely on religious issues Would make sense if they campaigned for basic rights Islamic civil society caring for spiritual well-being of people Taking social responsibility for one another Taking over role of family businesses Create jobs - already done on a small scale, desirable
Ana	Create public pressure Important role, b/c companies more aware of reputational risks But are movements on the margin in the end as there is no (critical) mass behind them Small impact, but important role
OIKO	Influence politics and consumers Play an important role through campaigns and raising awareness Can achieve public awareness and through this initiate change (e.g. Bangladesh and collapsed textiles factory)
IMAM	-
IFIBAF	-
IFEx2	Little role, not well organised, finances not sound

6. Which Muslim thinkers would you refer to for finding information on the issue?

Interviewee	Statements
LIB	Nasr Abu Zaid Gamal El Banna Abdullahi An-naim Mahmud Mohammed Taha Farag Foda Turki Al Hamad
ZMD	-
NAQ	Doesn't really know Muhammad Yunus Five Sufi Poles Muhammad Abduh Al Ghazali Imam Assuyuti Ibn Khaldun
Jour	Fazul Khalid (UK) Can't think of anyone … sign in itself So called progressive Muslims deal more with political issues such as human rights, democracy, freedom, women rights, oppression discourses No reference to sustainability discourse among Falid Izaq, Amina Wadud, Asma Barlas, Ibrahim Musa, Khalid Abu Fadl Deal with "classical" questions, global political issues No real public discourse among Muslims in Germany on sustainability issues, possibly better in US or UK
BUR	No idea
Ana	Based on things learned at university Brundtland, Rio, the 'classical' texts Consumer websites and guides Done in former times, but internalised knowledge now
OIKO	Oikocredit founded against Christian background, aiming at preservation of creation, acknowledge and protect value of creation
IMAM	-
IFIBAF	(Discussion of what sharia means: entirety of all prohibitions and commands a Muslim is bound to independent of geography; main targets of sharia to support good and prevent evil at same time fulfil needs) Imam Al Ghazali (needs pyramid) Ibn Rushd touches on issues Hadith pointing to sustainability issues Command how to behave in warfare (no destruction of wells or olive groves, not pollute water), if applicable in such extraordinary situation, naturally applicable in normal circumstances Large gap between documented thinking and reality
IFEx2	Sustainable development part of Islamic teaching. Greater focus on poverty reduction; Islamic Declaration on Sustainable Development (OIC UNEP), Seyyed Hossein Nasr

7. Which sources should Muslims turn to for information on sustainable

development?

Interviewee	Statements
LIB	Qur'an helps to easily and quickly understand Islamic ethics Not so useful for detailed answers, but still better than referring to the old scholars such as the founders of the four madhhab or Ibn Taymiyyah. Refers to the thinkers named above
ZMD	-
NAQ	Sheikh Nazim as head of order Al Azhar Important to have information regarding right way of giving zakat and sadaqa How bait al mal is organised Main guidance through sheikh
Jour	Standard reply would be Qur'an and Sunna But not really necessary, maybe helpful when addressing certain audience Believing Muslims know of their responisibility as khilafa If we take our religion as seriously as in matters of food, clothing etc, environment and sustainability should be equally important Reference to gender debate: not necessary to argue with Islam, sufficient to argue with democracy and human rights No need to "Abuse" Qur'an for this Appeal to common sense of people Can support argument with hadith But deep inside, each Muslim knows s/he is answerable to God in the end
BUR	First umma in Madina as point of reference
Ana	-
OIKO	Ecumenical council initiated Oikocredit Founding event was the Vietnam War, Churches actually held shares of defence companies, earned money from the war Today specific topics such as food speculation and land grabbing People want to invest in real economy Based on general sustainability discourse
IMAM	-
IFIBAF	-
IFEx2	Qur'an and Sunnah

PART TWO: ENVIRONMENTAL SPHERES

8. What is the main role of the state with regard to the economy as such? balance between control and freedom

Interviewee	Statements
LIB	Libertarian socialism as orientation Anarchist tendencies: State cannot contribute positively to economy

	Opinion informed from other than Islamic sources No salvation from either state or the economy It needs a political representation of society to ensure the economy serves the people Currently the state is bribed by large corporations Societies / communities should direct state and business towards ensuring sustainability and human rights Otherwise, there is trouble
ZMD	Control Setting incentives State is the representative of society Neither socialism nor total free market economy work State is necessary, despite being blown up and failing constantly Benefit of state greater than harm
NAQ	State should keep away from economy
Jour	Too much regulation in some fields, too little regulation in others Strong regulation necessary with regards to environmental issues Example nuclear power / search for nuclear waste repository Strong regulation and control to secure public welfare, e.g. food speculation Difficult when beyond national boundaries (problem with financial market), Creates "untouchable" markets No solution to some problems Strong regulation regarding protection of environment and public welfare No yielding to allegations of hindrance of innovation and development Used as threat by companies On the other hand a lot of superfluous regulations not necessary to secure sustainability and even damaging in those terms e.g. food wastage increased through EU norms on shape and size of vegetables Overregulation leads to businesses spending money on unnecessary things, which is then missing for environmental protection
BUR	Freedom vs. control Certain criteria need to be met without compromising economic growth and living standards Healthy mix between clear rules and not stalling entrepreneurship and creativity
Ana	Balanced role of state towards economy Should be balance between regulation and freedom Should provide good nurturing ground for the economy Provide investment opportunities Control where necessary No overregulation But if control lacking, result e.g. financial crisis (good for financial industry, but bad for rest) Should be more protective Create good business climate but stay in charge
OIKO	State must regulate Unregulated markets lead to economic crises

	Yet, national states cannot control multinational corporations Time to use international political framework to enforce international regulations and agree on mutual positions
IMAM	Not familiar with how economy linked to framework conditions For small Muslim entrepreneurs many opportunities to develop in Germany, e.g. halal sector Also environment, not enough environmental awareness among Muslims Muslim society intertwined with capitalist system Yet, not really compatible with Islam Socialism closer to Islam Task of politics / state us just redistribution Businesses may earn as much as possible as long as halal Aim of Islam: milkiya (possession, property?) Everything in our hands belongs to God Allah has created everything and given it to us, but need to distribute it equally -> main task of state Free market ok as long as it does not lead to slavery Liberal state with space for people to develop freely Current state in Muslim countries far away from Qur'anic view on economic development Large income gap We are only Muslim in the mosque when praying Hypocritical Too little investment in education -> cause for poverty States need to invest in education, should be free Iqra, first primary task of every Muslim Thus education primary task of state, invest in free education (**I: what would be the main instruments for steering economy?)** Zakat is the ideal system Not possible in liberal system, because it is mandatory not voluntary Should be ensured by state Zakat is not a personal / individual duty Zakat is a social duty Prayer (fasting, hajj) are personal issues, state no hand in it, but zakat should be enforced so poor people do not suffer Church tax in Germany good system, could work for zakat Zakat not only paid once per year, could be once per month If I have money, part of this money does not belong to me. It is not charity to give zakat! State may take money to invest in education or the economy so that people find work (I: but in Germany tax rates are often much higher than what is required as zakat?) Those 2.5% not mentioned in Qur'an, only example from time of prophet Today not enough and not fair In Qur'an it says: one should keep as much as one needs What you don't need does not belong to you. Need to redefine and interpret zakat differently in 21st century Needs a new system.

	Views based on Turkish theologist who has written a book about this. Turkey entirely capitalist like the US or Europe Most Muslim countries, except Malaysia maybe, have failed in the area of economy (to develop something different)
IFIBAF	Explains laisez-faire vs. continuous state intervention His view: state should clearly define framework, b/c voluntary commitments do not work Companies only think in monetary terms, if no immediate benefit, only costs, they will not do it. Social role of state beyond balance sheet and beyond election period E.g. minimum wage (explains both viewpoints) role of state to regulate here, ethical aspects should be considered Difficult as state aims to remain neutral, e.g. France very secular But even constitutional law experts state that religion and ethics are needed to inform the value base if a state e.g. Switzerland - prohibition of minarets example of how democratic processes can lead to wrong decisions Role of state to mediate, bring people together at round table and discuss Include all religious communities Not Jewish-Christian tradition, but Jewish-Christian-Islamic tradition Tradition of Hellas, Golgata and Al-Andalus Big issue: to lead debate without constant reference to special rights E.g. circumcision debate in Germany. If not also demanded by Jewish community, outcome might have been different Though of course, should be done as operation by surgeon not barber (this is no religious command, but tradition), needs to be done according to medical standards i.e. state provides framework within which religious practices allowed
IFEx2	Regulatory supervision Sets framework conditions (siyasah al sharia)

9. Can you think of negative impacts businesses or their representatives can have on the state?

Interviewee	Statements
LIB	Corruption Revolving doors
ZMD	Manipulation, Lobbying Corruption
NAQ	No concern of a Sufi Only concerned with own affairs Businesses do what they do With state too
Jour	Lobbying Companies becoming so powerful that they can shape political debate -> *power divide* Politicians having lost oversight vs. powerful companies pushing their interests Criticised by consumer groups Use expert knowledge to manipulate politicians Corruption

	Example Michael Moore's Sicko (health care system in US) refers to bribing of politicians in US Greenwashing regarding sustainability, also diversity
BUR	Lobbying Revolving doors Corruption
Ana	When they can threaten the state -> *power divide* E.g. threaten to move locations if they don't get exemptions from certain regulations Politics should not be dictated by businesses Power relations negative impact
OIKO	Lobbying to push application or omission of laws and regulations e.g. pharmaceutical industry, energy companies well connected and powerful unhealthy influence
IMAM	-
IFIBAF	Lobbying Transparency on who is doing it Revolving doors (e.g. Schröder) Lobbying as consultation ok Consultation of experts important Story: one week with MP: accompanied SPD spokesman for fiscal law; witnessed expert round table, but what went on afterwards behind closed doors? Big question is: are decisions bought? E.g. von Klaeden, previously transportation ministry, now Daimler Benz Implement cooling-off period of 3-5 years When MPs loose their mandate, can go back to old jobs (e.g. Friedrich Merz) Needs transparency how decisions come about, meetings should be made public, e.g. special tv channel Make politics transparent and decision-making traceable for citizens Before week with MP, he had a negative picture of politicians, but say they are very hard working Learned that MP relied on his colleagues for decisions outside his field of competence -> High and increasing complexities, transparency does not keep up pace Leads to disenchantment with politics, actually with politicians. That's why people do not vote anymore, they think it doesn't change anything
IFEx2	Tax avoidance Circumvent rules that protect society

10. Positive influence of businesses on the state?

Interviewee	Statements
LIB	Expert knowledge State more of a facilitator Needs good examples with regards to sustainability Examples for the state which then sets the framework conditions Good examples found at the bottom not the top, small family run

	businesses close contact between management and employees believes in grassroots democracy State should support these small, democratic, sustainable businesses, not the current system Negative interactions: those that cause damage are rewarded (bale outs in current financial crisis)
ZMD	Generation of knowledge Identification of problems
NAQ	-
Jour	Be a role model Serve as example to establish certain political framework conditions Expert knowledge Depends on the *niyyat* / intention Many politicians don't have expert knowledge Leads to imbalance of expert knowledge, which can be used both ways Degree of transparency good indicator for degree of corporate sustainability Although this might even differ among business units Lack of information one of main obstacles to more sustainable (consumer) decisions
BUR	Can be role models Develop exemplary concepts / models
Ana	-
OIKO	Pay taxes Economy would not work without them, also needs large companies
IMAM	-
IFIBAF	No concrete example where positive performance of company led to a change in politics Too many negative examples E.g. weapon manufacture Every year there is a debate about licenses for arms exports issued by government throughout the year Companies should make this transparent / public ex ante Annual report of federal government on arms export only ex post, never discusses why something was done, only shows what was done. Arms exports to unstable countries increases instability. Nothing has ever improved through arms exports Defense industry should be more pro-active, could initiate move towards transparency
IFEx2	-

11. What are the main negative impacts from state regulation on the economy?

Interviewee	Statements
LIB	Rewarding harmful behaviour (as above) Setting wrong incentives Supports short-term profit orientation
ZMD	Too much bureaucracy Cannot solve all social problems State and laws cannot replace norms and values
NAQ	State should stay away from economy

	Sufi is doing his business / craft Not concerned with politics
Jour	When only ruled by political self-interest Politicians ignore problems because of political alliances Intentional neglect Revolving doors Politicians don't necessarily act for the common good, but their own Example: Turkey, whole country completely contaminated, getting better Dealing with water catastrophic, not regulated, ignorance
BUR	Too much state like GDR: full employment but harassment of people and pressure, bad "vibes" Too little encourages corporate raiding, needs to be prevented *-> careful balance needed*
Ana	Overregulation If state system is aiming at heavily controlling and exploiting companies Some regulations bad for growth
OIKO	Overregulation State can be blackmailed (job argument) Mutual dependence between businesses and state
IMAM	-
IFIBAF	Good initiatives obstructed, e.g. traffic-light labelling of food
IFEx2	Injust taxation Bad infrastructure Lacking rule of law corruption

12. What are positive impacts from state on the economy?

Interviewee	Statements
LIB	Should support common people, e.g. those loosing their jobs due to financial crisis Supply unconditional basic income secure basic human needs such as food and drink, medical care, clothes, home, transportation, communication, education Bottom-up approach not trickle down, trickle down wrong approach
ZMD	Incentives, advice Control, e.g. labour rights, job protection State helps the economy through rules ->*regulatory framework*
NAQ	-
Jour	Regulations Incentives, subsidies Prosecution (or lack of it) Many instruments available Control
BUR	Tax incentives or other support for sustainable behaviour and job creation
Ana	Not asked
OIKO	Without regulation = Wild West
IMAM	-
IFIBAF	Setting regulatory framework / standards important Brussels bureaucratic sometimes, but also good initiatives, e.g.

	standardisation of mobile phone rechargers: good job E.g. tobacco. Conduct study on national cost of smoking Not enough to place taxes on tobacco, needs initiatives to quit, e.g. discounts to health insurance costs Social change works best via monetary incentives Other deterrences ok (but possibly less effective?) Sometimes needs drastic measures to reduce economic costs State should ensure maslaha of all society Should ask whether damage larger than benefit (e.g. alcohol: was not forbidden straight away, but in four steps) Same with topics such as tobacco, GMOs Expected that Germany would vote against GMOs in Europe Can be done, e.g. Fukushima (Chancellor physicist, should have known better; lists examples of nuclear accidents)
IFEx2	-

13. There are a number of activities / business fields that can be undertaken by both the state or private companies or charities, for instance childcare, health services (hospitals, care homes), communal services (water, energy, waste), public transport, even infrastructure etc. What are the main criteria in determining who is offering those services? Are there tasks only to be done by the state?

Interviewee	Statements
LIB	Should be decided at grassroots level, i.e. within the community or county / town affected Some services serve basic needs, everybody needs to be supplied with Supply of basic services should not be privatised Especially not taken on by large corporations Small, local businesses rooted in community less critical Personal involvement of top management also positive Anonymity within large corporations major problem Small local businesses more efficient than public management (second question not asked)
ZMD	Yes. Privatisation is good in theory, but in practice doesn't really work -> *scepticism* Areas would be: Military Police } sovereign tasks Taxation
NAQ	Nothing should be done by state, all better done privately
Jour	Military Healthcare Postal service Railways Energy (= basic infrastructure?) If state does not neglect these things Generally too much privatisation With regards to money: more free market should be introduced Especially paper money, intentional devaluation of money, how can you explain that people are better qualified, economy in Germany is

	booming, but people earn less and less Results of financial crisis on European level cancel democracy and basic rights (e.g. ESM) (Q: How is this related to paper money monopoly of state?) Needs more education and knowledge about economic relationships Refers to idea of Gold Dinar Value of currency should be pegged to real value (further discussed, not coded here, because too far away from topic) Further tasks within public domain: Energy (currently costs mainly borne by individual consumers, companies don't pay taxes, imbalance, not democratically acceptable) Should be managed by state if no other way of securing social justice
BUR	Securing basic needs Education Securing right to work Health services
Ana	PPPs make sense Not for core public administration, e.g. education, water supply But e.g. cultural activities may be privatised Question of costs, if they are not one of the criteria, Power should always remain with state for sovereign activities, even when e.g. managed through PPPs If state cannot supply certain services anymore, should be supplied by private businesses But sovereign power always with the state Often PPPs not economically feasible
OIKO	Education Water supply (reference to Nestle: stopping access to water for poor and selling them expensive bottled water) Health services Would be better to have only state run health service rather than to create artificial competition between private and public services Criteria to decide: Basic needs, living humanely should be ensured by state
IMAM	-
IFIBAF	-
IFEx2	-

14. Are there tasks that could be better done by private businesses?

Interviewee	Statements
LIB	
ZMD	Generally private businesses are always more efficient Also cheaper, faster, more customer oriented But if disadvantages greater than advantages, one should dispense off the latter
NAQ	-
Jour	Do everything else beyond basic services and needs Need to establish social consensus on what basic needs are

BUR	-
Ana	Most tasks better managed privately Certain business management criteria should always be applied (efficiency) E.g. public hospitals less efficient than private ones, but hospital should not be run for profit aims Communal structures often very slow, would also benefit from private involvement
OIKO	Nothing Privatisation often leads to 'pseudoefficiency' because of the externalisation of costs State does not need to build cars But the infrastructure such as railways, motorways Needs public ownership to ensure accessibility of basic services / social justice Also needs to provide certain degree of mobility But not every task needs to be carried out by civil servants
IMAM	-
IFIBAF	-
IFEx2	-

15. Are there any technologies that (from an Islamic point of view) are not acceptable? Why are they not acceptable? (Did not ask everyone this second question)

Interviewee	Statements
LIB	Nuclear weapons Weapons of mass destruction 90% of victims civilians, clearly forbidden, in all countries These are most important exclusion technologies Others: Everything that is more harmful than beneficial Drugs Alcohol Tobacco Fossil fuel based economy in general Leads to (self) destruction Destructive elements in cars and car manufacturing Better to support environmentally friendly means of transport
ZMD	Man has more opportunities than he is allowed to take Limits defined by Qur'an Logical rules Not many rules Man can lead a good life and enjoy it Transfer this to company Not everything that is technologically doable is Islamically allowed Organ transplant ok, surrogate motherhood is not Nuclear power probably problematic Environmental pollution

	Certain degree of use of natural resources ok, but don't exaggerate E.g. industrial husbandry /livestock farming Same rules as in private life apply to business environment Exclusion: biological and nuclear weapons, technologies involving animals (e.g. growth hormones in poultry)
NAQ	Sufis not against technology Technology as such neutral Technologies per se doesn't change anything Things that cause more harm than good are not of interest Sufis should stay away from such things as genetic engineering and military, nuclear power This is not acceptable Sufis use everyday technologies such as cars, planes, trains, medical technology etc. But beyond that, technology causes more damage than good (Do you care about the electricity coming from your socket?) More difficult Generally Sufi always prepared to go into retreat
Jour	Nuclear Power, dangerous and destructive Paradigm of continuous growth that economic system is based upon (somehow represented by nuclear power? Cheap energy forever) Environmentally friendly alternatives to nuclear power available, why not use them Further problem: incomprehensively long-term impact Nuclear weapons Scary, uranium shells lead to large-scale destruction of country, cannot be amended or repaired Long-term harm for coming generations Probably further technologies in military area, but military not per se bad, because some values need to be defended. Everything that has sustained negative impact on nature / creation Genetic engineering problematic because of its negative impact on biodiversity, no general problem, but b/c of impact
BUR	Genetic engineering Nuclear power, not necessarily from Islamic perspective, but because not manageable, unforeseeable burden to earth generally ethical question acting beyond own limits for short-term profit is irresponsible and unsustainable production of weapons for wars Why: weapons: religion provides support for people to better themselves and to make living together more easy; Conflicts come on their own, giving them the tools would be wrong focus Genetic engineering: many dimensions; but one should accept ones fate, prolonging life or having children when naturally not possible; satisfies needs that may not be meant to be Companies should not be allowed to make money from everything No money from foundation to support genetic engineering Contagan case showed that companies take the profits but shy away from consequences so that costs are borne by others (public), not

	acceptable
Ana	GMOs Nanotechnology Why? Risk averse personal attitude GMOs incalculable long-term risks Permanent change to natural state not acceptable There must be a reason why things are the way they are in nature No knowledge of long-term impacts Same with nuclear waste, Carbon Capture and Storage Earth is an organism Sceptical when long-term effects unknown With nuclear power, risks are too high in worst case Scepticism regarding information technologies E.g. does not own smartphone Has not brought real progress No positive impact on humankind Just brought more stress Social acceleration / high speed society Socially mainly negative impact Conservative attitude Question is whether humans can keep up with technological development
OIKO	Nuclear Power (change of mind because of nuclear waste problem) Genetic engineering (because impact not known and once released spreads uncontrollably, also seeds cannot be used - know of actual problems among partners that could not get organic certification because of proximity to GMO fields) (Other ways to pollute the earth) Weapons Why? Nuclear power: in theory, technology manageable, accidents were human failures such as financial pressure, lobbying to soften safety requirements E.g. South Korea: issuing of false certificates In case of nuclear power highly dangerous
IMAM	Medicine: creating humans General problem with science: tension with religion: who controls whom Technology has become power in itself, has become object of worship Everyday technology creates distance of people from God Attempt to utilise it for faith (e.g. games) But Muslims not capable to develop alternatives (I: apart from everyday technologies?) Weapons In Islam peace essential, but justice more important Sometimes wars are necessary to ensure justice Qur'an says: Be prepared and develop means for defense Muslim countries only 'consume', currently depend on Western supplies Part of Western power ideology

	In Islam only defense allowed, ex. Afghanistan, Iraq Syria: enough weapons, but use them wrongly People have not properly understood Islam Impossible today not to invest in weapons Demilitarised world an ideal Example military imbalance between Israel and Palestine But WMDs not acceptable
IFIBAF	Definitely nuclear power This has been substantiated by Islamic scholars who said the risks are too high with too negative impacts therefore not acceptable Weapons for defense ok, but arms export not acceptable Telecommunication, e.g. NSA, if high-tech used to violate privacy of people not acceptable. Balance between privacy rights and national security ignored. Germany somewhat better than USA here Since 9/11 tendencies that undermined personal rights Wonders about that Americans accept this Technology does matter Hadith: Seeking knowledge is a duty for every Muslim. You can gain greater access to creator through science, e.g. realisation that not everything is coincidence, e.g. evolution, big bang Technology influences how we see the world Example: knows two neurosurgeons, one referred to Hadith: Allah is closer to you than cervical artery. He said only through his work he has understood what God has created with the brain. Cannot prove that God exists, but shows how much further we can develop still Technology important but not at any price Needs an ethics committee Applied e.g. in the case of Fukushima and PID Round table with ethicists, religious experts, moral theologicans, establishing such round tables on political level as well as on business level In every business, there should be such a committee with "troublemakers" in a positive sense, not internal dependants Base decisions on fundamental questions on advice from such boards, not every decision can be made on the basis of democratic processes **(I: scholars in Islamic finance do not see a proactive role to seek advice on such ethical issues)** Highly respects scholars, but problem is their background and social context and whether this enables them to respond to questions arising in a European context. Not enough scholars in Europe that have grown up here. Most educated in home country, but sharia open system, not many things are fixed. Clear commandments very few, maybe 60-70 ayats, rest open to consultation and debate. Need to consider urf. E.g. asking a Mullah in Kabul about issue arising in Germany. High risk, scholar does not understand what you are talking about. Urf often important part of sharia as long as not in contradiction to it. No one in IBF community actively deals with such issues. Reference to network analysis by Ünal Misses data-based knowledge that can be accessed externally (?)

	Big problem is the lack of transparency regarding the certification process Often only a pretty, gold-framed certificate, but no comprehensive report as known from audit report backing it. Reference to confidentiality / confidential processes, but this is not acceptable, needs to be compatible with competitors, also Islamic tradition: document and provide evidence for decision and open it up for debate. Make it transparent and accessible Even if most will not be interested, some are (I: what are the reactions?) Mostly sceptical: you have been in Europe too long Not solution to problem First scholars start looking at such issues, E.g. Khalid Hanafi Frankfurt / Al Azhar, relatively young, good access to youngsters, understands their problems Scholars should show more everyday presence, e.g. UK Mufti Barakatullah, Haitam Tamim Attended event on qualification criteria for imams in Europe and someone quoted old Osman specifications: different languages, educated in different sciences, etc etc. Where are we nowP Modern scholars do not need to be geniuses, know everything, today's world too complex, but their education should include some science
IFEx2	-

16. How far should companies be held liable, i.e. made responsible for risks associated with technologies?

Interviewee	Statements
LIB	High degree Financially Personally financially and criminally liable High fines and prison sentences for large-scale environmental pollution Dissolving company Retaining all funds for compensation payments / measures
ZMD	Unlimited liability Islam: logically, simple, just Responsibility cannot really be limited, apart from 'acts of God' When risks are known, company liable (e.g. nuclear power in Japan) Same principles apply as in German Civil Code: gross and slight fault, deliberation Comprehensive due diligence required Rules more strict for companies than for individual consumer Company should consider core risks and for these responsible
NAQ	This would not reverse the damage Preventative measures preferred Important that people responsible should repent deeply This would be the Sufi way E.g. repenting that one founded a company for genetic engineering only

	for profit sake (Q: How do you get people to repent?) Role of sufi: Talk to them Be present Show people the sufi way
Jour	100% liable. E.g. nuclear waste paid for by public Environmental pollution often not regulated in many countries, companies should still bear the costs for clean up Companies should not be allowed to externalise costs or add to price of product Companies often receive subsidies, so already supported by public Thus they should pay for public services like everyone else (Q: what about the risks? E.g. costs when nuclear power station blows up, cannot be covered by one single company) Some risks cannot be controlled even collectively But those risks that can be calculated, companies should be responsible Job cuts false argument as jobs are the pillar of a company, does not operate by itself, so paying wages is 'minimum consensus'
BUR	Should be liable and cover costs of damage
Ana	Company needs to do due diligence In its own interest Cannot deny faults Responsible along supply chain Difficult when regulatory framework not clear If company does not know its own products, who does
OIKO	100% liable if possible E.g. nuclear power, not possible (e.g. in France have lost all reserves due to speculation, nothing left, even for finding or building repository)
IMAM	-
IFIBAF	Of course, e.g. subprime crisis. Separation between responsibility and management showed that this is wrong way to privatise profits and leave losses to public purse Authorities were afraid of total collapse if state did not step in He doubts this He thinks this safety net solution was wrong Management has allowed wrong decisions, but did not have to pay for these mistakes If there is bonus system, would also need 'malus' system One attempt at Credit Suisse to introduce this, but not realised after hefty protests (although in the end, it would have turned out profitable) Critical point: those who made the mistakes should take the responsibility: the bank itself Only applied in Cyprus Needs stronger link between those who caused wrong decision and those standing up for it There is no "too big to fail" More banks and financial institutions should have gone bankrupt
IFEx2	Innovation positive in general

	Liability should both include management and company level to strengthen culture of responsibility. State needs to balance interests regarding innovation and protection of it, e.g. genetic engineering How to decide in cases where there is no scientific consensus regarding consequences of innovation?

17. Should companies pay for negative effects of technologies developed by them? And if they only use them, but have not developed them themselves?

Interviewee	Statements
LIB	Many technologies developed with public funds Thus, public should also benefit from profits generated But usually, profits privatised Not ethical, not Islamically justified Partnership between public and private business Share benefits, but also responsibilities for risks -> public funding of innovations, privatisation of profits => shared benefits and responsibilities
ZMD	-
NAQ	-
Jour	-
BUR	Often things have benefits and costs If state allows the use of a thing, although aware of potential damage / costs, also partially responsible, not only producers Those who accept risks, should also partake in it and bear possible costs -> shared responsibility for risks
Ana	-
OIKO	When traceable traceability issues In reality, faults are often not clear in case of great incidents In the end, state has to pay E.g. fracking: large-scale pollution, but cannot be traced to original polluter -> allocation of 'guilt' often not possible
IMAM	-
IFIBAF	-
IFEx2	-

18. What do you expect from a company with regard to controversial technologies: not use it at all, use it in certain circumstances (define), use it if legal, others

Interviewee	Statements
LIB	(mainly with regards to WMDs) Top management needs to realise that there are limits to acceptable activities But will only do this through outside pressure /public pressure Nobody really wants to build chemical weapons, people often think they don't have a choice ->moral dilemmas Needs more organisations that generate pressure to counter negative practices in economy These are also not in line with Islamic ethics
ZMD	Self-restraint Open and honest dealings

NAQ	Sufi looks at the world, raises awareness / observer But world does not bring salvation Can point out that this is wrong path, e.g. use of nuclear power Would be ready to bear consequences Can retreat from the world and live without (e.g. electrical power) internal detachment This would not have impact on well-being or salvation
Jour	-
BUR	-
Ana	Difficult with regards to nuclear power, GMOs and nanotechnology, because you cannot stop companies from doing these things Thus, main aim is to limit risks as much as possible, even if it affects profits -> limit risks regarding widespread technologies With regards to others: e.g. weapons, expectation is not to produce them -> weapons: total exclusion Criteria: Can you minimise risks, if you can't limit risks, don't get involved (guiding principle) Not realistic (reality check of ethical demands) Minimum: Companies should look at risks and be accountable Company should know products well enough to know long-term negative effects Not refer to legal status only -> Profound knowledge of products and associated risks / impacts
OIKO	Company should stay away from these technologies when possible Small businesses such as farmers or cooperatives sometimes do not have that choice Oikocredit still supports these, but would never support the originator (e.g. farmer using GM seeds vs. Monsanto as producer of GM seeds) -> Responsibility lies with originator -> no support (Q: do you have guidelines with regards to technologies, e.g. GE?) Positive criteria: Ecologically sustainable Gender orientation Certain no-go areas, e.g. weapons, nuclear power, genetic engineering Founded to support those that do not have financial access New issues being discussed: land-grabbing, want to take more proactive role against this As organisation as a whole difficult to find position But focus on core business: finance development Help people in developing countries to improve their economic situation Partners affected by land-grabbing (neighbour to large palm oil plantation, has concrete detrimental effects on surrounding ecology), but no clear, pro-active stance against it at moment
IMAM	(I: expectations regarding a responsible handling of such technologies by companies?) environmental considerations Mainly down to business, not consumer Abuse of staff, people suffering when producing iphone e.g. Content of technology: the more it contains, the more we use it; communication with technology creates distance between people

	(communication is globalised), technology has alienated people Many large buildings, but many houses without families inside -> symbol for today's economic system, large houses, but no warmth inside. **(I: what can companies do to counter this development?)** Ethics Ethical authority lacking Would need a moral revolution (like Arab Spring) **(I: companies also need such ethical orientation?)** Ethics / morale needed everywhere Also, what falls in this category is the issue of israf Man only needs bread and water. It is wastefulness to invest in unnecessary technology when at the same time people die of poverty. Does not refer to medicine. Disparity of income in world shameful What all of Africa would need to develop can be found in funds in one city. Great injustice Shows double-standard: two-sided nature of people: they claim to be pious, but not willing to give charity.
IFIBAF	-
IFEx2	-

19. Does nature have a value in itself?

Interviewee	Statements
LIB	Of course Islamic ethics demands balance between humans, animals and plants (Balance between organisms) Balance destroyed today through exploitation of non-renewable resources Islamic rules for warfare as an example that Islam demands protection of all life even in war Man depends on nature
ZMD	Animals have their own value, between nature and man (Value hierarchy of organisms) It's all creation Certain degree of use is acceptable With human development, new resources emerge Use ok, but not destruction -> Use of resources acceptable
NAQ	As a place of retreat for Sufi Sufi seeks being close to nature not the cities and society Will not find wellbeing, happiness, salvation through the economy and technology or society Wants to move away from society (retreat) Society runs after sufi, he wants to get away The closer the sufi is to nature the more he is on the right path Sufi leads simple live in a village with a pasture and a couple of sheep Social life is necessary, even in village, but is not a path to salvation
Jour	Definitely.

	Nature *is* a value Products do not grow in supermarkets Creation is behind all of this Value of nature is 'invaluable' Reference to ecosystem services economics Economic value Sustains life Spiritual value } Utilitarian perspective vs. spiritual value Some people argue only utilitarian (if nature has not use, has no value) (no domestic animal, no agricultural crop) This attitude lacks appreciation of spiritual and psychological dimension of nature When people are mentally ill, they may get therapy to increase their attentiveness, awareness of self But also includes self being part of creation Nature / The elements help us to get in touch with ourselves Find a balance (balancing effect on wellbeing) Different ways of doing this Identifies with Sufi perspective in some ways, e.g. That everything in creation is a sign pointing towards God, pointing towards what is behind the veil (in both its beauty and its ugly side) The 'ugly' part of this Tend to only see the beautiful as sign, as dhikr, but manifestation of God everywhere Nuclear power, genetic engineering exclamation marks Invite us to reflect on the power of God Nuclear power beyond own imagination / mental capacities Shows there is someone higher with greater reason, power and knowledge Beyond own existence Does not fit with Christian idea of God (theodicy), but with Muslim When God talks about his dark side in Qur'an, about the punishment, the wrath, hell Reflection of the hereafter in this world Everything in nature has religious point of reference (answer mainly a reflection on this - the spiritual value of nature)
BUR	Yes, definitely. Man always part of a whole Has a particular responsibility because of his elevated position, his intelligence and his ability to reflect Man has a fiduciary duty towards nature like for a child Nature exists to nourish man But there is two sides to it: use this nourishment, but also be grateful to the creation, acknowledge a relationship Respect nature / earth for its own sake as separate "being" } *Khilafah*
Ana	Yes. Has a value, because resources have a value Thus nature has measurable value Also has great intangible value (in the sense of potential / future use) For instance, extinction of species: others will not be able to see it, not

	possible to explore medicinal purposes Tragically, real value of nature often not taken into consideration -> entirely utilitarian view
OIKO	Yes. Man part of nature, not separate We need to be exposed to nature (sunlight, fresh air, scent of flowers) Artificial world not beneficial to people, not healthy -> Exposure to nature necessary for one's health
IMAM	Businesses depend on nature Main means of supply for economic development God provides nature Nature gift from God, given to use so we use it for society (I: Maybe nature would not exist without humans from an Islamic point of view?) Nature has no meaning without humans (I: what does he think about motto of German national parks: 'let nature be nature'?) If we leave nature alone, humankind would stagnate, but humankind needs development We should use nature without causing bad impact Therefore, God has given us reason to differentiate and know limits, e.g. water -> should we not even drink it, when we leave it alone? Use nature without abuse and without causing harm to others
IFIBAF	In Islamic tradition, man acts as custodian / trustee for Allah This is transmitted in first surahs that were send / revealed: idea behind this is Amanah Earth is an amanah provided to us by creator in all its richness and diversity Tread with care Not in an 'apres-moi, le deluge' attitude With regard to responsibility, a hadith is saying that on judgement day every soul has to answer five questions: What did they learn as a child What did they do with this knowledge as adult How did they earn their income How did they spend their income How did they employ their senses Scholars deduced from this that it is essential for Muslim to look at his environment Luther quote: even if tomorrow is judgement day I would still plant a tree Same idea in Islam, even if you hear trumpets on judgement day finish your work and plant the seedling Idea behind this hadith is: what counts is the intention (niyyah) - humans are not judged by their actions, but their intention Guiding principle for Islamic conservation Hadith: Woman entered paradise solely because she fed hungry dog Humans are not better than other living beings, but have ability to reflect, they have consciousness This ability demands from us not to follow instincts, but always reflect consequences of our actions

	These may have impact on present and future generations Central to Islamic tradition Therefore, environmental protection is important But cannot see this in Islamic countries, e.g. Saudi Arabia waste management has only been a topic in recent years Before that, waste was dumped, buried or burned Change of mind only recently
IFEx2	Yes, we are only trustees. Does not have a price

20. How can you strike a balance between the needs of humankind and the limits of the natural world?

Interviewee	Statements
LIB	Needs can all be met Inequalities and shortages man-made Refers to Jean Ziegler (everyone dying of hunger today is murdered) Productivity high enough to feed all of mankind Everyone's basic needs could be met -> Failure to satisfy basic needs entirely man-made People in West profiteers of exploitative practices in past and present Cannot continue this way We would all be better off, if inequalities softened Change of lifestyle necessary, which would not lower quality of life -> Global income disparities not wholesome for poor and rich Excessive consumption is result and is related to profit maximisation Should not be the aim of the economy or any ethical system -> Connection to basic economic principles / premises
ZMD	Sustainability as guiding principle (in its Carlowitz sense) Use nature in a way that future generations can also live Nuclear power as example for problems (radiation lasts a long time)
NAQ	Overpopulation big problem Ideal sufi existence not possible for everyone Not everyone can live in the countryside
Jour	Question of ethics Through awareness, self-reflection, ideally behind every political process and opinion No clear answer, because very difficult question
BUR	Prerequisite is to observe and to measure Know potential damage Carry out cost-benefit analysis Determine how to compensate damage (create compensatory areas e.g.) Gain knowledge how actions affect nature and take account of it -> Scientific inquiry helps to identify damage caused and potential solutions
Ana	Probably not possible with today's population growth Population probably needed to be cut to half As guiding principle original idea of Carlowitz: take out only as much as can grow back Doesn't think it is possible
OIKO	The question might imply that the balance has already tipped? On a small scale balance can be kept: Urbanisation on one hand and

	creation of strictly protected areas on the other hand (-> question of scaling) On a large scale: Rich Europeans exploit all the resources and leave the environmental pollution in Africa. Needs great efforts to achieve balance We extract all the resources from the South and manage to dumb our garbage there in the end -> Globalisation critique Not a sustainable development as long we in the North continue to grow Needs a different kind of growth We cannot forbid the developing countries to grow Need a more sustainable kind of growth (growth debate) Climate change adaptation North needs to support South in this Create better living conditions for everyone worldwide
IMAM	Does not really know Define limits to needs, do we have unlimited needs, do we not know any limits?
IFIBAF	Business studies teaches us: human needs are without limit, but resources are limited That is the big issue Yet we also know that hunger not necessary despite population growth We produce enough Not resource availability is the problem, but allocation is the main problem Refers to Malthus, but today theses that also 15 bn people could be fed without problem Responsibility of politics to tackle allocation problem E.g. surplus of butter, milk, tomatoes produces and subsidised E.g. milk powder exported to Africa Undermines African dairy farmers, as customers buy cheap milk powder from EU rather than local fresh produce (b/c it is cheaper) Disregard of economic principles We should not subsidise what is being produced in excess, but reduce subsidies and enable others to increase their agricultural production and allow them to export that to the EU Cannot be that industrial tomatoes from Holland cheaper than tastier tomato from Africa, which cannot enter EU because of trade barriers. Political questions touching on economic interests These are facts, not conspiracy theories Government should take first step, not hide behind need to get international community on board, as happened with financial transaction tax German politics afraid to loose business to other countries But if they want to regulate, should also do so alone It is a political decision making process, which should ideally reflect social consensus Consumer attitudes geared towards bargains, e.g. Primarck (new in Germany) Extremely cheap cloths, still make a profit although profit margins extremely tight

	One has to ask oneself whether willing to participate in this If yes, one does support exploitation e.g. in Bangladesh, i.e. some responsibility lies with customers Study on costs of switching from conventional to organic food, costs only increased by about 5-10%, because people select more carefully If customers ask for it, businesses follow suit (e.g. organic food in supermarkets, also halal food in France, different in Germany, for Carrefour normal business, in Aldi halal food not publicised) Consumers need to change habits, politics needs to grasp this and create framework conditions and demand that businesses implement these requirements May lead to reduced rate of return on equity This is big issue for IBF industry Certain expectations just cannot be met, because of restrictions to permissible products, but what is better?
IFEx2	Differences in resilience of different ecosystems possible reasons for industrial revolution happening in Europe E.g. Egypt and Nile river

21. Should companies be made responsible for damage they cause to the natural environment?

Interviewee	Statements
LIB	Completely Up to closure of company Compensation Personal liability of top management (financially and criminally) Otherwise no change
ZMD	Core principles: logic and responsibility Ideally only natural usage of resources No above average damage, such as large-scale destruction of rain forest -> Vague limits what damage means
NAQ	Reversal of damage often not possible Repentance / remorse not liability (Q: That doesn't clean the oceans?) But liabilities do not make the world a healthy, peaceful place either Only repentance does Elaboration on concept of repentance More state control no solution to environmental damage State prevents Islamic practices such as butchering meat at home (?) -> General scepticism towards the state, again
Jour	Yes
BUR	Yes, if they are at all capable to do so (e.g. Fukushima) As a measuring rod: If you can't carry the costs for (potential) damage yourself, leave it
Ana	Absolutely, Financially Main problem is that there is no price-tag to pollution along supply chain Sometimes, companies pay fines, but not enough Impact on nature should be included in price for product -> need for internalisation of costs

	All environmental impacts (not only damage) should be internalised Also, scarcity of resources also added to pricing Social and environmental balance sheets / profit and loss accounts (e.g. done by PUMA[1]), calculates the real price tag of products Would actually be the responsibility of a company
OIKO	Yes, if possible Again: tracing cause difficult (-> attribution problems) E.g. people causing pollution when driving a car - producer to blame? Have a responsibility if they do not use less polluting technology even though it is available
IMAM	Doesn't know
IFIBAF	-
IFEx2	State may demand fees and in case of violations of law other rights to intervene

22. To which extent should they be made responsible? (I.e. in terms of product lifecycle)

Interviewee	Statements
LIB	-
ZMD	-
NAQ	-
Jour	100% Otherwise they will take advantage of the situation But consumers get used to present situation E.g. acceleration of product lifecycles (-> planned obsolescence) Serves company They could also produce less and sell it for higher price (-> low price strategies) But needs change in consumption patterns So companies have a responsibility, but consumers do too (consumer responsibility) Question of time and money (personal priorities) Consumption is time-consuming
BUR	They should pay for the damage they do Sometimes the responsibility is shared with e.g. public authorities If something was legal, everyone involved needs to share costs
Ana	-
OIKO	Use at least state of the art Would need global regulatory frameworks Problem: rebound effects (efficiency achievements levelled out through higher consumption rates) (e.g. cars more efficient, but higher PS, heavier, more) Planned obsolescence further problem Companies responsible for reducing consumption But consumers also have own responsibility If traceable, companies should be liable
IMAM	-

[1] http://about.puma.com/puma-completes-first-environmental-profit-and-loss-account-which-values-impacts-at-e-145-million/

IFIBAF	-
IFEx2	-

23. Finally, in the Islamic debate about the issue of resources, there seem to be two contrasting opinions> Islamic economists often like to refer to the idea that God provides us with all we need and therefore, there is no real scarcity of resources from an Islamic point of view. On the other hand, many hadith speak of the importance of saving water for example or being moderate in consumption in general. What is your opinion to these contrasting points of view?

Interviewee	Statements
LIB	Statement of no scarcity is too abstract and not relevant in real life If it means one should work hard, that oneself and family and friends survive and one leaves the rest to God, it is ok (-> rizq?) Total agreement with second statement on moderate consumption. Refers to fasting as one of the main rituals in Islam Also about reflection on own consumption patterns and finding the 'golden mean' Excessive consumption great problem, causes great damage to society and environment
ZMD	Agree with both equally Allah supplies enough and everything is enough, but human extravagance prevents the lack of scarcity Man is extravagant and greedy If we would use only what we really need there would be no scarcity
NAQ	There is no hunger and no poverty Relationship between the two statements It is all there, but wasteful behaviour leads to imbalance Poverty exists because of personal misconduct of people Don't give zakat or sadaqa despite own wealth There is no scarcity or hunger Existing inequalities are a sign of imbalance Leads to crises and eventually wars (Q: Are small businesses a way to creating a balance?) Yes Everyone is responsible No one is the boss Everyone is their own boss, everyone cares Helping one another Next step foundation of small villages Part of Naqshibandi identity: networks -> Naqshibandi 'business model' where everyone is responsible and helps one another
Jour	Two different levels Some tension (Same example: freedom vs. predestination relating to Khilafa, Surat al Baqara, first 20-30 verses on those who believe and those who do not believe Not clear whether those who do not believe can help it) First statement refers to almighty God is educational and soothing: God

	doesn't leave you alone, something is above my problems and worries, encouragement that plight can change any time, God always gives everyone their *rizq* Other statement appeal to deal responsibly with creation. Means we cannot do whatever we want with it God does not leave us alone, he supplies us But maybe we can do with less, invitation to reflection Not necessarily a causal connection between the two statements
BUR	No scarcity is a childish view Assumption of unlimited resources leads to irresponsible behaviour Treat resources carefully and respectfully Also limit ones own desires, which are naturally boundless Opinion of unlimited resources not acceptable
Ana	Statements not contrary God supplies me and out of respect I am careful She doesn't share this opinion as scarcity is an obvious fact of life Possibly supply relates to religious issues or only those who believe
OIKO	Unlimited supply for large number of people not possible (Qur'an over a thousand years old, very different world now) Scarcity of resources biological, scientific fact Theologically: Trust that if one resource is depleted, a solution will be supplied (-> scarcity in terms of resources, not with regard to fulfilment of needs / functions?) Not a matter of importance or debate as facts are clear Moderation is a matter of course Not only moderate consumption, but responsible Against "throw away mentality"
IMAM	God has provided man with everything he needs God has created the world because of man, thus everything in the world created for man, But still wastefulness not permissible. Water not only needed by body, also for eyes Being grateful Water also important for other beings God has created everything for man, but does not allow abuse Question of responsibility Responsible treatment of nature / creation is an important part of Islam These rules apply to normal people and entrepreneurs Has been neglected by Muslims and Islamic theology Nature is the greatest theology Qur'an and Prophet only part of whole creation The book only one sign, but there are many, prophet also one sign Man has great responsibility Even if God has created everything for man, in the end, compared to universe, we are very small Responsibility to be representative / agent of God on earth God has created everything justly and beautifully and how God deals with the world, man should also deal responsibly with world / universe (I: principle of Khilafah?) Exactly Man has both

	Being agent and having responsibility because God also has responsibility for mankind and world Man has to behave accordingly Exact meaning / translation of Khilafah not important, the intention is important Khilafah not only privilege, but also responsibility Man has priority, but also the higher priority, the higher the responsibility
IFIBAF	Not asked, but some hints regarding this in above answers
IFEx2	All humans could be fed, enough to feed everyone, depends on allocation and use. Starvation is man-made

24. Which values should a company live and support?

Interviewee	Statements
LIB	Sustainability Protection of human rights Protection of animal rights High environmental standards Use renewable energy Don't use threat of job losses as an excuse for all kinds of things Needs a philosophy that company is part of society Should contribute positively to society Receive something positive from society (Principle of reciprocity) Partnership Eye-level Not one sided power relations to benefit company This is unjust imbalance
ZMD	Main target of business from Islamic point of view is to feed itself and its employees in a decent way This target is independent of size of business Should happen in accordance with Islamic rules and principles But depends on society (e.g. doing business in North Korea might be problematic) Certain values should be intrinsic to company and independent from surrounding society Should not follow negative social trends such as exaggerated individualism (single households increase general consumption) should be oriented towards higher / guiding ethical principles -> cultural variations, but certain bedrock E.g. supporting families Long-term, lasting principles in Islam as an example Church adapts too much to modern whims Companies should not be guided by social problems but social responsibility Give back some of its success to society Give zakat to ones abilities Wealth acceptable but comes with responsibilities
NAQ	Also guided by Qur'an and Sunna Content of values drawn from traditions Values need parameters and orientation

	(Q: What do you do in a society that is not entirely Muslim?) Everyone follows their own traditions Within Abrahamic traditions no great problem (Q: Next sphere is the sphere of society…) Sufi should stay away from society Retreat within the masses Other traditions teach that a sufi should stay away from the masses Other sufi orders teach that spiritual success come with withdrawal Related to spiritual techniques (tries to tell interviewer how it works in her own order) Naqshibandi sufi needs networks for withdrawal within the masses Retreat on the market These things don't change Cannot adapt sufi ways to 21st century the 21st century has to adapt to the sufi Clear cut differences, no changes Like a man is a man and a woman is a woman Sufis deal with egos and the soul With the path of the soul to God Sufis deal with spiritual things only (Q: What does the 21st century have to do to be more sufi?) Qur'an and sunna as guideline for values not only for society, but also nature, economy and technology
Jour	Sustainability Social justice Education, e.g. scholarships Fund research projects
BUR	Family businesses Values: oriented towards basic needs, giving people work, don't exploit nature As exclusion criteria As a positive list, rating scale (terms suggested by researcher): sponsoring i.e. sharing profits cultural sponsorships to balance selling people 'nonsense' - do something meaningful
Ana	Sustainability oriented Be a good citizen Making lots of money is not a good social value Company should analyse civil society values and norms and comply to those Not necessarily required of company to be role models Should stay within given framework Companies do not have an educational role Depends on the area of activity , in some fields more important than others They should live up to given values, but not set their own separate values not expected from them Set their own values within a given framework Values very subjective in the end Although, not necessarily follow all values of a given society

	Society as orientation, but also own values (E.g. corruption in some countries quite acceptable) Personal expectations of companies: not to cause harm
OIKO	Social responsibility for staff For products along value chain Balance between profit orientation and social responsibility
IMAM	Responsibility Honesty Discipline Taqwa Humanism Important values for entrepreneur to hide how he deals with nature and employees, responsibility for his staff Develops / produces something useful to humans Profit / money should not have priority because Muslims believes in being judged and being accountable on judgement day Humanism means sharing wealth with others / showing solidarity
IFIBAF	Difficult You have general values in mind (e.g. justice, freedom) But needs to be defined what it means for each individual With regard to sustainability Invest money today, get a reasonable return tomorrow and grow up in a better world the day after tomorrow His understanding of sustainability First need to define which values we talk about With regard to religion, one often hears the question whether Muslims have the same values There are universal values valid in West and Islamic world Need to talk about these E.g. simple value: democracy Question he often hears: is Islam ready for democracy He asks is the West ready for democracy in Muslim countries? E.g. Egypt, Palestine, Algeria Shows that term is used differently E.g. Egypt is seen in Germany as part of democratisation One can see demonization of things Attaching label of 'Islamist' different perceptions as Muslim How has this been democratised Military removed elected president and West shakes hands with El Sisi (lists misdeeds) What's democratic about military rule? Reference to Islamist as excuse Need to agree on which values help society to develop Do not apply double-standards for universal values e.g. individualism, human rights Cruelties of US in Iraq, Afghanistan for many sign that not there to help to improve living standards in those countries Problem is who has the interpretative power regarding the term Therefore values difficult Do people always mean the same thing Look at them from different angles / contexts

	Needs debate to find common ground Qur'an: God has created us as nations so that you may recognise one another Would be boring if we were all the same No tourism… All support diversity, but understand it in different ways Always means the diversity defined by myself Multicultural bad Diversity is what oneself finds acceptable My neighbour is good, African refugee is bad We talk about different things There is too little debate about such foundational principles (I: Could companies contribute at all to this debate?) Theoretically, they could have this debate as they serve different markets with same products Needs are essentially the same all over the world Level of meeting those needs of course differ largely Al Ghazali's needs pyramid: deen (does not mean religion), personality, intellect, property, offspring This needs to be ensured everywhere Companies competing globally should take this up, but one thing to adapt products to target markets, something else to bring something back to countries of origin E.g. ads for painkillers had to be adapted to Arab world as people there read from left to right Other example: marketing strategies to reach Turkish community in Germany differ from other target groups -> ethnomarketing But does not send signal to home country: diversity is good
IFEx2	Sources continuously discuss values Need to be reflected upon regularly Honesty Discipline Responsibility

25. How should it do this?

Interviewee	Statements
LIB	It would need exemplary businesses that demonstrate that short-term profit maximisation does not need to be the primary aim (most likely on a small scale) Other aims: good workplace No environmental pollution No torture of animals Lead by example Such exemplary companies supported by society and civil society Good examples will help to move whole system into right direction Otherwise, resignation will set in
ZMD	-
NAQ	-
Jour	Education already well done by many companies such as scholarships, foundations, work placements

	Social justice: selection and treatment of employees, work-life-balance, pay, family-friendly. Too little done in companies for this topic; job cuts, not sustainable to have stressed, ill people exploited in insecure jobs, long-term better to have content, relaxed employees Hierarchies ok, but in conjunction with transparency on decisions Backbiting, many people have experience with this, also a matter of social justice and related to corporate culture
BUR	Being family friendly business and ensuring work-life balance so that foundation of society (family, partnerships) are not impaired Families need to spend more and more time to make a living Have less and less time for "that which holds family together", unhealthy and destructive development for society
Ana	Included in above answer
OIKO	No exploitation of those people company deals with Pay living wage that enables them to participate in social life without state support along supply chain Minimum wage not sufficient Impact of products
IMAM	E.g. charitable projects Entrepreneur can be sinful quickly, but also closer to God quickly Poverty closer to *kufr* Hadith: Who enters paradise first: martyr, scholar or entrepreneur? The later because he finances the other two. Entrepreneurs have real powers, but often hidden They can do a lot - both in a positive and a negative sense Can be prophets or devils
IFIBAF	-
IFEx2	Consult with stakeholders (e.g. staff, customers, civil society)

26. What is the main social responsibility of companies towards society at large?

Interviewee	Statements
LIB	To contribute positively to society and to human life without causing harm Not to live on the back of others Be productive without exploitation and damage Not be stuck in vicious circle of present system
ZMD	Do not cause damage to society Support social progress, don't prevent it Example: software company saves people time - good, also medicine Often, companies only succeed when they contribute something useful to society But some blatantly harmful: alcohol, drugs, human trafficking, prostitution
NAQ	Asks for examples (interviewer: e.g. good products, long-lasting, no faults etc) Yes, of course Also: not going to court or to lawyer
Jour	Social justice
BUR	Giving people work Securing basic needs

Ana	Bottom line: Do not cause harm to society Part of society Contribute something positive to society Same in macrocosm as in microcosm, what is expected of individual citizen, can be expected of company as well In the end companies bound to make money, not dedicated to social service It would be nice, but it is not that way
OIKO	Has heard someone say that company law makes tax avoidance obligatory Socially wrong But society stupid if it passes such laws Property entails obligations Obligation not to cause negative social impact Social and environmental components belong together
IMAM	To share To share is the core The aim of *zakat* Everyone likes money In order to break this 'ego' that can destroy a lot, zakat is mandatory It teaches us humanity, especially entrepreneurs To give people work
IFIBAF	Bring together ethics and money -> calls it monethics Islamic perspective: profits ok, but with social responsibility Need to be aware of this No limit to profit in terms of size, but in terms of means Needs intensive discussions Reproach from managers fir not really knowing reality of business and pressures Islamic perspective: you can do what you want, but not how you want it Additionally, certain exclusion criteria Even this up to ones own decision, but from societal point of view not positive E.g. studies in 1960s on negative effects of pork consumption on national income Can be used by Muslims as argument Pork will always be prohibited for Muslims, nothing to do with context at the time Role of business important in economic terms, but also in social terms Need to reflect upon the prevailing and universal values These are timeless The way companies make their profits and how they them has an impact of how they are perceived and accepted by the public -> credibility important aspect Even if financial institutions have sustainable products, viewed as marketing tool only E.g. primacy of financial rating agencies despite obvious conflict of interests Needs to be discussed over coming years -> need extra-financial aspects and different business model (more like in sustainability rating

	agencies)
IFEx2	To generate benefit, come to an agreement in a good manner where both sides benefit

27. What is your opinion about the saying by Milton Friedman that the business of business is business?

Interviewee	Statements
LIB	Someone's shying away from responsibility Artificial division between society and business Not realistic Immoral not show responsibility for other impacts Against Islam and other ethics
ZMD	Too simplistic Too harsh and too simple Business only works when ethical and serves society Too superficial
NAQ	Nothing to do with Sufism Is the wrong path (Q: Is there no chance for large corporations to come nearer to the Sufi path?) No. What for and for whom We are only for small businesses For everyday life, interaction with small businesses sufficient Do we need the internet to download more films What do we really need Large companies produce many things that we don't really need If you break down on the motorway, who helps: VW CEO or the AA? (Q: Could you build complex goods like cars with small businesses?) Better off without cars Climate change Unsustainable lifestyle Turn back the clock, we'd be better off
Jour	Consultancy jargon Sounds funny, as if everything in life was business Companies do not act in empty space Neglectful Irresponsible Companies not created from nothing Have relationship with others and impacts Ok to say we want to make money and have people lead a good life But in reality on the back of others
BUR	Business alone does not make sense Rat race without connection (to outside world) Superfluous
Ana	Does not agree Profit orientation ok to certain degree to pay staff and shareholders But when conflicts of interest, this statement is critical Impact of business often severe that business can't even see that Company is part of society and thus has responsibility But in the end, need to make a profit

	Business is business, but there is more to it
OIKO	Top management mentality It used to be different Long-term survival/ *viability* used to be aim But stock corporations follow different logic Extreme short-term perspective Stance of Oikocredit is to make profit in the sense of social profits and financial profits Social profit could probably also be made quantifiable Growth possible in social terms, e.g. aid, education, creativity
IMAM	-
IFIBAF	-
IFEx2	Does not mean anything. At the time quarterly results were everything. Shareholder value was meant as long-term perspective, but has always only been short-term This has lead to short lifespan of US companies and innovation as their only strength If you want to generate value for the mutual benefit of all, you have to look beyond such short-term view Aim for long-term success with reduced risks that makes business real business

28. What is your perception about this competition between the economy and spirituality / religion? Does it exist? Which dimensions has it got?

Interviewee	Statements
LIB	Depends on understanding of both Religion actually often used to justify current economic system Saudi Arabia: Capitalism like new religion True religion should fight for justice This is meant by jihad - main Islamic principle Islam not compatible with current economic system But religion used to cement status quo not to offer alternative position more just, humane, animal and environmentally friendly Would welcome latter God doesn't forbid wealth, but not on back of others Core problem on back of others
ZMD	Yes. Large dimensions Consumption big topic Gadgets distract from life, are time consuming Consumption is an enemy of normal and religious life addictions (gaming) on the rise Mobile phones make life easier, but consumption knows no limits Moderate consumption acceptable and good
NAQ	Religion wants to move people out of economic system, away from being stakeholders Economy and society want to increase, intensify Sufism wants to reduce Reduce bad characteristics Overcome bad habits / egos Competition is about fighting,

	Religion wants harmony (Q: But it must be possible for a human to be active economically in line with religion?) The only thing, a man has to do is die First the ego should die (Q: But he must eat and cloth himself) Supplied by God No problem But are we satisfied with what God provides for us There is enough for everyone We don't need the economic system (Q: Does producing food not belong to economic system?) No. Neighbourhood support **Subsistence** (Q: So money does not play an important role either?) Money important subject for Sheikh In favour of introducing gold and silver dinars Paper money is fraud Sheikh against paper money Whole banking system also fraud Enough to have neighbourhood networks trading with gold coins Need no supermarkets, naturally bad But of course in practice, shop at supermarkets Only talks about the theory, practice different Meat shopped locally
Jour	There is a consumerist side to religion with regard to devotional objects Some people need to include objects in their spiritual practice Some are more ascetic Religion these days needs accessories Example: selling of indulgences in Middle Ages in Europe So this thinking has been around for a while People are searching and they don't really know what Possibly confuse cost-benefit analysis with spirituality But do we know how religion was perceived in earlier times Need a broad outlook to answer this question Religion is being economised Also, religion is being politicised Religion is loosing its value, turning more into a lifestyle, especially among young Muslims Wearing their religion on their sleeve Real religiosity is not visible, shared with others, but also embedded in everyday life Currently used for finding identity (-> politicised) Identity actually modern European concept Imposed in a way on Muslim (reference to Thomas Bauer) That's the real challenge But we are all stuck in a capitalist system, so yes economisation
BUR	Yes. Profit-oriented business takes up too much room Is about exploitation Exploitation of human and natural resources

	This is not in accordance with religion Enormous dimensions, no agreement between religion and the economy
Ana	In Western world, religion is loosing importance Competition exists, but not due to economy All spheres (society, nature, technology) have influence here Consumption and economy are a problem undoubtedly Reference to film called "The economy of happiness" Consumption leads to unhappiness because of constant comparison Other contributing factors: social acceleration, focus on essential things gets lost Competition in general is on the rise
OIKO	No, churches too reactive Once a year church congress, talk a bit about the economy, but that's it No direct competition Economisation of society is happening Religion is loosing importance but independently from the economisation On second thought: Some tendencies to use religious connotations in certain 'consumption rituals' Possibly consumption is the new religion Shopping / products celebrated like religious mess
IMAM	Not in Islam, but in our society this is the case Most business people lack spirituality Materialism has destroyed spirituality Economic crisis caused by materialism Moral and spiritual catastrophe How can money and economy without values and spirituality guide people Businessmen, scientists among those promoting certain racism and xenophobia, they are devoid of spirituality, have become blind God says: they have eyes, but they do not see, they have ears, but they do not hear The body is there but the heart is gone Not an economic crisis, but moral one Islam can offer solution In Islam money and prayer are linked and cannot be separated Spirituality and earning money run parallel for a Muslim
IFIBAF	Not from a Muslim perspective There cannot be any disparity Islam as comprehensive way of life needs to define framework for all spheres Why does the economy play a role in Islam? In area of Mu'amalat issues of economic transactions between people play an important role Either one is religious, pertains to all spheres of life or one is not Therefore no contradiction In Western countries, problem with religion per se Political parties even if Christian by name, do not want religion to get involved Want to create a gap But should be acknowledged that humans have immaterial needs as well

	(e.g. intellectual, spiritual) religions may provide substance for such needs but can inhibit them, too. E.g. through institutionalisation and ideology in religion, can lead to abuse Duty of Muslim to gain knowledge Hadith: best jihad is a just word against an unjust ruler Gives different meaning to the word 'jihad' and shows what is important Moral courage and religion practiced in all social spheres Get together at round table discussions E.g. prohibition of minarets in Switzerland (Calvinism plays a role) Was the result of a democratic process But result wrong, because it contradicts universal values Needs more interaction at eye level Eye level not granted because religious people somehow not taken seriously who do not have to be listened to But they should be listened to, their perspective should not be discarded on the grounds of their religiosity He misses the openness But moral values of crucial importance No economic development and progress without values and ways to implement them in everyday activities Consumers can see implementation thanks to information technology Everything everywhere matters We can witness it Islamic perspective: Umma like one single body If foot hurts, head should mind Religion demands compassion with others Need to live and practice this
IFEx2	Yes and no. Consumerism and monetarisation of many favours and services (?) are critical. Consumerism used as substitute for social relationships and against frustrating work In Europe you can always talk about goods and the weather, but hardly about God and the meaning of life

29. Could a company do something to counter this competition?

Interviewee	Statements
LIB	Economy benefits from mainstream religion, no competition Companies would probably fight other interpretation As has happened But religion even used to justify slavery in Saudi Arabia for example Perversion of religion Collaboration between ruling caste and religious scholars against ordinary people Example: liberation theology - defeated by 'unholy alliance' of state, corporations, Catholic Church True message against such oppression
ZMD	Encourage moderate consumption where possible Help to obey prayer times (e.g. interruption of TV programmes) But problem, the market and customers want limitless consumption, if

	companies apply self-restraint, might go out of business
NAQ	-
Jour	-
BUR	Work on the same ethical grounds as religion If they work according to the same standards, there is a connection
Ana	No exploitation Work-life balance Freedom to have a (private) life Enhances focus on essentials (-> basic needs) Actively encourage staff to have work-life balance, not only provide general opportunity
OIKO	Companies rather take up religious rituals for selling products Companies could provide prayer rooms or even chaplaincy services Especially when dealing with essential aspects of human life (e.g. hospitals) In the West, religion is something personal, no real place at work or task for state But some initiatives and much more important in other cultures (-> cultural differences in the understanding of religion)
IMAM	Charitable projects, e.g. orphanage, visit orphans Entrepreneur should not move away from society / reality Ex.: presentation at club for wealthy in Munich Don't know the poor people in their own city They live in a different world Leads to prejudices and resentment Far away from normal people and from spirituality
IFIBAF	-
IFEx2	It is the task of each individual Companies could produce products that live longer, are easy to repair and do not contain planned obsolence (sufficiency), would better serve religious calling

30. How important are practical aspects of allowing religious practice in companies?

Interviewee	Statements
LIB	Difficult. Generally in favour of workers having greatest possible freedoms including praying and fasting But sometimes impractical to adhere to those two Prayer times should not be problem most of the time as people take and need short breaks for all kinds of reasons Fasting might be a problem in some jobs Employers should be tolerant, but employees should show good will If religious behaviour causes damage (e.g. rude behaviour, lack of customer service), not acceptable (->consequentialist approach) Rituals are important but should be applied rationally
ZMD	Fundamental human right Comparison with smoking From democratic point of view should be allowed Should not be exaggerated from Muslims Religious requirements at work not very demanding Offer such opportunities for all creeds

NAQ	basic rights should have the right to take Muslim holidays But that is politics, not determined by business If business tries to curtail ones basic rights, one leaves Who is the Lord Follow sheikh, main thing
Jour	No business has the right to get involved If technical processes do not allow for it, ok, but usually should not be a problem to do prayer Situations might arise where religious needs cannot be met (technical processes or functional barriers (ie meat and alcohol in supermarkets)) Working in supermarket with alcohol and pork, if they can't accept this, Muslims should look for different job Corporate culture should generally be accommodating for religion
BUR	Would be incredible resource Present economic system based on exploitation Exploitation not interested in replenishing, renewal On the job this is motivation For religious people, religion source for health and ability to work Companies should treat resources well In recent years, companies have focused on health management, but mainly physical health Next step would be to realise that physical health also linked to spirituality
Ana	Essential to allow certain clothes, food Comes with globalisation But not every practice Some things given with social majority Yet, large companies need to accept diversity
OIKO	Would be nice, e.g. to have prayer / mediation rooms Other relaxation offers already exist Could be positive
IMAM	Can support it, but has to remain absolutely voluntary Example in Q 29 was orphanage, not prayer room Praying or not is up to people: If staff asks for prayer room, it should be provided Same for fasting, is a human right But changing a factory into a religious dwelling, would be just show Difference between Ibadat and 'Amalu salihat Usually mixed up Ibadat= worship= dhikr, zakat, prayer etc. essential, but not enough to reach paradise In Qur'an, God always talks about Iman and 'Amalu salihat Means doing something for others Give something from your talents so others can benefit from it Only then one can enter paradise Islamic world has not failed, because people don't pray, mosques are still full Churches are empty, but West has progress Same with fasting, hajj (Sideline = Kaaba as example for the capitalism in Wahabi Islam and its

	rigid interpretation) Talks about his own PhD thesis, part of which looks at relationship between this world and hereafter: not a vertical relationship, but an horizontal Can only enter paradise, if I have done 'good' for society Prayer for oneself only Not enough to fast and pray, also need to do good Entrepreneurs can earn a lot quickly This study about 'dunja': economy, technology, but wrong to think this has nothing to do with 'Achirat' Such work (linking the two) leads us to paradise Maybe a scholar would say: we have left dunja behind Muslims evade responsibility this way, complain about backwardness at the same time
IFIBAF	Ex. event management offered to provide prayer rooms during Eurofinance Forum, Offered it to guests as voluntary option As opposed to Saudi, where people don't have a choice Would welcome if company offered it as a voluntary option as a matter of course In Hamburg you have rooms of silence for prayers of all denominations, e.g. church, synagoge Expect this of businesses as offer, do take Muslims take offer or persist on rigid practice Needs flexibility and accommodation from Muslim side, too as provided by religion Adapt to context you live in Would be welcome if more institutions (schools, unis, public places) provided space, but he wouldn't display his religiosity, e.g. in city centre / exhibit it Use opportunities or postpone as given by Islam Religion / spirituality important The way society deals with religion sign of general tolerance Tolerance towards minorities, e.g. Muslims, but Muslims should acknowledge that this is not Muslim country We may make demands, but only carefully Ask for it, seek consensus Negative example pupils suing school for having prayer rooms not the right signal Niqqab not allowed in class, not religiously demanded anyways, it's down to cultural traditions Make your position clear, but be open to debate with people E.g. building mosques / projects E.g. when projects discussed openly and early with community, more accepted, e.g. mosque in Wolfsburg supported by VW, initiated with cooperation of works council Also style has influence on acceptance, not pompous, but not hidden away Meeting place for congregation Should be self-evident, religion should be more accepted
IFEx2	Values need to be practiced and lived Religious practices should be tolerated, not criticised

	Especially in German speaking countries this is difficult, not only for Islam but all religions

31. What would be legitimate limits to practicing religion in companies?

Interviewee	Statements
LIB	-
ZMD	Only in case of emergency or exceptional cases (temporary staff shortage) On the one hand, Islam wants to make it easy for people, but people try to find all the loopholes and use them question of logic and justice Company should consider wishes of employees but if this is not always possible, ok
NAQ	-
Jour	See above
BUR	Organisational problems Difficult to see whole person (incl. their spirituality) Just providing space for prayer / meditation can help enormously Be allowed to be religious throughout working day Learning process on voluntary basis (i.e. the limits lie in the perception of staff as employees and not as whole, independent persons) -> eventually, it's about the attitude towards people
Ana	For example, if rights of women are curtailed by religion, this should not be supported by company Company should define its own values and enact them Prayer times, food should be considered unless it is against own values
OIKO	Not answered
IMAM	-
IFIBAF	-
IFEx2	-

32. Do you expect companies to meet all those religious requirements expected by different religions?

Interviewee	Statements
LIB	-
ZMD	Of course
NAQ	-
Jour	Yes, otherwise against principle of justice
BUR	Yes. State could support companies in taking such steps
Ana	Included in above answer
OIKO	-
IMAM	-
IFIBAF	-
IFEx2	-

33. Do you think companies could play an active part in strengthening peoples' spirituality? What could they do to do so?

Interviewee	Statements
LIB	If this is wanted by employees Company could provide space for prayer and meditation Goes back to idea of relationship between employer and staff being one of partnership Mutual respect, see whole person, take one another's needs into account
ZMD	No compulsion in religion Not actively, but passively, e.g. provide space for prayer
NAQ	-
Jour	Within limits, e.g. provide space, provide halal food, be considerate to religious needs If religious requirements are respected, makes one feel appreciated and feel good Employees would identify more with the company
BUR	No active support But create opportunities and space Ensure employees are content and create good working climate
Ana	Company cannot force me Not the responsibility of a company Can provide frameworks, make offers But actively encouraging would be patronising Apart from openly denominational Possibly company may select staff so they agree with spiritual values but not once they are employed.
OIKO	-
IMAM	-
IFIBAF	-
IFEx2	They could set an example E.g. Jewish banks display Torah at doors and thus have constant reminder of religion This is missing more and more

34. What is the value and significance of work in Islam?

Interviewee	Statements
LIB	Work can be great contribution or great curse to society and to individual It depends Work beneficial to society is good, work causing harm is bad Leading a humane life should not depend on having a job This is absolutely unislamic Basic needs have to be fulfilled independent of job To change economic system fundamentally, work and (basic) income need to be separated If this were the case, people would not have to join in with unjust practices Prophet said "One that works half the time and prays half the time better than one praying all the time" thus work is important in Islam in the sense of contributing positively to society One gets rewarded for this and if one doesn't do it, something is missing

ZMD	Work is a duty in Islam Not wanting to work is not possible for a Muslim Responsibility to work, even if below ones qualifications Work is an act of worship Need to work well But work should be humane and empower people Haram and stupefying working conditions not acceptable Possibly still do this rather than laze around at home Work thus means: Man should work, Work well, work should be fulfilling somehow, i.e. people should have the chance to have a good job (**Summary**)
NAQ	Rule: third of time for God, third work for family, third for rest I.e. God should have as much space as work, contrary to modern life, which is all about work God does not need us to work for him God wants us to obey him, follow him (ta'a) Work is like a stain because we are banished from paradise A bit like a punishment In the end worldly achievements like work and education do not count But not meant in a nihilistic way Sufis ask questions, but do not object to education or work outright
Jour	Work as worship But no real opinion about this
BUR	No idea whether own view in accordance with Islam, in favour of personal responsibility Trust in God, know that certain things are given / fixed (through fate), but take action (bind camel first and leave the rest to God) Trust alone is not enough Basic right to work is also a basic duty
Ana	On a personal level, used to be fulfilment, but now means mainly earning a living Should be both Work should be meaningful, but it is not life Work is more than a paid job, essential social services are also work like housework, raising a child Should be agreeable in a way
OIKO	Work is a means to earn enough money to live well (wage labour) Should be meaningful to a degree Should be fun ideally Something to identify with But this may bring problems, so other option is that work is mainly for earning money and identity and meaningfulness comes from other sources such as family or volunteering -> Two opposing opinions: either only means to earn money, or linked to meaning and identity
IMAM	-
IFIBAF	That is simple Allah gives each human their rizq Hadith saying that ¾ of rizq comes from work Meant to scholars that one should work rather than rely on social safety net

	Refers back to hadith on five questions Work plays major role, helps to define self-worth, understanding of oneself also interaction with others Self-esteem Linked to this issue: zakat (2.5% of liquid assets) Idea is that need not put in situation to ask for charity Task of state to organise this re-allocation Central / essential role of work (reference to rizq) combination with acquiring knowledge What learned as small child, what you made of it Continuous process, learning never stops Religion can convey soothing very meaningful Often forgotten Judge Islam by its sources, not by what happens First look at Qur'an and Sunnah at prophet, sahaba, etc. Also do this on our work Use work to define a range of things Helps to answer questions, e.g. regarding responsibilities of man towards family In that sense hadith: door to paradise open to fathers who look after daughters (children in general) well, put them on the right path, teach them something meaningful and provide for them Shows how strong links are between religion and economic dimensions and cross-generational dimension
IFEx2	Have a halal income for own life and for sadakat

35. What are the main responsibilities of a company towards its employees?

Interviewee	Statements
LIB	Facilitating humane life and working conditions
ZMD	Deal "work against money" needs to be fulfilled Payment should be adequate Living wage Work-life balance Fair treatment Respect on both sides
NAQ	To obey God In Naqshibandi world there are only two or three people in a business and as emir I would ask people to follow Qur'an and Sunna if they do or not…
Jour	Social justice Fair treatment Fair payment Honesty and transparency where possible regarding decisions Protection Health and safety -> safe workplace Education No exploitation Good working climate No fear, no surveillance

BUR	Provide jobs with living wages and work-life balance, because work is not everything
Ana	Fair treatment Job security Support employees and treat them well
OIKO	Pay a living wage That enables social participation Safe workplace (two meanings?) Freedom of association
IMAM	-
IFIBAF	Fairness In working conditions In contracts In payment Can also say justice Transparency of decisions Credibility of management Gap between income of management and of workers but sometimes differences e.g. in family businesses often gap lower than in publicly traded companies Ideal of family business, greater familiarity with business / intimacy Work in company not only provision of service, but interaction of people of person within company Each person has certain cultural background, but spends most of his time at work With reference to Islam, companies should take aspects like religious holidays, food requirements into consideration, know who you are hiring Already when hiring get any idea about who you hire People come to company with background and network Company needs to check whether it can accommodate for this Take everyone as individual this creates acceptance among staff, support for company even in difficult times Responsibility of Muslim to perform well and do as best as they can Every Muslim is an ambassador An ambassador of Islam People will judge Islam by the behaviour of individual Muslims As ambassador need to know people and country where you live in Right of the street to cleanliness If foreigners throws something on the street, sheds bad light on all foreigners / Muslims Where is people's point of reference? Live what one preaches so to speak Importance of good relations with neighbour
IFEx2	Fair and just pay

36. Which rights do employees have over their employer?

Interviewee	Statements
LIB	Depends on political point of view Generally: **(social) justice**, central Islamic principle

	Participation in decision making In ideal situation, employees would manage company themselves Partnership Possibly just if the ones who provide the funds have more influence on decisions Collective bargaining / **freedom of association** as guiding principle
ZMD	-
NAQ	One is the emir, the others follow his orders If three people come together, they elect an emir Follow his orders in the framework of the sunna of the prophet Prophet guiding example for emir -> Naqshibandi business model: 1 emir, 2 employees, Sunna framework
Jour	Already answered in above question ?
BUR	Secure jobs Safe jobs Personal development (provision of training and education programmes)
Ana	Right that their basic rights are acknowledged Fair adequate payment Secure job
OIKO	To receive adequate pay for the work agreed in contract Be critical, not only obliging, should be encouraged by company (could also be classed as duty)
IMAM	-
IFIBAF	-
IFEx2	Right to just and timely pay

37. Which duties do employees have towards their employer?

Interviewee	Statements
LIB	Deliver what has been agreed upon Not to cause harm, no matter how you have been treated Stay on legal grounds Fulfil ones duties
ZMD	Muslim employee has more duties than normal employee No stealing, no pretending to be ill Work hard Make an effort
NAQ	-
Jour	Keep to rules Be active in trade unions to contribute workers' perspective to business (-> FoA) Think critically: Point out deficits Open debate with management Raise awareness on sustainability issues If atmosphere is good, duty not to harm (reputation of) company Work ideally give and take
BUR	fulfil their part of the contract give their knowhow mutual give and take situation (again training and education programme as example: we let you get further training and you commit to staying in company for a certain time)

Ana	Be honest, also regarding own feelings and thoughts Perform well / adequately Make an effort to do well
OIKO	To give knowledge and to work according to agreed contract
IMAM	-
IFIBAF	-
IFEx2	Act as responsible agents Do the assigned tasks well and dilligently

38. What do you think about the strife in the West to enable women to have similar chances in the work environment as men and similar conditions in terms of payment, access, career paths etc. Do you think this is a good thing or a negative development? Please give reasons for your opinion.

Interviewee	Statements
LIB	Women should have equal rights But intention of companies behind this strife negative Abusing and exploiting women Women more easily exploited because they have less financial resources and are more dependent on men and through this weaker Increases competition between workers But on individual level, women of course have the same rights as men to work Some Muslim defend lower wages for women on Islamic grounds, this is not acceptable Should generally have equal rights
ZMD	Principally conservative Women play an important role in child rearing and creating a home Equal pay for equal work Same career opportunities But reconciliation of work and family life more important, E.g. enabling more part-time work Full time jobs doesn't leave enough time for women to look after children Need quality time Has to cook meals Be there for (adolescent) children Full-time work for mothers difficult Family first, possibly fit work around this (above statements illustrate this point)
NAQ	What for? (Interviewer: for the women…) traditional role allocation (who cooks the soup and who butchers the cow…) Modern life with both parents working leads to unhealthy lifestyle and consumption patterns women have their tasks, men theirs Roles allocated by nature Food scandals (horse meat lasagne) due to modern lifestyle, but people don't question this, want more food controls or genetic engineering

	Back to human nature, not more technology or economy Not against women per se He wants to go back to "traditional" roles / tasks
Jour	Positive that women have more freedom of choice But can also be seen as mechanism to lower wages From this perspective not justified Truth is more complex White middle class woman could only be successful because of migrant /lower class women doing her chores (power hierarchies among women) A job does not necessarily imply freedom Does financially, but on different level, also a restraint Rather doing other, more fulfilling things Outcomes of work overrated, consider time and energy going into it Increased dependences Whole debate very politicised Complex issue Critique of Western gender discourse (especially idea of gender as a social construct) Biological differences are fact at least In summary, two sides to the coin Women quota not good, because they only help top women But most women work in poorly paid jobs Glass ceilings do exist Lowering wages still motivation for companies Analogy to inviting migrants to Germany in 1960s At universities quota ok, because prejudices do exist Debate not honest It really needs reconciliation between work and family, Make it possible for lower paid / qualified women
BUR	difficult to answer complex topic man and woman so different that total equality not possible Currently no differentiation between what is reasonable Different tasks and roles in child rearing / education Should be taken into account (Question: Current model: fathers away to earn money, mothers look after children alone, not ideal?) In first seven years mothers most important, fathers not so much Emphasis of importance of healthy and intact families as keystone of society Equal pay for equal work matter of course and just Debate should consider what it needs to sustain a family
Ana	-
OIKO	Thinks it is positive development Has a positive influence on the work climate Also positive change of perspectives Of course this is important Terrible that there is a downwards trend in Arab world In former years, there were a lot of female engineers, e.g. in Egypt (experience in signalling technology, railway industry), danger that with fundamentalists gaining ground, this could be reversed

IMAM	The first successful businesswoman in Islamic history was Khadija, others were around at the time of the prophet Hadith about a lazy man complaining about his wife working too much and he expected the prophet to tell wife off, but in fact, he told man off There should be no difference between men and women Women can be more focussed, constructive and successful than men Fair pay, although needs to take into consideration pregnancies, small children No limitations to equal opportunities
IFIBAF	Major question of equal rights vs. equal opportunities (Gleichberechtigung vs. Gleichstellung) General question whether Islam supports equal rights Islam gives equal rights and duties, but differences do exist Provide equal opportunities, but will it lead to equality? E.g. have all male and all female teams compete in the next world cup Shows that there are physical differences, both should play, but acknowledge the differences But yes, create opportunities Important debate: Women on executive management boards in Germany - very few (non actually in big companies) So there is an obvious problem in Germany, Also problem with equal pay, Thus need to create framework, but also ask why these differences exist No objection from religious point of view to equal pay
IFEx2	This has not as yet let to more management positions for women in the West More female executives in banks in the GCC than in Germany In Islam, women have the right to work, but not the duty Being "just a mom' is socially acceptable Ideally, women would not have to work, but could choose to do so if it served their self-fulfilment Women should not need to work out of economic necessity Learn why the West has failed in their advancement of women

39. What do you think about international norms such as the ILO conventions or the UN Declaration of Human Rights. From an Islamic point of view do you think they are acceptable and sufficient as guidelines of what constitutes adequate working conditions or do you think that Islamic investors and other Muslim actors should not feel bound by these?

Interviewee	Statements
LIB	Yes. No detailed knowledge of these conventions But here, religious scholars if they are against these conventions, have no authority If agreements reflect consensus of people, they are acceptable and should be supported by Islam
ZMD	All regulations good for people and the environment are automatically Islamic Therefore Muslims could support them
NAQ	-
Jour	-

BUR	Doesn't know them, so no answer
Ana	-
OIKO	-

40. What are the main responsibilities of a company towards the general public?

Interviewee	Statements
LIB	Serve society or at least be partner to society Do not participate in harmful activities against humans, animals and the environment Support minorities and disadvantaged groups
BUR	Ensure right to work
Ana	Do not harm public Support public to a certain degree
IFEx2	Further develop social benefit

41. What can a company do to ensure it meets these responsibilities?

Interviewee	Statements
LIB	Be an example in this sense Be transparent Be honest and open about decisions, even if they are difficult and uncomfortable
BUR	Difficult. Secure jobs, but at the same time Don't produce some things Don't produce too much No pollution -> products and production Be family-friendly Needs concrete examples to illustrate that this is possible
Ana	Pay taxes No tax avoidance Do not blackmail public with loss of jobs Community involvement in fields close to core business Know your risks and minimise them Reduce negative impact Meet obligations Do not treat staff badly
IFEx2	-

42. What are the main responsibilities of a company towards the customers?

Interviewee	Statements
ZMD	Don't lie to them (Honesty) Don't produce forbidden goods Production itself should be decent / ethical - Right of customer to have a product e.g. free of child labour as this would fall back unto customer If company is absolutely decent, no need for total transparency, but transparency regarding controversial issues desirable
NAQ	Follow Qur'an and Sunna Customers are like brothers, one should give them what one wants to consume oneself Of course no products that are haram

	Not taking credit / debt No connections with banks -> keep away from financial market
Jour	Transparency on production processes and "ingredients" Honesty, e.g. regarding pricing, production processes and resources
OIKO	Do not harm customer Do not harm the environment (because customer part of that) Produce and sell only things one really needs (basic needs) Quality Reparability where possible Recyclability -> resource efficiency Take customer needs seriously Take customer as a partner -> partnership
IFEx2	Provide advantageous products and offers whose social harm has been reduced responsibly

43. What can a company do to ensure it meets these responsibilities?

Interviewee	Statements
ZMD	Social market economy good foundation as long as done without exploitation Products get better and cheaper Company only offers what customers want Sometimes they want less quality for lower price Ethical issues often not considered by customers, but still company's responsibility Decent behaviour even if customer does not demand this No exploitation Make sure business is run efficiently to keep costs down No exaggerated wages for managers
Jour	Inform public Be transparent Negative example: disinformation, greenwashing Should sell products in truthfulness and sincerity
OIKO	Transparency Good complaint management system
IFEx2	Sustainability management

44. How far should a company be made liable for damage done to customer or third parties through products and services?

Interviewee	Statements
ZMD	Based on German civil code: gross & slight fault, deliberation Islamic principle of taking responsibility for one another
NAQ	No, that's fate. If product was faulty, state should step in In that case, penalties are ok State should not be active in economy, less bureaucratic, but provide effective control mechanisms
Jour	Penalised through loss of reputation Value of company linked strongly to image and reputation

OIKO	As much as possible Place of jurisdiction should be customer-based Along entire supply chain Overall responsibility lies with party selling to end user as option, but in practice difficult Make it as easy as possible for customer
IFEx2	No limits to liability

45. What is the main responsibility of a company towards its investors?

OIKO	Use investors money so that they don't loose their money and even make some profit
IFEx2	Generate halal income

46. What should a company do to meet this responsibility?

OIKO	Do business responsibly and sustainably Produce stuff people want and buy
IFEx2	Generate benefit / value Treat creation as trusteeship

47. Do investors have a responsibility for the activities of a company they are investing in?

OIKO	They can have real impact Depends on the degree and method of involvement Investment should be in line with ones own ethics
IFEx2	Yes, the main responsibility together with management

48. What are the main responsibilities of a company towards its suppliers?

IFIBAF	Ensure that own set of values are adhered to throughout value chain e.g. 'Islamic' company (i.e. with Islamic values) cannot ignore conduct of supplier Define 'halal' to beginning of supply chain It is difficult, Produces additional costs, but no way around it e.g. fire in textiles factory in Bangladesh, reparation fund only paid in to a quarter of intended sum Shows how little dedicated companies are to CSR Company recognise that they have certain ethical standards (no scientific grounding for this) Nut these standards need to be applied to everyone E.g. products from Israeli settlements -> as Muslim not acceptable, reprehensible, because of the price paid by Palestinians for it Argument of companies: people earn little, but more than before But is still little How much are we willing to give up in terms of profit margin in favour of meeting ethical standards? Need to care more about 'permeability' of ethical standards If one does not want to oblige, need to be kicked out

	Finds someone else, but eventually possibly dropped by everyone E.g. meat scandal, ministry wanted to publicise culprits, but not realised for 'moral scruples' (?) But why How else should customer learn about it Company between customers on one side and suppliers on the other If I promote sustainability / CSR to one side, need to apply it on the other Otherwise risk of loosing credibility
IFEx2	Keep to contracts Pay punctually If dependencies are large, further moral responsibilities might apply

49. What can a company do to ensure it meets these responsibilities?

IFIBAF	-
IFEx2	Monitor whether utilising cost advantages leads to economic exploitation

50. How deep into the supply chain does the responsibility of a company extend? Is it responsible only for immediate suppliers or beyond?

IFIBAF	-
IFEx2	Companies should apply fair trade principles in developing countries and raise customer awareness in that respect

51. Do you have an opinion about the tendency of companies to outsource an ever increasing proportion of their activities to suppliers?

IFIBAF	-
IFEx2	Such outsourcing is an understandable result of globalisation. But it should result in greater benefits to all instead of a "race to the bottom" in terms of social standards

52. What are the main responsibilities of a company towards its competitors?

IFEx2	Fair representation, respecting other businesses reputation

53. What can a company do to ensure it meets these responsibilities?

IFEx2	To watch their tongue

54. What are the main responsibilities of a company towards the state?

IFEx2	Keep to the law, create high quality of life

55. What can a company do to ensure it meets these responsibilities?

IFEx2	Act responsibly

56. Which country should be the main point of reference for a company?

IFEx2	In each country in which it sells and in each country in which it procures

57. What are the main responsibilities of a company towards NGOs? Does it have any?

IFEx2	Increase of benefit

58. What can a company do to ensure it meets these responsibilities?

IFEx2	Seek consultation and debate with members of civil society to increase benefit and reduce harm

PART THREE: ETHICAL INVESTMENT – METHODS AND MOTIVATION

59. How important is it for your organisation to invest the money you are managing ethically?

Interviewee	Statements
LIB	Very important Money great influence on everything Helps to change the system from within Helps to raise awareness through investment decisions for what is possible -> systemic level Would for instance invest in sponsoring books or events If more money was available, invest it in social field, e.g. care for the elderly, mentoring young people Show that financial return not the only valid aim for investment Investment into people can give different return -> impact investment, social return Show that Muslims contribute positively to society Emphasises great importance of zakat -> All other of the five pillars are entirely between man and God Highest Islamic ritual Charity -and in that sense ethical investment- very important Islamic virtue -- Even if financial return is important for investor, invest in meaningful, useful products and services, invest in things that don't cause damage and that are produced fairly Grading: social return only, financial return with meaningful, useful products / services, things that don't cause damage and produced fairly
ZMD	Very important internally Personally not a big friend of certifications and labelling Difficulty is too little differentiation Difficult to determine whether something is halal (lack of standards, complicated to define clearly) -> Current situation problematic Rating or grading system would be useful But for some things not possible (e.g. pork or alcohol will never be even a little halal) -> some exclusions necessary Sketching grading system in meat: In meat production highest level halal and organic Level below, no industrial husbandry Level below that, no clearly haram ingredients, but not slaughtered Islamically (but could this be graded at all) Shows the difficulties of a rating system
NAQ	Usually object to banks outright, because there never was a bank in

	Islam At the time of the prophet, there were no banks Only basic transactions for trade Banks are an innovation and therefore not acceptable -> No such thing as Islamic bank (Q: Scenario: what would you as Sufi group do, if you had a certain amount of money available to invest (e.g. EUR 200.000)) Instructions issued from Sheikh Nazim in speech in 1995 about Bait Al Mal Foundation of a charitable organisation - bait al mal - in 1996 Instructions to buy old farmhouse or similar property Sufis should live there, do some farming, have space for other independent, smaller trades E.g. car garage, carpenter, tailor, butcher One meeting centre based on this instruction founded in Western Germany (Osmanische Herberge - Ottoman Lodge) Apart from that no further realisation of this idea Reasons: not specific, just didn't fit
BUR	Extremely important
OIKO	Not asked as such, because core business of organisation

60. Do you have defined criteria already?

Interviewee	Statements
LIB	- (sounded from the previous answer that they don't)
ZMD	Islam is simple and logical Some rules might be difficult to obey Example sex morals: logical that a child grows up best in intact family, not when mother changes partners every three months thus: every model based on sustainability and ethics always also in accordance with Islam Organisation provides certifications of financial products and some foodstuffs, meat too complicated, because Islamic butchering allowed in Germany, but carries too many stipulations Very active in this field, but it is complicated Two *shariah* compliant financial products in cooperation with experts in London Rating would be nice, but in reality might be very / too complex
BUR	No. Manage charitable contributions and income from meeting centre "Haus Schnede" Articles of association state how funds are used: primarily for acquisition of properties generally promotion of tolerant, open Islam Main purpose is to buy properties for the order or rent them that serve the prayers of the communities rent or buy properties in Germany support the building of zawijas in Sudan -> but do have clear stipulations of how funds are used Considered engaging in more business projects, but currently most capital bound in properties There is a financial manager of the foundation (volunteer) who deals

	with banks and credits
NAQ	Core message of economic teaching of Sheikh is that there should be no businesses with more than three members Small trades No employees as such Small family or private businesses Not to get into the 'structures' Not be exposed to exploitation and abuse Sufis are craftsmen by tradition Today's reality different, but ideal is as described
OIKO	Answered in question about investment method
IMAM	Only receive donations and would never invest this As long as donor does not about this needs to be transparent Given for a set purpose, only use it for this How to deal with interest, different thing But irresponsible to (re)invest it in different project Negative example from protestant church, some Muslim organisations also diverted funds Unfair and irresponsible towards donors They collected money for mosque in Munich and instead diverted it to Turkey and it disappeared

61. Have you ever considered using Islamic finance products and services?

Interviewee	Statements
LIB	Knows too little about this
ZMD	There is really no such thing as an Islamic bank, because banks earn money from money and the core idea of Islamic finance should be to tag financial returns to real assets Examples: hire-purchase and financial business partner Idea of shared risk and participation central Islamic banks sometimes involved in dodgy bypasses Generally own financial means very limited Do not pay interest rates, do not have debts Bank with mutual savings bank Do not spend a lot of money
NAQ	Doesn't work Sheikh might know better Paper money system Changing value of money speculation all not acceptable That's *dunja* and sufi doesn't follow *dunja*
BUR	Doesn't really know them No, because long-standing working relationship with social bank Organised as cooperative, Foundation also holds cooperative shares Business model of bank: if you want to bank with them, need to become member Not intensely looked at their ethics, but feeling that they share ethics, because Bank supports community centres and such projects

	Impressed how they support communities Very important topic They take administrative fee, not interest Should look at ethics more intensely really
OIKO	(Q: have you ever worked with Islamic microfinance organisations) Not aware of that Exact process what goes on country level, not known in detail to interviewees
IMAM	Have been in touch with Islamic Development Bank, who is willing to support group once they have a property But only invests in education Not in mosques or museums, but maybe mosque with an academy attached or a research centre

62. What is your primary motivation for investment decisions?

Interviewee	Statements
LIB	Mainly social orientation Financial aspects necessity Financial gain ok as long as it is not on the back of others (but often not possible)
ZMD	Islam embraces life more than other religions life-embracing religion e.g. no celibacy, profit and wealth are ok as long as one then gives to charity They don't want to do more than is required by Qur'an No fundamental contradiction between profit and ethics But ethics should be main priority Even high profit ok, if balanced through zakat -> Conditions for making profit ethically But in reality, high profit often not possible without ethical drawbacks As long as staff well paid and environmental protection ensured, high profits acceptable, but usually someone has to suffer from high returns -> Reality check
BUR	Profit orientation is ok as long as certain criteria are met Ethical criteria are a cap Ethics not sacrificed for really high profits
OIKO	A mixture of both: help people and get a financial return, at least an inflation offset, can get money back if needs be -> financially better than pure charity But social return more important Financial return pegged to 2 %, might be below inflation in some years

63. Is the ownership structure of a company an important decision criterion?

Interviewee	Statements
LIB	If financial return not so important, investment would be mainly in small, local businesses Businesses that treat their employees well, have a good standing and are rooted in the community Small, family-run businesses Not large, anonymous corporations, intransparent Cooperatives when working with grassroots democracy Employee participation

ZMD	Topic not completely irrelevant, but pragmatic approach Ideally: every company a cooperative with active members Important: equity based Shareholders, cooperative members, limited partners all the same, no debtors -> Grading: cooperative, equity based general, no debtors, bonds with guaranteed return not Islamic bonds with guaranteed return not Islamic prohibition of interest not about profit but about 'gagging' -> exclusions profit loss sharing equity orientation important -> ideal In rating system, cooperative would have higher grade than PLC
BUR	Yes. Family business Community-orientation Support individual small businesses (e.g. in Sudan) Not aspire to invest in shares of publicly traded co, because of doubts about responsibility and solidarity, e.g. with staff PLC alienated construct only focusing on shareholder value, not desirable
OIKO	Family businesses Cooperatives Publicly traded companies excluded because main aim is always the maximisation of profits Clashes with own aims to help poor people to help themselves Help cooperatives / people only as long as they don't get help from anywhere else Cooperative structure is really important Some socially oriented family businesses, But all different kinds of cooperatives

64. Company size

Interviewee	Statements
LIB	-
ZMD	Personally, friend of small companies But no connection to Islam Monopolies problematic Too much market power, also problematic
BUR	The larger a company the more complicated it gets No exclusion criterion
OIKO	Maximum funding of EUR 10m (2% of funds available) When cooperative reaches certain size, does not need Oikocredit anymore, can access conventional financial market

65. Main area of business activity and Islamic orientation

Interviewee	Statements
LIB	As long as in line with Islamic ethical principles, does not necessarily need of declaring to be Islamic
ZMD	What is an Islamic company?

	Sometimes Islamic identity only by name but company supporting Islamic values - preferable -> No need, but preferred
BUR	Not important. Look at actual ethics rather than regional focus
OIKO	Refers to annual report (provided) 45% Latin America, 14% Africa, Rest Asia, Eastern Europe -> regional distribution of funds disclosed

66. Type of investment

Interviewee	Statements
LIB	Avoid shares Trading shares close to speculation Reference to Proudhon's Stock market speculator's manual Economic system doesn't need speculation and trading of shares Ultimate evil: food speculation Invest in small companies, without shares and without speculation
ZMD	No preference Small and young businesses nice decision based on activities (e.g. no weapon producers) not their size or type
BUR	Equity better than credit because of stronger bond and responsibility But principally case to case decision
OIKO	Both credits and equity Equity better, because better insight into cooperative Bookkeeping done from HQ in Amersfoort Equity limited to 5% of total funds

67. Investment methods

Interviewee	Statements
LIB	Positive and negative screening belong together - ok Impact investment good, because it helps people directly Microfinance very good
ZMD	Positive screening good Activity-oriented Grading of activities List not too long Certifications (e.g. QM) no guarantee for good management Even if detailed analysis, not certain whether results are true Islam only forbids what is necessary (*What would be a good number of criteria for rating system?)* Depends on size of company and complexity of activity Large corporation: topics such as corruption, working conditions, job security important
BUR	Impact investment Microfinance
OIKO	Five criteria: Economically viable Foreign investment is necessary (no interference with local banks) Consideration of environmental protection Involving women in decision-making at all levels Functioning accounting Plus ESG scorecard

	First contact via country office If high credit, decision lies with HQ Often together with trainings and consultations (Q: *So you are not directly involved with microfinance?)* Cooperative or other microfinance organisation applies for funding Also help start-up microfinance organisations in rural areas, include insurances and savings accounts Sometimes reality different from aspirations

68. What would be exclusion criteria for instance, limits that a company should not transgress?

ZMD	No child labour Humane debt collection: Contracts have to be fulfilled, but in some instances, debts just cannot be paid back or need to be postponed Exploitative women labour Treatment of employees in general No fraud Respect for all creation No factory farming / industrial husbandry Find guidance in the Qur'an

69. How do you monitor your business partners?

OIKO	Describes process: Work with local partner organisations Keep in close contact with them through regional offices Study travels to get to know partner organisations, not control They pay back the credits on a monthly basis Issue regular reports Have to fill in so called ESG scorecard prior to receiving credit Consultations when weaknesses discovered Social auditing in almost every country Thus monitoring of results not organisational structures

70. Is this practice of ethical screening widespread in Islamic finance industry?

IFIBAF	No, his suggestion, tries to promote this among IBFs IFBS further advanced than ethical investment who only issues vague qualitative statements, already two clear filters, but third filer on ethical issues needs to be included e.g. regarding child labour, minimum wage, environmental protection, reforestation, fulfilling work contracts e.g. Qatar, well-known practices also from other Gulf countries come to light through football world cup. Hadith stating that wages should be paid to worker before sweat has dried on his forehead. Means works deserves a just wage, this wage should be paid timely. Was known at time of prophet, but many agencies far away from it (in Saudi) Stated in sources, i.e. is a major mistake if not adhered to, will fall back on them eventually, but they try to hide problem.

71. From an Islamic Point of view, are there preferences regarding the type of investment? I.e. are there differences in the investment in shares compared to other forms of equity investment?

IFIBAF	Often Islamic Finance only associated with riba, but actually rests on six pillars: riba. zakat, maysir, gharar, screening, certification Screening: exclusion of certain industries Financial rations, not a fixed process, e.g. financial dept ratio adjusted during financial crisis, time period looked at was extended Riba-zakat complex: Zakat needs to be paid by companies, too; zakat strictly speaking sources tax (?), but except Sudan, KSA and Pakistan not ? collected centrally? Should be a tax on income distributed and used for social causes Screening methods new, but sources / grounds for them old (riba, zakat, maysir, gharar) We are aware that leverage can increase equity return, but just not allowed in Islam We do have a fixed set of criteria, but need third qualitative filter IBF industry should take up such new issues Look at context Look at sabab al nusul, context, situation then, how dies this translate to today Does not mean to turn Islamic values around, but translate them to today Which screws can I set / turn E.g. alcohol production and sale: difficult where to set limits: only look at main industry generally or analyse company individually (e.g. LVMH, luxury goods / fashion, but important alcohol branch, too) If you introduced zero tolerance in all relevant exclusions, study showed that e.g. looking at Swiss stock index, only five to six companies would remain, not possible for risk spreading reasons Needs constant debate among scholars regarding these issues Tariq Ramadan: All good in West automatically in line with Shariah No one is Islamic finance industry knows Brundtland report Both sides should learn from one another Open system, needs continuous improvement, no final stadium Only very few areas where gate of reasoning closed forever (ijtihad) Continuous process of reflection and reasoning and making it transparent
IFEx2	Muslim customers invest primarily in their own business or in real estate Shares are not relevant. It is open to debate whether this is a necessity Islamically, but there is always riba when investing in shares and it has only been accepted in modern times out of necessity

72. How should an IBF position itself with regards to profit orientation on one side and ethical expectations on the other side?

IFIBAF	-
IFEx2	Not profit orientation (is a Marxist term), but yield orientation in the sense of a positive return. The latter is acceptable when both sides (?) benefit and nature and society are only burdened moderately

73. How would you position an IBF compared to social banks such as GLS or Triodos?

IFIBAF	Biggest mistake Kuveyt Turk can do is to focus only on Muslims as customers in Germany Why? Only 10-15% of Muslims interested in IBF and you automatically exclude those many interested in ethical investment / banking IBF should emphasise ethical character, open to all IBF needs to compete with conventional competitors Refers to debate of legal status of IBF in Germany i.e. whether they should be liable to the German Banking Act (some say IBFs are not, some say they are) His opinion is that they should definitely be GBA liable, because otherwise, they are not taken seriously Bank supervision authority (Bafin) open to this debate, but they should be in the same class as banks Will only find customer base if perceived as equivalent to proper bans, offer products open to all, yet clearly distinct as 'Islamic' and right quality of service Example: colleague and his experience of getting Islamic credit card in Bahrain and Malaysia This is a decisive point for success of IBF in Germany Limited product range ok, do not copy / reengineer every product out there Might as well reproduce 'Islamic subprime' Acknowledge difference and play out as strength, e.g. give customer depositing money opportunity to determine how money should be used Display different options with different risks associated Similar to GLS bank Lets see how Kuveyt Turk will do it
IFEx2	Similar thinking, but different target groups and methodologies

74. Why is there seemingly so little interest among IBFs to work together with sustainability rating agencies or other SRI actors?

IFIBAF	Good question E.g. collaboration between WWF and Swiss bank Doesn't know, but he would welcome it From marketing perspective to make IF better known They appear to think that they do everything right already Think they can transfer their system to Germany without considering legal and cultural differences But e.g. GBA (German banking act(dies not accept this of course Many IBFs only survive in protected areas, no chance in highly competitive European markets a) because of competitors b) because of regulations E.g. money laundering Do have strict rules in Middle East, but do not apply them They could do it, why don't they Play by the rules you set yourselves

	Advantages: clear rules, clear investment strategies, make this transparent, would be competitive advantage, do not try to outdo Deutsche Bank But reach target group and establish reputation Would be aided by working together with renowned institutions and learn from one another
IFEx2	Investment in shares not interesting to Muslim customers and funds have only little assets under management. But there are some actors that are active in the field