Syariah Compliance Online Business Portal for Small Medium Industries (SMEs)

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Abstract: The growing trends in e-Business have become one of the major platforms across the globe. Malaysia as one of the leading developing countries has adequate infrastructures for online business and services. This scenario not only encourages big industries but also Small and Medium Enterprises (SMEs) in buying and selling products and services online. There are lots of free online websites and social networks that used by Malaysian seller to advertise their product such as ‘blogspot’, ‘wordpress’ and ‘facebook’. These can minimize the advertising costs, but blog style advertising is not suitable for online business because it doesn’t offer online facilities such as online orders, stock management, user registration and online payment. They are also lack of consumer protection policy which protects them throughout the business transactions. Currently, there is no governance body who responsible and monitor online business that comply with Islamic Syariah. Due to that, an online portal framework which implements syariah-compliance transactions for online business was proposed. This framework can be used as a reference for users to justify the syariah perspectives in the activities involve in their online business. An online business portal called caQna.com was developed to implement the framework.

Key words: e-Commerce • Small and Medium Enterprises • Syariah Compliance • Online business portal

INTRODUCTION

Every day more Malaysians are gaining access to the Internet, either on their mobile phones, tabs and pads, or computers. Malaysians are online for many reasons, including social networking, learning or gathering information. The Internet is fast becoming a reference point for getting information on businesses that these users want to transact with. In other parts of the world, businesses that have gone online have grown at a rate 4 times faster than those that don’t. Getting online for small businesses has helped them break down the barriers of doing business, opened up opportunities for new customers locally and globally.

Nowadays electronic commerce is a leading method for online business. It always refers to online shopping or online retailing where seller (retailer) offer goods and services and advertise over the internet. Buyer (consumer) can directly buy them through website and pay using secured online banking transactions.

Government of Malaysia has provided the infrastructure of internet for Malaysian to sell and buy online products and services. This scenario encourages the seller especially small medium industries (SME) to sell and advertise their products and services online. This enables them to reach wider audience of potential buyers.

Normally, SMEs use free online websites such as ‘blogspot’, ‘wordpress’ and ‘facebook’ to run their online businesses. These websites are easy to manage by snapping a picture using a mobile phone and publish to the website. These can minimize the advertising costs, but blog style advertising is not suitable for online business because it doesn’t offer online facilities such as users registration and online payment. Without a suitable system, it is difficult to manage customer orders, transactions and stocks.

Another intriguing issue regarding the online business among the Muslims in Malaysia is the Fiqh issues related to contract, products status, buyer status, seller status and the eligibility of both parties to do
contract. As the online business environment is a new issue in Islam, lots of Fiqh scholars provide different views and Ijtihad over the syariah aspect of the transactions. There is an urgent need of a governance body who can take the responsibility of accessing and monitoring the online business activities among the Muslims to avoid any misconduct.

For example, according to Fiqh in Islam, two parties who want to do a business contract must physically be in the same location at the same time. The transaction must be done in a face-to-face method and the product involves in the business contract must also be a halal product which physically exist and owned by the seller. However, these are not applied in online business environment. Therefore, a new fiqh guideline which related to online business environment must be imposed.

**Related Work**

**Online Business Through Small Medium Enterprise (SMEs):** The advancement of ICT had changed the way people lives, interacts and socialized [1]. Among the most affected activities are business and commerce. Nowadays, people can buy products and services from thousands of miles away without leaving their houses, using e-commerce facilities. E-Commerce technologies enable customers to buy products and services from sellers without having to be in a face-to-face meeting. The business transactions are done electronically through the internet and web.

Normally, SMEs use free online websites such as ‘blogs’ and ‘facebook’ to run their online businesses [2]. The basic features provided by these websites are used to help them promote their products by posting images and videos with text descriptions. The layout of these free online websites is not suitable because of their original purposes which are not meant for online business activities [3]. The success of e-commerce for any company is greatly depending on the appropriate layout and design of its online website [1, 4].

These websites are easy to manage by snapping a picture using a mobile phone and publish to the website. They can minimize the advertising costs, but blog style advertising is not suitable for online businesses because it doesn’t offer online facilities such as users registration and online payment. Without a suitable system, it is difficult to manage customer orders, transactions and stocks.

**Syariah Compliance in e-Business:** As a new medium of business transactions, Islamic scholars are left with a lot of Fiqh related issues regarding the online business transactions according to Islamic ruling.

A buying and selling contract is called *salam* (سالم) in Islam. There are four types of *salam* that are permitted in Islam; written *salam*, verbal *salam*, salambyy gesture and *salam* by action [5]. In the case of online business transactions, where the transactions are done electronically, majority of the scholars agreed that it is classified as a written *salam*. Scholars agreed that the data exchanged between two parties (buyer and seller) through the network are considered as a written *salam* and both parties need not to be in the same place at the same time [6]. The most important aspect is the expression of intention from both parties; sellers having the intention to sell and sellers having the intention to buy. The expression of intention can be done through writing, speaking, acting or by showing a gesture.

According to [7], written *salam* is permissible in Islam, provided that the *salam* is mustabinah dan marsumah. Mustabinah is making sure that the *salam* is written permanently on a proper medium such as paper, fabric, wood or stone and cannot be written on something temporal such as water, air or sand [8]. While marsumah is making sure that the *salam* is written using an understandable language, with enough information including names and addresses of both parties involved [8].

In an online business transaction, the products being sold are considered ghaib as it is not available for the buyer to see and inspect them physically. According to Imam al-Hanafi, when the products are ghaib, the buyers have the right of khiyar whether to proceed or to cancel the transactions after they received the physical products, whether or not the product fulfil the descriptions given prior to the transactions. Al-Imam Maliki and Hanbali both agreed that the sellers have the obligation to describe their product details accurately [9]. While Al-Imam Syafie specifically said that the *salam* is automatically void if the product description given by the seller is inaccurate.

Apart from that, another important aspect of *salam* is the seller and the buyer. Everyone who involve in the contract must have the authority to do contract [10]. For example, the age for both parties is normally in the average of 18 years old. Other characteristics are maturity, normal and knowledgeable. This means that the persons are able to manage the goods [11].
The contract made by children is not valid, but it can be done with the supervision of their parent (wali) [9, 12 and 13]. All these rules are set so in the end of the transaction, no-one is upset or cheated by the other.

**Design and Propose Framework for Online Business Portal (CAQNA.COM):** This research will design, develop and implement a free hosting server for online business portal (Figure 1). The server will be managed and maintained by the research group.

Figure 2 represents the diagram framework for caQna online business portal. Sellers can use the online business facilities provided by registering with the portal for free. Authenticated sellers will have the privilege to promote, offer, sell and manage their products and services using the facilities, policies and guidelines provided by the research group. While buyers can use the facilities to search, compare and buy their desired products or services.

The products and services offered within the portal are bound with Syariah-compliance rules base on the proposed Islamic guidelines as well as the transactions. The Syariah-compliance rules covers the status of products and services offered, the status of buyers, status of sellers, rights of sellers, rights of buyers and Syariah-compliance business contract.
The Proposed Contract Policy in Online Business Transactions: The term, Islamic scholars give various definitions of salam. According to the Al-Imam Hanafi, salam is a deferred purchase something with something urgent. Al-Imam Maliki on the side, salam is something that can be characterized and delayed delivery and dependents. Al-Imam Shafie defines salam as something that is deemed to be a liability. Al-Imam Hanbali also defines salam as surrender something in advance at the present time as a response to something that is deemed to be borne up to a period. Based on the definition of salam that given by Islamic scholars above can be concluded that it refers to a contract of sale and purchase of the goods described its properties are dependent upon a contract with the price first. salam is a contract of sale which is required by the Quran and Hadith. Evidence from the Quran is the word of Allah Almighty:

That is:

*O ye who believe! When you contract a debt that has been given up to a certain time then let you write (debt and repayment time). (Al-Baqarah: 282)*

The evidence above for salam is a necessity because the salam is one type of debt and the verse is in relation to the legal debt must therefore salam is also.

According to Al-Imam Maliki, Al-Imam Hanbali and Al-Imam Shafie, salam consists of three conditions, namely the person who contracted (the person who received the book and booking), the subject of the contract (price of goods booking and reservation) and sighah (ijab and qabul). Whereas according to the Al-Imam Hanafi, salam has one rule only that is sighah (ijab and qabul).

Conditions for eligibility solely to contract without the approval of others, he must be a man of reason, understanding and maturity (*rashid*). Meaning mature (*rashid*) by Al-Shafie sect is someone that has skill in managing the property and he also must be good in terms of religion. This means that if he is a man who can manage the property but then he was not a wicked mature (*rashid*). This view is in contrast to the views of other sects that say the wicked does not affect the eligibility of a person as long as he knows how to manage the property.

In relation with the purchase of children who have not mumayyiz, Islamic scholars agree that the purchase made by these people is not valid. For children who have mumayyiz they also differ. Al-Imam Hanafi, Al-Imam Maliki and Al-Imam Hanbali said valid purchase contract made by children mumayyiz but the contract was not binding, except with the permission of her guardian. Only the Hanbali sect requires the permission of the guardian must be obtained prior to contract. Shafie sect also said that the contract should have been mature and sane. Not valid contract made by children who have not reached puberty, madmen and fools. This means, according to the opinion of the contracts made by children who mumayyiz invalid because he had not yet reached puberty. Based on these two streams of opinion, opinions Shafie sect is more stringent because it requires that a person must have a contractual puberty compared to the majority opinion stating that the contract was invalid children mumayyiz as long as allowed by their guardians.

Subject of salam consist of price and book items. The rules of salam subject same as purchasing subject but have some additional rules because salam involving the sale and purchase of something that did not exist that need a few details to ensure that both sides are satisfied with the contract.

Conditions for salam prices are as follows;

i. He must know the type, rate and certain characteristic.

ii. It must be lodged in the event the contract according to the consensus view of the Fiqh. Maliki sect allows the submission of the reservation is passed up to three days whether required or not under contract.

Conditions for salam of goods are as follows;

i. It must be deferred delivery according to the consensus view. According to Shafie sect, delivery can take place immediately.

ii. He must be aware of the nature and character to avoid quarrels between the booker with the person receiving the order.

iii. It must consist of goods that can be characterized.

iv. It must be submitted on time.

v. It must be determined where his surrender if the place where contracts do not regard it appropriate and necessary to bring that spending to book there. If a transfer of goods not specified then booking the venue for the contract will be the delivery bay unless both the person who contracted determine elsewhere.
Fiqh experts discuss words which can be used in a *salam* contract according to the Hanafi, Maliki and Hanbali sect there are three words that can be used, namely *salam* (سلام) (بائع), *Salaf* (السلف) and *purchase* (البيع). As for the Shafei sect there are two opinions. The first opinion says *salam* contract cannot occur unless the word *salam* and *salaf* only because they regard not the unauthorized purchase using the word *purchase*. While the second opinion say *salam* contract can occur with the word *sale* on the side of *salam* and the *Salaf* as regards the contract of sale and purchase forms that require their acceptance in the event contract.

Through the implementation of the contract in regards of online transactions, the seller does not have to ensure that the goods advertised in the website should have all the time and this will relieve the seller in terms of workload and time. The seller will only get the goods after receiving orders from buyers.

**Implementation of Online Business Portal:** The caQna.com is one of the online business portals that provide business online activities based on syariah compliance rules. The seller will be given an opportunity in creating their own shop in this website. It had covers the status of products and services offered, the status of buyers, status of sellers, rights of sellers, rights of buyers and Syariah compliance business contract with Syariah rules. The website provides ease of management for the seller to control their business activities.

Figure 3 shows the main page of caQna.com website. It covers with link to create new account of seller, login to account and search menu.

Figure 4 shows the login page for the admin and seller. Admin/Seller must enter their username and password for login to the website.
Figure 5 shows the registration page for the new account. The user must enter the valid username and email address. The email field is required to validate the new account that had created.

Figure 6 shows the account page of seller. In this dashboard, the seller will be provided with profile, product, media, posts and settings section. The seller can update their profile, product and any posts here. As conclusion, they will be able to configure their shop in this page.

Figure 7 shows the example of seller’s site page. Here, customers will be preview all the product that posts by seller. It will show the product price and any discount if had. Furthermore, the details of product descriptions, owner’s contact and shop policies will be view here.
CONCLUSION

This research will propose a development and implementation of a free syariah-compliance online business portal that called with caQna.com, for public. The portal will help SME businesses to grow larger by targeting larger online audience. At the same time, the portal will help the sellers and buyers to do their transactions according to Fiqh are Islam regarding online commerce. This portal will give high impact to Muslim Community and will highlight UnisZA as the pioneer in islamic online business portal in Malaysia. This portal that will be hosted by UnisZA will also show the advancement of research within the university related to ICT, Fiqh and Business. In future we will include integrating online banking payment into the environment and assigning a Syariah Panel to monitor and audit the whole process in making sure that it is accordance with the Syariah-compliance characteristics.

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