

The Ethics of Islamic Financing

In recent years, the idea of Shariah compliance has taken firm root in the business world and been applied in multiple spheres; everything from Shariah-compliant mortgages to Shariah-compliant hedge funds are growing increasingly popular. The Economist dubbed the phenomenon "sharianomics."

Today, as Islamic financing grows exponentially because many more Muslims are mindful of the Shariah aspects of financial transactions, I would like to remind them that there is an often ignored social justice aspect to such financing as well. As Dr. Kavilash Chawla points out in his article "Islamic Venture Philanthropy" ;Business Islamica, June 2007, as the world tilts away from state power towards corporate power, the ability of public institutions and aid organizations to address poverty across the world grows weaker. Because of this tilt, the private financial sector is being called upon increasingly to do more to alleviate the suffering of the poor: I believe that Islamic financing is uniquely positioned to do just that, but only if it broadens its application of the Shariah.

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The Power of Wealthy Islamic Investors The eminent sociologist Saskia Sasser' tells us that the world is remapping itself; concentrating its population and power into 40 or 50 "global cities" that act as "engine rooms" in driving the global economy. While manufacturing remains an important part of world economic activity, these cities serve the so-called FIRE sector: finance, insurance and real estate.

keep their office towers clean, secure and well maintained. these very cities have come to depend heavily on cheap labour. As a result, we now have millions of migrants/immigrants working in these cities: Mexicans in Los Angeles, Moroccans in Paris, Filipinos in Riyadh. These workers - janitors, food servers, window washers, security officers, etc. - are amongst the most poorly paid and powerless workers on earth. And this is precisely where much Shariah-compliant investing thrives. Because Shariah-compliant transactions must have an underlying asset, Islamic investing leans heavily towards real estate development and ownership. What many don't realize is that such investing often makes institutions of Islamic investing accessories to worker exploitation. If only such institutions were inspired by both the letter and the spirit of the Shariah, there is no telling what they could do to raise living standards for workers who service the real estate market. This could very much be a win-win situation.

The city of Indianapolis, Indiana, the headquarters of the Islamic Society of North America (ISNA), is one example of a city that is actually benefiting from corporations working in tandem with workers (janitors, in particular), to improve working conditions. This was important to the ISNA because it is headquartered in Indianapolis, and because it represents all of the major Islamic organizations in the United States. Our goal is to contribute to the betterment of the Muslim community and society at large by providing a

common platform for presenting Islam, supporting Muslim communities, developing educational, social and outreach programs and fostering good relations with other religious communities and civic and service organizations.

In so doing, we are inspired by both the spirit of the Shariah as well as its letter. Islamic banking's adherence to the Qur'an's prohibition against alcohol, gambling, pork, pornography, tobacco and the charging of interest is well known. However, since Islamic investing is largely a private-sector initiative, we must not lose sight of the spirit of Islamic banking - the importance Islam gives to the treatment of workers. Islam, we know, enjoins Muslims to treat the worker not just fairly, but generously. It demands that the worker be paid not just promptly, but adequately as well.

In conjunction with the Chicago-based organization Interfaith Worker Justice (IMJ) and our city's janitors, we have been fighting to improve working and living conditions in their industry. Like many janitors across the world, the janitors who clean Indianapolis' downtown office buildings lived in poverty, with little opportunity to visit the doctor, buy a home, pay for education or save for retirement. But together we devised an innovative, industry-based model to help lift thousands of working families out of poverty while simultaneously keeping cleaning companies competitive. By forming a union and then negotiating a single, city-wide agreement, our janitors will be able to negotiate affordable health care and a decent wage. This will put an end to the "race to the bottom" practice in which companies vie for contracts by paying workers as little as possible. Instead of this, we will now have an environment where companies compete on the issues of quality, efficiency and innovation. Everybody benefits. Cleaning companies reduce their turnover, services improve and working families have hope for the future.

This model has been successful wherever janitors, cleaning contractors, building owners and tenants have come together. By working together; business leaders and workers in nearby Cincinnati, Ohio, for instance, are increasing the income of janitors by up to 129 percent over the next five years. In Columbus, Ohio, businesses and janitors are raising standards and helping communities through increased pay better working hours and employer-paid health care.

But the needs of workers go beyond economics. Workers also need a voice on the job to be able to solve problems specific to them. In Columbus and in Minneapolis, Minnesota, Somali immigrant janitors have won the right to fulfil their obligation as Muslims and pray on the job. These gains were possible because workers united to create greater awareness among businesses. We are hopeful that the same will occur in Indianapolis, where many corporations and building owners appear poised to improve worker conditions.

Today the still-emerging Islamic investment community stands at a crossroads. Will it be faithful to its roots and the social justice precepts of Islam or will it abandon these ideals and come to resemble the countless number of global corporations that have adopted high-flying rhetoric in order to cover up exploitative, unethical practices? The community has opportunities to promote responsible business practices, economic development and democratic reforms in urban areas worldwide. While most investors have a passive role,

Islamic investors can actively work to ensure that their investment capital is earning appropriate financial and social returns by supporting the efforts of low-wage workers to improve their lives.