

CAPITAL MANAGEMENT IN ISLAMIC ECONOMY

EVA ANDRIANI

Universal Institut of Professional Management United State of
America / Sekolah Tinggi Ilmu Tarbiyah Muhammadiyah Lumajang
Indonesia

Reviewer :

Prof.Dr.Mohammad S.Ridwan

Dr. H. Muhammad As'ad Mubarak

Al Jauhari Lc., M.Th.I

Abstract

Everything that appears in human life has a law that surrounds it. All things Ikhwan rules that have been brought by Rasulullah SAW aim to make human life always conducive in accordance with the mandate that has been determined by Allah SWT.

Commerce which is an effort to develop capital is a practice recommended in religion so that human life continues to develop and not stagnate. Included in commerce is the importance of capital management, in this case there are rules to make capital always develop and be regulated in such a way that efforts to develop capital are always optimal and even the profit earned becomes a profit that is blessed and useful.

This qualitative article attempts to explore capital management from the perspective of Islamic law.

Based on a series of studies that have been reviewed, the treatise of this article can be concluded,

1. Capital management is a series of efforts to make capital develop optimally.
2. The scope of capital development has been regulated by the Shari'a with the aim of making capital always develop optimally, even the profit earned becomes useful and blessed results

Keywords : Capital Management, Capital Turnover

A. Prologue

The fulcrum of entrepreneurial turnover, whether carried out in micro or macro companies, is the existence of kindness in managing capital as the main source of running business carried out by individuals or groups.¹ Management of sources of funds properly has the potential for optimal sustainability in a business that is being or has been occupied.²

Capital management in Islamic law is placed in a fairly central position, especially in the context of money circulation for the sustainability of the business being occupied. At least with a well-managed circulation, it will cover the opportunities for losses or unjust acts that are not permitted in religious teachings. Therefore, related to financial management as a source of capital in the Qur'an emphasized QS Al-A'raf verse; 3,

يَا بَنِي آدَمَ خُذُوا زِينَتَكُمْ عِنْدَ كُلِّ مَسْجِدٍ وَكُلُوا وَاشْرَبُوا وَلَا تُسْرِفُوا ۚ إِنَّهُ لَا يُحِبُّ الْمُسْرِفِينَ

Meaning: O son of Adam, wear your beautiful clothes in every (entering) the mosque, eat and drink, and do not overdo it. Verily, Allah does not like those who are extravagant.³

In this context there is also an interesting hadith to serve as a guide for business capital managers, for example a hadith which states:

عَنْ أَبِي هُرَيْرَةَ رَفَعَهُ قَالَ إِنَّ اللَّهَ يَقُولُ أَنَا ثَالِثُ الشَّرِيكَيْنِ مَا لَمْ يَخُنْ أَحَدُهُمَا صَاحِبَهُ فَإِذَا حَانَهُ خَرَجْتُ مِنْ بَيْنَهُمَا

"From Abu Hurairah in marfu'. He said; Indeed, Allah says: "I am the third party of two partners, as long as one of the two does not betray his partner.

¹Taqyuddin An-Nabhani, Building an Alternative Economic System from an Islamic Perspective, (Surabaya: Risalah Gusti, 1996)., p.81

²Muhammad Safi'I Antonio, Islamic Banking from Theory to Practice, (Jakarta: Gema Insani Press, 2001), h. 160

³RI Ministry of Religion, Al-Qur'an and Translation, (Surabaya: Pustaka Agung Harapan, 2006)., h. 207

If he has betrayed, then I (Allah) come out of the two" (Narrated by Abu Daud).

The hadith above is a guide in business capital management in the context of entrepreneurship. Capital in occupied entrepreneurship gets important attention in religion. This is more due to the necessity for the owner of capital to make the capital truly in accordance with the realm of rules that have been stipulated in religion

Affirmation, that when there is a business that involves one more person, it is emphasized that Allah is the third or so this means that Allah subhanahu Wa ta'ala will always see the movement or circulation of money in entrepreneurship.⁴

Working capital management is an important part of managing a company's financing, whether for assets in the short, medium or long term, the purpose of managing capital is for the stability of a company. Working capital is closely related to profit, even risk in a company, that is, a small working capital will result in greater profitability and risk. Conversely, if the working capital in a company is getting bigger, the efficiency of funds is getting less controllable, so that it has an impact on low profitability.⁵

The conceptualization of working capital management aims at an efficient effectiveness for managing capital, so that the governance ends as expected. Management of working capital in Islamic law is not only aimed at obtaining profit, but also aims to be a medium of 'budiah' to Allah SWT.

This article before you seeks to reveal the concept of working capital management in Islamic law. While the aim is to make the working capital that is being developed reach the final goal in accordance with the desired target, even in accordance with the basic principles set out in religion.

B. Method

⁴Muhammad Ali as-Shobuni. Interpretation of Ahkam Verses. (Beirut: Dar al-Fikr), J.1, p.390

⁵Ulul Hidayati Rofi'ah, "Working Capital Management and Establishing Sharia-compliant Working Capital Requirement Policies," Eksyar 04, no. 01 (2017): 38–52.

The method used in this work is qualitative, with a suitable literature review approach. While the data sources as objects are divided into primary sources, namely all scientific literature, electronic journal articles related to the topic of working capital in an overview of Islamic economics, and secondary sources, namely all news about economic developments in general. The data obtained were analyzed by interpretation, description of the results, and processing of the data obtained.

C. Conceptualization Capital Management and Islamic Economics

1. Capital Management

Capital is a determining factor in a company that has a strong impact on obtaining productivity or output in a company. In general, it can be understood that capital is a strong driving factor in increasing investment, both directly in the production process and in production infrastructure, so as to encourage increased productivity. and also outputs⁶

Working capital can be interpreted as funds that are deliberately invested to be played on current assets, therefore it can be in the form of cash, accounts receivable, securities, inventories and others. Working capital, which is termed gross, means capital as a whole based on current assets or assets contained on the debit side of the balance sheet. While working capital in net terms is all assets that are rotated then reduced by active debt. Thus it can be understood that net capital is the difference between current assets minus current liabilities.⁷

Internal capital (KBBI) is defined as "money used as the principal (main) for trading; property (money, goods) that can be used to produce

⁶Husein Umar, Marketing Research and Consumer Behavior (Jakarta: PT. Gramedia Pustaka Utama, 2000), h. 17

⁷Zainul Arifin, Fundamentals of Islamic Bank Management, (Jakarta: Alvabet Library, 2006), h. 200

something that adds to wealth and so on.⁸ While Antonio stated, that "working capital is financing in order to meet the needs of; 1) increase in production both quantitatively, namely the amount of production, and qualitatively, namely increasing the quality or increasing the quality of production results. 2) for trading purposes or increasing the utility of place of an item.⁹

Working capital management in a company is a management activity in investing in short-term assets. In other words, investment management in the company's current assets. Working capital management involves a large part of the company's total assets. In fact, sometimes for certain companies, the amount of current assets is more than half of the total investment embedded in the company.¹⁰

2. Islamic Perspective on Capital

Capital in the concept of Islamic economics means all assets that are valuable in the view of syar'i, where human activities participate in their production efforts with the aim of development. Capital in the form of money as well as production is an important factor in the economy, however, the position of humans is above capital, because they are natural resources, even trade governance is in humans themselves. Opinions like this are not the same as modern economic actors who have the opinion that money is everything, so there are other human possibilities, or natural resources are neglected.¹¹

Capital in an Islamic economic system is required to always grow so that capital turnover runs well. This is because, if capital stops, surely assets cannot be of use to other people. However, when capital is invested or run

⁸Ministry of Education and Culture, Big Indonesian Dictionary, (Jakarta: Balai Pustaka, 1997), 2nd Edition, Cet. Xth, h. 661

⁹M. Syafi'i Antonio, Islamic Banks from Practical Theory, (Jakarta: Gema Insani, 2001), H. 160

¹⁰Cashmere, Introduction to Financial Management, (Kencana Prenada Media Group, Jakarta: 2010), h. 210

¹¹Hasan Aedy, Theory and Application of Islamic Business Ethics. (Bandung: Alfabeta, 2011), p. 122

in the form of a business, this capital will undoubtedly bring benefits, both to the owner and especially to others.¹²

From an Islamic economic perspective, the development of capital includes had-had (provisions) in its rotation, namely a clear and directed capital turnover. The concept of capital development offered in Islamic law is to give a mandate to each individual based on their competence or abilities.¹³ Furthermore, turnover in the form of commerce for existing capital is adjusted to sharia muamalat. Thus, it can be understood that the development of business capital must be in accordance with Islamic economic systems and procedures.

Capital management in circulation is regulated in such a way in Islam, basically aiming to make the capital turnover system run safely. The stability of circulation which is based on religious norms has an impact on a noble goal, namely to get blessings in the economic journey, even the surrounding environment also feels the positive impact.¹⁴

3. Capital Turnover in Islamic Economics

1. Source of Capital

Capital in commerce is the main basis for the journey of a business or work. Sources of working capital are classified into two parts;

a) Internal Source.

Internal sources are capital that comes from the owner of the company or comes from within the company, such as the sale of shares, savings of members in a cooperative form of business, reserves. This wealth itself has a characteristic, namely that it is permanently bound in the company.

b) External Sources.

¹²Aswad, Contribution of Islamic Economic Thought of Ibn Khaldun to Modern Economic Thought (Yogyakarta: Graha Ilmu, 2012), h. 112.

¹³Hamka., Tafsir Al-Azhar, (Jakarta: PT. Pustaka Panjimas, 1982), h. 94. 17

¹⁴Suhendi, Hendi, Fiqh Muamalah, (Jakarta: PT Rajagrafindo Persada, 2005), h. 57.

External sources are capital that comes from outside the company, namely in the form of loans in the long, medium, or even short term. This means that all forms of capital are sourced from outside parties, whether on a loan or other basis, which in the end the Company is obliged to return the money.¹⁵

2. Capital Function

Business capital is a form of wealth needed in a company in order to realize operational activities of daily activities. Such as activities of buying raw materials, care, maintenance, electricity, water, telephone, and other payments.

In this case the concept of working capital terminology is classified into several important parts, \

- a) Working capital in quantitative form, namely working capital that focuses on the amount of working capital needed to finance routine operations in the short term.
- b) Working capital in qualitative form. This qualitative concept manages the quality aspect of working capital in a company. The definition of working capital is the excess of current assets (current assets) over short-term debt (current liability). It is called qualitative because conceptually it shows current assets that are greater than current liabilities (short-term debt) which can actually be used to finance the company's operations.
- c) Working capital in functional form. The purpose of this concept focuses on the benefits of capital conditions owned to gain profit. Capital in the company should be realized in the form of profit-making activities. However, the existing capital cannot be used to get profit directly, because there is still some capital that is managed in the form of future interests. Such as management for the

¹⁵Buchari Alma, Introduction to Business (Bandung: Alfabeta, 2012), p.249.

maintenance of buildings, machinery, equipment, office equipment, and others.¹⁶

3. Principles of Capital Management in Islam

The principle of capital management that the owner of capital wants to develop aims to make the circulation of money as capital truly in accordance with the provisions of religion, namely to make capital the main source which is developed to be beneficial to anyone and anything around the investor. Development of capital according to religious standards is expected to be able to shelter and be beneficial. The various principles in financial management are syar'i classified into several sections:

- a) Each effort to obtain wealth must pay attention to the rules that have been set by syar'i, such as commerce, agriculture, fisheries, services. And so forth.
- b) The business that is occupied is not something that is forbidden, both business practices and materials that are traded.
- c) Profits from trade are not for spree, nor are they used for prohibited matters, but are intended for permissible things, or even those recommended by religion, such as buying furniture or necessities, giving alms, and so on.
- d) In investment practice there is a principle, that money is a medium of exchange for something, so that it is not buying and selling money but making money develop in accordance with the trade practices that are being pursued.¹⁷

4. Capital Turnover in Islam

From the perspective of the Koran, capital is the most important factor in production. Because precisely they are the axis of the capital circulation itself, or in other words humans occupy Natural Resources

¹⁶Suyadi Prawirosentono, Introduction to Modern Business, (Jakarta: PT Bumi Aksara, 2007), p.129

¹⁷Dadang Husen Sobana, Sharia Financial Management, (Bandung: Cv Pustaka Setia, 2017), h. 21

(SDA) for capital and capital turnover itself. This description of the position of humans and their potential differs from that of modern economists. In their view, money is everything or money is everything. Therefore, sometimes humans are sacrificed for their interests.¹⁸

The Islamic economic system observes that capital in a business must continue to grow so that capital turnover does not stagnate and continues to grow. This is because if capital stops, capital in the form of money or exchange rates will no longer be of benefit to other people. On the other hand, exchange rates or capital are rotated in the form of investment or business, surely this capital will benefit other people, especially investors. Moreover, if the business runs smoothly, it will be able to absorb labor, and automatically help others.

In this case there is a teaching about prohibiting the hoarding of wealth, on the contrary encouraging the circulation of wealth as the word of God. Al-Hasyr verse: 7

مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَىٰ فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ
وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ ؕ
وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا ؕ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ
شَدِيدُ الْعِقَابِ

Meaning: "Whatever the spoils (fai-i) given by Allah to His Messenger (from property) originating from the inhabitants of the cities are for Allah, for the Apostles, relatives, orphans, the poor and the those who are on a journey, so that the treasure does not circulate only among the rich among you. What the apostle gave you, then accept it. Leave what he forbids. And fear Allah. Verily, Allah is severe in punishment. (QS. Al-Hashr 59: 7)¹⁹

Capital must be an important concern for humans, so that with good governance, the exchange rate or productive capital continues to

¹⁸Racmat. Syafee'i, Fiqh Muamalah. (Bandung: CV. Faithful Library. 2001).

¹⁹RI Ministry of Religion, Al-Qur'an and Translation, (Surabaya: Pustaka Agung Harapan, 2006)., h. 797

grow, not even eroding for daily needs. Therefore, property owners who are unable or unable to manage their assets are advised to develop the assets under their control and finance the needs of those who cannot afford it, from the profit from capital turnover, not from the principal capital.²⁰

Therefore, it is impossible for capital or exchange rate to generate profit on its own, but based on the business developed by the human effort itself. This is the reason for the prohibition of interest in money, in the form of usury and gambling,²¹

In general, Allah SWT. has given madat to all mankind so that they are able to manage property under their authority according to sharia rules. In this case Allah SWT. has given confirmation regarding the obligation to grant the rights of each individual to their assets with the aim of;²²

First ;Allah SWT. has guaranteed the rights of each individual to own and acquire wealth, both in primary and secondary needs

Second ;Prepare legal ownership of personal property and guard against all kinds of threats of criminal acts

Third ;Providing a path of balance between individual and collective interests or needs in society.

Fourth Providing wages, rewards or gifts to encourage one's performance by doing the best, with the aim of increasing resources and optimizing production results for the welfare of the people.

²⁰Racmat. Syafee'i, Fiqh Muamalah.

²¹Cashmere, Banking Management, (Jakarta: PT Raja Grafindo Persada, 2008)., h. 258

²²Mohammad Basri Asyari, Islamic Economics from an Interpretive Perspective (Study of Thematic Interpretation of Economic Verses in the Koran), ed. Ach Fauzi (Pamekasan: Duta Media Publishing, 2020), 11.

Fifth Maintain justice for all individuals, employers, workers, educators, and others in obtaining the results of their performance.

Capital development is inseparable from the existence of commerce that must be carried out by someone. Increasing capital must be done with all efforts that are lawful or in accordance with established norms in religion, both through production and investment. Regarding commerce, whether in the form of investment, entrepreneurship, agriculture, services or skills, all of this aims to increase one's assets as desired.

Several forms of capital development in the provisions of the Shari'ah, can be realized in the form of:²³

- a) Transactions in the form of buying and selling,
Muamalah in the form of buying and selling is a form of business capital development in the form of a seller and a buyer, in the case as revealed by Imam al-Syafi'I, who stated "Buying and selling according to syara' is an aqad which contains the exchange of assets for assets with conditions that will be described later to obtain ownership of objects or benefits forever "²⁴
- b) Transactions in the form of "profit-sharing", namely a form of transaction with the development of business capital, one person can act as a provider of capital and the other acts as a capital manager with the condition that he will share the results obtained according to the agreed agreement. Such transactions are found in production sharing contracts, such as syirkah, mudharabah, and others.
- c) Contract transactions in the form of services, namely a capital development, for example someone as a consumer/service user and is obliged to provide a price to the party who has provided the

²³Rofi'ah, "Working Capital Management and Establishing Sharia-compliant Working Capital Requirement Policies."

²⁴Ahmad Wardi Muslich, Jurisprudence of Muamalah. (Amzah, Jakarta, 2010.), 175

service according to the agreement made, as in the contract, al-wadi'ah.

D. Epilogue

Based on a series of studies that have been reviewed, the treatise of this article can be concluded,

1. Capital management is a series of efforts to make capital develop optimally.
2. The scope of capital development has been regulated by the Shari'a with the aim of making capital always develop optimally, even the profits obtained become useful and blessed results.

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