CHAPTER X

ISLAM AND MUSLIM ENTREPRENEURSHIP : SUMMING UP

Max Weber Thesis 1 on Protestant Ethic and Spirit of capitalism argued that the Calvisist sect of Protestant Christianity took to business pursuits for the rewards to be gained through grace of God. The followers observed austerity to generate wealth which gave rise to the emergence of capitalism. Weber showed that in societies wherever Calvinist religious ideology was practiced, capitalism flourished. Therefore, the origin of capitalism was sought in religious ethic and beliefs. He further elaborated, that antecedents to the emergence of capitalism were the emergence of bourgeosie class, rational bureaucracy, individualism, independent cities, stable political environment and growth of rational law, which together provided an environment of free enterprise. Such an ethic was not found in any other religious ethic, nor such an environment could be obtained in other societies, including Indian and Islamic societies.

This thesis was variously criticised, modified or even rejected by various scholars. Some argued that it was the rationality which gave birth to Renaissance and


282
consequently rational capitalism and perhaps the protestant ethic. In case of the Hindu religion, it was shown that Weber analysed Indian religion with reference to the texts, rather the empirical reality with all of its variants and that the Indian religious beliefs or institutions like joint family were not obstructions to the growth of capitalism.

In the case of Islam, it was argued that Weber was not systematic in his methodology, lacked understanding, and had deep-rooted biases against Islam and Muslim Societies. Rodinson tried to show that either textually or empirically Islam was not responsible for the lack of capitalistic development in Muslim societies. Instead, the economic and political factors were responsible for such an state of affairs.

With this background, the present study tried to examine the relationship of Islam and capitalism, both from textual point of view as well as from the point of view of the historical and empirical reality obtaining in the Muslim world.


It was argued, based on text of Koran, Hadith and Figah, that Islam not only allowed rational capitalism but also encouraged it. It was stated that Islam was a way of life, where religion and existential reality could not be divorced from each other. The basis of all action was spiritual, if carried within the spirit of Islam. It considered religion as the basic structure, dependent on which were the super-structures: economic, social, cultural and political.

The rationality and individualism in Weber's sense was emphasised in Islam more than in any world religion, as was evident both in Koran and Hadith. The inequality based on calss, nationality, and ethnic background was not recognised. However, individual inequality based on merit was accepted. The emphasis on productive efforts to earn one's livelihood was stressed, thereby allowing private property. All the tenets of Islam emphasised motivational pattern geared to entrepreneurial pursuits of knowledge, skill and belief, with such characteristics as risk taking, innovativeness and need for achievement. A ban was sought to be put on hoarding, gambling and speculative earnings. Besides, all these earnings were subjected to the overall social welfare. Therefore, the entrepreneurship in Islam was not the same as in the Western societies, with such distinguishing features as the laws of inheritance and
payment of poor tax. Islam did not allow banking on interest. However, partnership of entrepreneurship and capitalism was emphasised. The government was exhorted not to levy additional taxes, except in extreme case of social necessity. The bureaucracy was expected to be God-fearing and supportive to entrepreneurship.

Such an economic system of Islam and type of entrepreneurship was examined historically, and it was found that such a system could not be obtained in reality. The destiny of Islamic institutions was guided by the economic and political factors, which gave rise to the instability of dynastic rules, lack of development of a capitalist class, degeneration of Islamic laws, and the entry of socio-economic elements of the societies that came under the growing influence of Muslim political elites. Through the cultural contacts, the Western capitalism also found its way into the Islamic society. The interest banking always remained in existence, inheritance laws were never practiced. The spirit of rationality and innovation was suppressed by political and economic exigencies to maintain the status quo.

The empirical studies of Muslim entrepreneurship are very few. However, the major findings of these studies emphasised that religious values and beliefs rarely affect
the entrepreneurial behaviour, because either partial modernisation\(^5\) was effected by the entrepreneurs or there was a compartmentalisation\(^6\) of religious-cultural sphere and industrial behaviour. Some studies tried to explain that in India \(^7\) castes, especially those with a trading background, supply a larger share of entrepreneurial talent. Some empirical studies isolated entrepreneurial characteristics, most common being: the risk-taking, innovativeness, managerial skills and need for achievement.

It was, therefore, decided to examine the type and the size, entrepreneurial competencies, economic, social and power structure of entrepreneurship in terms of religious values and beliefs exhibited by the Muslim entrepreneurs in an artisan-based industry in Moradabad town.

In delineating the economic structure, the historical setting was described. It was found that brassware industry had its origin in pre-historic times. During ancient times the metal industry was flourishing, but

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was confined mainly to Pujaware and utensils. However, the novelty and fancy items were introduced during the later Mughal period. Furthermore, the industry in terms of volume of production was mainly confined to rural areas. During the British period, it started concentrating in urban areas, mainly in the bigger towns. In Uttar Pradesh, Benares and Mirzapur were the major centres of brassware until after the first world war. Therefore, owing to the promotional efforts of the colonial government, the fame of Moradabad spread, which gained at the expense of other centres.

After independence, the enormous efforts were made by the central and state government which did much for the growth of this industry, especially in Moradabad; the major breakthrough came during the 1960's. Thereafter, the Moradabad industry had been growing apace, except for a brief period during partition, when many artisans migrated to Pakistan and the riots of 1980, which had halted the growth of the Industry for a while.

It was also stated that the industrial production in the industry was organised through various processes. However, it was discovered that entrepreneurship was organised into four layers: On the top being the exporter, followed by Karkhanedar, artisan and, hired labour. Occasionally, even the lower levels were served by hired
labour. It was established that this hierarchy of entrepreneurship was valid if measures like size of investment, technology, organisation, production and earnings were taken into account. The exporter had all these indicators on the higher side, followed by Karkhanedar and artisan type of entrepreneurship. It was found that this economic structure retarded the upward mobility. Since low earnings gave rise to a situation where reinvestment capacity was zeroed in, thereby inhibiting the upward mobility towards larger size and better technology and organisation of entrepreneurship. The major need of supply of higher orders of entrepreneurship was augmented by moneyed class or trading communities, both Muslim and non-Muslim.

Further, the social structure was examined in relation to the economic structure of entrepreneurship. The community and caste composition were examined. Subsequently the type and size of family and the system of marriage were examined.

The analysis of community composition, based on registered units from the DIC register, revealed that Muslims were mainly confined to brass industry. They lacked the entrepreneurial spirit of diversification and mobility in other industrial opportunities, which were mainly exploited by the non-Muslims. It was further established
that even within brassware industry the size of investment, technology, organisation, employment and production, the non-Muslims displayed better quality of entrepreneurship. The non-Muslims were found more in export business and larger units with better technology and organisation, and were also reported in raw material dealership, local sales and allied industries like packaging. However, some lower castes and migrants from rural areas were found in processes which were less rewarding and with dangers of industrial sickness, like polishing. Irrespective of the religious background, the most influential entrepreneurial roles were assumed by the higher castes.

Within the Muslim community, caste-like entities were found to be the most important social structural component, with strong elements of endogamy and heirarchical relationships contrary to the tenets of Islam concerning the equality of communities. However, in religious sphere, such inequalities had no values although empirically the social inequality was found to be existent. The segregation of Muslim population in castes (biradaris) was found fairly stable, including the expression, reflected in separate mosques, maktabs, schools and grave yards. Although the community was found divided into sects of Sunnis and Shias, but the latter were not found in brass industry, as they normally engaged in salaried employment, due to better
educational levels; and independent professions. The community consisted of small groups representing religious variants like Ahle-Hadith, Ahle-Koran, following Brailey school of thought, as opposed to the majority following Deobandi school. They differed in their religious and social behaviour - but represented a small minority.

Within the Sunni Muslim community, a large number of castes were found in the sample. It was also noted that all the castes, higher or lower, were found in almost all the processes of production and all the three types of entrepreneurship. However, there was a larger concentration of higher castes in better entrepreneurial roles as opposed to the lower castes in less remunerative roles. It, therefore, may be concluded that the mobility of different castes in different roles was independent of religious tenets of Islam. However, the historicity of caste was witnessed but displayed resilience to adapt to the new entrepreneurial reality, where the continuity of social stratification was maintained. But this caste system could not be ascribed a critical role in the mobility of or inhibition to entrepreneurship.

No social values were discovered to have obstructed the entrepreneurial roles. The other important
processes described were Islamisation, Modernisation and Ashrafisation. There had been strong urge among the Muslim entrepreneurs to conform to the religious tenets called Great Traditions of Islam, although conformity was lacking to a greater degree. In general, the religious behaviour across various castes was not found different except on such social issues as types of marriages and family planning. Also the economic variations across castes were not great. It may be stated that caste is the basic unit of social structure, rather than of economic structure. It was also observed that lower castes tried to adopt caste names and other symbols of higher castes. Some degree of modernisation was also observed both among higher castes and lower castes.

Further, the type and size of family, The purdah system, status of women, laws of inheritance, polygamy and divorce were examined. From the analysis of family data, it was found that the major type of family was the nuclear, whereas incidence of joint families was much less. However, the joint families were found in more numbers in the higher categories of entrepreneurship and Vice Versa. The size of the family was also found inversely related, although, in general the size of families was large. The reasons adduced

8 Singh, Yogendra, Modernisation of Indian Tradition, Thompson Press, Faridabad, 1973, pp 60-84
to for such a situation were the scarcity of dwelling units in case of artisan entrepreneurs, where more often they combined living space with business space. The other reason was to generate new units for younger generation so that at an early age the children could earn their livelihood independently. The other reason of maintaining larger families, whether nuclear or joint, was the belief that religion proscribed family planning. In case of higher orders of entrepreneurs, the incidence of joint family was found higher. But size of family in their case was large because of jointness need of the families for the growing enterprises but more with a collateral pattern rather than the vertical pattern of joint family.

The variables like sex distribution of the family members, the age distribution, and marital status were not found consequential to the levels of entrepreneurship. However, education and occupations were found significantly different. The females, by and large, were housewives. However, level of education in both sexes among higher entrepreneurial categories was higher. This reflected the class differences. Therefore, investment up to a certain level of education was considered critical for entrepreneurial mobility. Also, the members of higher entrepreneurial categories had more occupational diversities as compared to artisan group. The pattern of education and
occupation was similar among the entrepreneurs themselves as was the case with their family members.

Although most of the statistical measures used for the analysis of data on social structure were associational in nature, but from the analysis it was found that educational levels and occupational diversification were the only two independent variables influencing entrepreneurship, the other variables, like age, sex and marital status were found not associated with entrepreneurship. But the structural realities like caste and family were found to be influencing and were being influenced by entrepreneurship. In fact, the true unit of analysis could be considered the family, rather than individual, and caste as a supportive entity.

Subsequently, the cultural values and beliefs in relation to entrepreneurship were examined. It was found that religious observance, rituals and festivals, and values related to education and occupations were found associated with the degree of entrepreneurship. The values related to occupation and education were found to be influencing entrepreneurship. But, most surprising was the association between religious observance and level of entrepreneurship. However, it could not be ascertained which set of the variables was independent. But, discussions
revealed that at the lower levels of entrepreneurship, which incidently coincided in a fair degree, with the lower levels of castes and class, the process of Islamisation remained under-developed, notwithstanding the anxiety to conform. However, at higher levels, with rise in occupational status and earnings, the religiosity also went apace mainly to assert that the higher classes represented better Muslims. Therefore, better religiosity, appeared to be the effect of entrepreneurship, rather than the cause of it. The scales of religiosity, modernity and entreprenurship also supported this finding, where inter-correclations amongst the three scales were found to be significantly positive. It meant that religiosity, modernity and entrepreneurship moved in the same direction. That there was no essential contradiction amongst them. Therefore, it may be hypothesised that entrepreneurship was an independent variable, affecting substantially the individual modernity and religiosity.

In the subsequent analysis of production function, the entrepreneurship, as reflected in entrepreneurial scores arrived at from the scale of entreprenurship, was considered as an independent variable alongwith other factors of production: labour and capital. The partial coefficient of entrepreneurship was found significant,
suggesting, that with better scales of entrepreneurship the theory of economic growth could be improved, by allocating entrepreneurship a place in economic theories, which often haunts the economic theoreticians even today.

Subsequently an effort was made to test which of the entrepreneurial competencies predicted entrepreneurial success. In this study, the background variable of 'owning an enterprise', planning, managerial skills and need for Achievement were found critical characteristics. Innovativeness, risk taking and status withdrawl were not found as the critical competencies.

Finally, the power structure of entrepreneurship was examined, to understand whether it affected the emergence, growth and quality of entrepreneurship. It was found that one axis of power was represented by the economic structure of entrepreneurship itself, that is, the layer divided into exporters, karkhanedars and artisans, where higher levels dominated the lower levels.

The second axis was represented by the caste system, which often were consistently placed along the axis of economic structure of entrepreneurship.

The third axis was related to the macro-level political relations, which did affect entrepreneurship on
community lines, but not across castes or economic structure. However, the political will, industrial policies, administration and support structure although favoured entrepreneurship, but it benefitted the entrepreneurial levels differentially. The institutional set up was though impressive by itself and definitely the schemes of incentives helped the growth of the industry and entrepreneurship, but the lower levels were rarely affected, except indirectly.

The last axis was represented by the religious elites, which were affecting the social set up and religious values. But often they were prolitically dormant and in that capacity did not contribute or obstruct greatly the growth of entrepreneurship.

The major conclusions from the foregoing may be drawn: the religious values and beliefs related to economic behaviour as prescribed by Islam could not create institutions of significance. The entrepreneurship that emerged in this study was influenced by the overall political ideology, social structure, power structure and the economic structure, where religious structure, beliefs or values, often responded to socio-economic needs, despite the anxiety of the entrepreneurs to conform to the ideals of Islam.
Limitations and Suggestions for Future Research

The major limitation of the study is that it examined the Islamic values in a non-Islamic society. How far these values are affecting modern Muslim societies need to be studied, beside making comparative studies of Islamic, like the Middle Eastern Countries and non-Islamic settings like India, Indonesia, Malaysia etc.

The second limitation is the selection of the field situation which is served by traditional artisan industry. These issues need to be examined in case of modern industry.

The third limitation was the sampling design which provided proportional sample according to each type of entrepreneurial category, that rendered a sample size small in case of exporting entrepreneurs, which proved to be an obstacle to the statistical analysis.

The future research should focus on the survey of literature on entrepreneurship and try to discern the broad patterns emerging according to the typologies of entrepreneurship and try to construct a theory of entrepreneurship pooling the theoretical trends from Economics, Sociology, Anthropology and Psychology.