



## ISLAMIC REVIVALISM AND ENTREPRENEURSHIP

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### Abstract

An entrepreneur is commonly defined by his traits and behaviors, such as willingness to take and bear risks and ability to recognize and exploit opportunities. However, Sarasvathy contends that this is insufficient; rather, an entrepreneur should be as well defined by his logic of reasoning, more precisely the effectual reasoning. This study argues that entrepreneurial traits, behaviors, and reasoning logic apply to Islamic revivalists (*mujaddid*).

Keywords: Entrepreneurship, effectuation, Islamic revivalism, *tajdid*

### INTRODUCTION

Cantillon coins the term “entrepreneur” to refer to an individual who bears uncertainty, as he purchases a commodity for a given price to sell it an undetermined price (Grebel, Pyka, & Hanusch, 2001). This definition makes no distinction between risk and uncertainty, which Frank Knight would later expand upon (Langlois & Cosgel, 1993). Baudeau agrees with the risk-bearing behavior of entrepreneurs asserted by Cantillon, but he emphasizes the entrepreneur’s knowledge and information processing ability. This ability allows the entrepreneur to innovate, i.e., to gain more profit at lower cost (Herbert & Link, 2009). In the early stages of entrepreneurship scholarship, the entrepreneur thus has already been defined as innovative individuals, although limitedly so.

Schumpeter has perhaps contributed the most to advance the scholarship. He defines entrepreneurs as “individuals who exploit market opportunity through technical and or organizational innovation” (Eroglu & Picak, 2011). According to Schumpeter, there are five areas of entrepreneurial innovation: (1) introducing a new good or new quality of good; (2) creating a new production method; (3) opening a new market; (4) capturing a new supply source; and (5) creating a new organization or industry (Manimala, 1992). Although his theories are still restricted to economics, Schumpeter argues that an entrepreneur is unlike an inventor, a landowner,

a laborer, or a capitalist in terms of essential functions. If his functions overlap with any of those agents, it is coincidence. Similarly, the possession of wealth by the entrepreneur is due to pure chance, though it is a welcome advantage (Herbert & Link, 1989). The entrepreneur is not a mere follower of trends, but they are trailblazers and agents of change.

Schultz (1975) emphasizes the entrepreneur’s ability to recognize and react to market disequilibria. He notes that in economics discourse, entrepreneurship is mostly restricted to businessmen. Consequently, he expands the concept of entrepreneurship to include individuals who allocate their resources outside of the market, for example students and housewives.

Scholars generally examine their traits and behavior to understand what makes an entrepreneur successful. Both are thought to be the main determinants of their success. According to Baqutayan (2016), some of the most common traits are internal locus of control, risk-taking and risk-bearing tendency, need for achievement, self-efficacy, opportunity taking behavior, and innovativeness.

Sarasvathy (2001a), on the other hand, attempts to look beyond behaviors and traits, criticizing scholars who have mostly focused on them. She argues that the scholars have failed to establish the relationship between characteristics and entrepreneurial skills, so it is necessary to focus instead on how an

entrepreneur approaches, thinks, and solves a problem. She contends that this is a more appropriate approach to determine entrepreneurial success. Sarasvathy asserts that entrepreneurship is not founded on causal reasoning (i.e., process of focusing on an effect and finding means that lead to that effect) but rather on effectual reasoning (i.e., “a set of means as given and focus on selecting between possible effects that can be created with that set of means”).

Sarasvathy (2001a) illustrates the logic of effectual reasoning as follows. They are supposing that a restaurant provides a menu from which a customer can choose. The chef needs only to purchase and select the ingredients for the meal the customer chooses. This is causation: it begins with a given effect—the customer’s meal order from the menu—which is then prepared most effectively. In contrast, the effectuation process begins not from the menu but based on available ingredients. The chef imagines several meals that can be prepared based on these ingredients. Put differently, the process begins with a set of means—utensils, ingredients, other resources and materials—and followed by the preparation of several possible meals. This “entrepreneurship method”, according to Sarasvathy and Venkatamaran (2010) is akin to the scientific method. Both methods in their initial development were not seen as skills that can be taught and learned, but as “gifts” inherent within individuals. Therefore, they assert that anyone can learn and replicate entrepreneurial skills, much like the scientific method.

### **Entrepreneurs outside of economics?**

Entrepreneurship began as an economic concept and remained so throughout its development. However, it is neither unacceptable nor unusual to suggest that the concept extends beyond economics and business and into other aspects of one’s life. The entrepreneur is defined as such through his behavior and attitude. He can identify and capture an opportunity; willing to take on risks and uncertainties; possess the intelligence to process information; and able to respond to market disequilibria. These traits are not necessarily limited to economic agents but can

also be applied to others, such as academics, activists, and students. Self-employment is preferred by most working-age individuals (Blanchflower & Oswald, 1998, 2007), which suggests that the entrepreneurial mindset is embedded in most people.

Limiting the qualitative traits and theories of entrepreneurship to economic agents is wasteful. For example, the effectuation logic of reasoning applies to other areas without losing much of its explaining power. For instance, with this logic, an academician can discover a new finding through this logic; policy makers can design better initiatives; and students can better exploit available opportunities. International students, in particular, have the opportunity to expand their network and experience, which they can take with them when they return home. These traits and behaviors are part of entrepreneurship. Sarasvathy (2001b) explains:

Entrepreneurs are entrepreneurial, as differentiated from managerial or strategic, because they think effectually; they believe in a yet-to-be-made future that can substantially be shaped by human action; and they realize that to the extent that this human action can control the future, they need not expend energies trying to predict it. In fact, to the extent that the future is shaped by human action, it is not much use trying to predict it – it is much more useful to understand and work with the people engaged in the decisions and actions that bring it into existence.

### **Entrepreneurship and the revival of Islam**

Following the line of argument above, Islamic revivalists (*mujaddid*), regardless of their function as an economic agent or not, can be considered as entrepreneurs. With an often-limited set of means, they could devise solutions and innovations for current and future problems. Their traits, behaviors, and reasoning are parallel to the entrepreneur's.

Several studies have discussed the qualities of Muslim entrepreneurs. Rameli et al. (2013) explore the Qur’ān and Hadith to find those traits. They find that Muslimpreneurs are pious, worship Allah, prioritize the halal, avoid waste, have elevated morals, are trustworthy, concerned with the welfare of society and the environment, and knowledgeable. Other traits

of Muslim entrepreneurs, according to Hoque, Mamun, and Mamun (2014) are: knowledgeable, initiative-taking, risk-taking, customer-oriented, employee involvement, strategic thinking, innovativeness, excellence, hardworking, patience, vision, optimism, halal earnings, honesty and truthfulness, social welfare, morality, economical, and fear of Allah.

Islam has undergone revivalism movements several times since its inception. These movements significantly advanced the religion in political, legal, academic, and economic aspects of life (Carvalho, 2009). For example, under Zia-ul-haq, Pakistan has integrated Shariah principles into its economic system and laws. In the 1970s, the Islamic financial system began to develop under the attention of scholars. These movements and progress certainly cannot be carried out without entrepreneurship.

Scientific progress and civilization development during the golden age of Islam can likewise be attributed to the spirit of entrepreneurship and innovation. The solutions and innovations proposed by Islamic revivalists are based on effectual reasoning. During the reign of 'Umar al-Khaṭṭāb, as the Islamic state was expanding, he ordered that conquered farmlands should be left to their original owners. The tradition was that the lands were distributed among soldiers. However, realizing that soldiers lack agricultural skills, 'Umar introduced this policy to maximize agricultural yield (al-Qudsy & Abdul Rahman, 2011). Similarly, during the Abbasid rule, the entrepreneurial mindset of the innovators was able to advance science and civilization (Islam, 2011).

Islamic innovators possess the entrepreneurial traits. 'Umar al-Khaṭṭāb, for example, took calculated risks, made strategic decisions, and created innovations, as seen from his various ijtihad. Some of these decisions are unique, such as establishing a market supervisor (*hisbah*). Widely recognized as a revivalist in the second century of Hijri, al-Shāfi'ī integrated both logic and religious texts (the Qur'ān and Hadith) in legal theory. These innovations emerge from entrepreneurial individuals who seek to better the *ummah*.

Modern revivalists, such as Abū A'lā al-Mawdūdī (Ushama & Osmani, 2006) and Malin bin Nabī (Benlahcene, 2013), have called for innovation by integrating with non-religious sciences (Isac Alak, 2012). Both are also known for their prescriptions for the ailments of the *ummah*. Revivalists are generally renowned for their noble characters and unique solutions.

## CONCLUSION

This study has shown that entrepreneurial traits, behaviors, and logic are limited to economic agents and can also be extended to Islamic revivalists of the past and present. Their entrepreneurship spirit has allowed them to propose useful solutions until today. Entrepreneurship should not be limited to economics and business. They should be extended to individuals who are proactive and innovative. Entrepreneurs are also characterized by their way of reasoning and problem-solving skills. Effectual reasoning must accompany causal reasoning to devise solutions affecting the *ummah*.

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