

## Rethinking Wealth Management: An Islamic Preliminary View

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### ***Introduction***

This paper has a simple aim. It seeks to rethink the contemporary state of wealth management from an Islamic perspective, particularly on the following three. Firstly, what management method has been used in managing the wealth? Secondly, what has actually been managed, the man of the wealth or the wealth itself? And thirdly, should all people be wealthy?

In accomplishing the above aim, this paper is divided into three parts. The first is dealing with the rethinking of an Islamic way of managing the wealth. The second is dealing with a scrutinization on what actually has been managed, the man who is wealthy and who manage the wealth or the wealth itself. And the third is dealing with the question whether all human beings should be wealthy or otherwise.

### ***Rethinking Contemporary Wealth Management Method***

It is of the curiosity of the present author to know whether there is any Islamic wealth management operating in the contemporary wealth industries at the moment. From the author's limited study on this, there is none. A more basic question then is, and perhaps a hopeful one, is there actually an Islamic management system or method being developed and adopted at all, especially in Islamic development institutions? The answer, as far as the present author has come across, is also rather much to be desired.

A research done by Fadzila Azni Ahmad (2011) could be the proof for this. Out of 20 Islamic development institutions in Malaysia she has researched on in 2008, only 3 used what could be called as Islamic management methods<sup>2</sup>. They are firstly, the Celestial Management which has been developed and used by Bank Muamalat Indonesia, and later on by Bank Muamalat Malaysia Berhad; secondly, the Tawhidic Management Method which has been developed and advocated by Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM); and thirdly, the Management-by-Shura which has been formulated and promulgated by Mohd Affandy Hassan<sup>3</sup>. The other 17 so-called Islamic development institutions, however, used conventional quality-related method, especially the Total Quality Management (TQM), ISO 9000, QCC, 5-S, TQC, BPR, 7-S dan Kaizen<sup>4</sup>.

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<sup>2</sup> The 20 Islamic development institutions researched were consisted of worshipping, educational, banking, financing, socio-economics, administrative, jurisprudence, medical, and social institutions.

<sup>3</sup> Apart from Fadzila Azni Ahmad (2011), refer also to the work of Lenny ak Luat (2010), for a rather intensive discussion on the three Islamic management methods from human development perspective.

<sup>4</sup> Fadzila Azni Ahmad, as far as to the knowledge of the present author, has been at the forefront since 2004 in working on the critical analysis of the conventional management methods and strategies, in particular on the TQM and quality-related methods and strategies. Her main work on this was her doctoral thesis which won the Universiti Sains Malaysia Best Thesis Award (Pure Arts) in 2008 and Tan Sri Muhyiddin Mohd Yassin Best Doctoral Thesis Award in 2009. Her assessment on the TQM based on Islamic philosophical (*tasawur*), epistemological (*nazariyyat al-ma'rifat*) and ontological (*al-wujud*) underpinnings proved that it is actually unIslamic. *Tasawur* here refers to the concept or comprehensive and true

Even though so, out of that three Islamic management methods, one, viz. the Celestial Management, is questionable as some of its components have been developed from Islamically-exogenous thinking, almost all of which were those of the western thinkers. The other two, the Tawhidic Management method and the Management-by-Shura method, seem to be more of an encouraging development, but have not been attracted, let alone adopted, by many takers. They are therefore still inadequate in their execution.

In such a situation, what is left for the wealth management, and moreover the Islamic wealth management? To author's knowledge, a serious study has yet to be done on this. Nevertheless, there is a convincing belief that the answer is bleak. One may recall that actually there is already a suggestion by Brunel (2006) that the wealth management, particularly the private wealth management, requires a different paradigm. But it is still lingering within the similar philosophical and epistemological underpinnings, let alone shifting itself towards an Islamic paradigm. She is still conversing on the asset allocations, tax efficiency, risk, and myriad of investment choices. What made her to suggest the so-called new paradigm is because of her observation of the impact of taxation, and the interaction between investor psychology and uncertainties of both capital markets and individual cash flow needs, which mandate a new set of investment solutions (Brunel 2006:3). She actually attempts an alignment in compliance to the new form of interaction between the components of the paradigm rather than redefining and redeveloping the philosophical and epistemological structural build-up of the paradigm itself.

One may perhaps question, what is wrong with adopting an Islamically-exogenous paradigm of wealth management as long as it is not in contrary to Islamic faith and *shariah*? The answer is, it is wrong for at least two reasons.

Firstly, the unit of analysis of the judgment is different. The paradigm and components in it are elements of the operational underpinning while the faith and *shariah* are elements of the philosophical underpinning. One could not have arrived at a true conclusion by only taking into consideration merely the operational underpinning. It has to take into the consideration the philosophical underpinning too, moreover it is indeed the philosophical underpinning that become the roots of the paradigm.

Secondly, when the Islamic philosophical underpinning is taken into consideration, the Islamic worldview and epistemology that are embedded in it would mould the whole nature of the operational underpinning, hence changing the whole paradigm to an Islamic one. In real sense, one is actually developing his own Islamic paradigm of the wealth management rather than adopting the so-called uncontradictory Islamically-exogenous paradigm. The stance that it is alright to adopt the Islamically-exogenous paradigm as long as it is not contradictory to Islamic faith and *shariah* is therefore out of question, and not right. If the operational underpinning alone is taken into consideration, it is definitely in contrary to the Islamic faith and *shariah* for its roots are still thrusted in the unIslamic philosophical underpinning. But if the Islamic philosophical underpinning is taken into consideration, one is actually developing an Islamic paradigm, in which all concepts, theories, methods, et cetera that are entrenched in the operational underpinning are redefined from an Islamic perspective, as they should be. So, considering in adopting an Islamically-exogenous paradigm on the pretext that it is not contradictory to Islamic faith and *shariah* therefore should be out of one's mind<sup>5</sup>. An Islamic wealth management indeed does not have any other choice except basing itself onto its own Islamic philosophical and operational underpinnings. Such a management seems to be non-existent at the moment and therefore has to be seriously endeavoured.

One may argue that there are already Islamic banking and finance institutions that might have been dealing with such an endeavour. The argument is true on the fact of the mushrooming of the Islamic banking and finance institutions. But on the fact of the creation of an Islamic management method, it is not. The endeavour by the Islamic banking and finance institution generally is more on the creation of *shariah* principles, and operational mechanisms of the products (read wealth) rather than on the Islamic management of the institutions. The research finding by Fadzila Azni Ahmad (2011) as mentioned earlier is one of the proofs. Effort in formulating an Islamic wealth management is therefore an obligatory necessity, not merely just a relevancy anymore, moreover for the wealthy Muslim, and the wealth managers and actors.

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understanding of something. Epistemology refers to the theory of knowledge. Ontology refers to the characteristics of knowledge and their relationship. See Fadzila Azni Ahmad 2007, 2008, 2009, 2010, 2011a, and 2011b.

<sup>5</sup> For further discussion on this, see Muhammad Syukri Salleh 2011.

### **Reassessing the Objects of the Wealth Management**

Another question that is lingering in the present author's mind is the objects of the wealth management. What are actually the objects that the wealth managers are managing? Have these objects been defined, or as is discussed in the first section, redefined from an Islamic philosophical underpinning?

The answer to the above questions inclines more to the fact that the contemporary wealth management is indeed confined to merely the wealth itself. This wealth is defined by quantitative measurements of one's material possession, based on conventional wealth management or economic theories. In the case of Islamic wealth management, could the wealth in the state of such a definition become the object of its management?

The answer is clearly not. An Islamic wealth management has to redefine the meaning of wealth from its own Islamic perspective. In the view of the present author, there are at least two steps that need a serious attention from the wealth managers and actors. The first, for the purpose of formulating a concrete foundation at philosophical level, is to have Islamic own definition of wealth. The second, for operational purpose, is to categorize the wealth accordingly.

For the former, the redefinition of wealth has to be molded by the Islamic worldview and epistemological roots. The wealth could not be seen and measured merely through tangible and quantifiable methods alone. Instead, it has to be sculpted from within *Tawhidic* (Islamic-based faith) paradigm in which intangible and unquantifiable methods would also be involved. The tangible and quantifiable methods here refer to the methods such as observable and statistical methods. The intangible and unquantifiable methods, on the other hand, refer to the methods such as those grounded on the Islamic dogmas derived from the Qur'an and *Sunnah* (sayings and deeds of the Prophet). They determine among other things, for instance, the role and influence of one's evil and good attributes (*mazmuumah* and *mahmudah* respectively), as well as dealing with the understanding of the objective of the creation and functions of the wealth.

For the later, the wealth could perhaps be categorized into three types. Firstly, the celestial wealth; secondly, the man-made wealth; and thirdly, the social security wealth. The celestial wealth refers to all assets mentioned in the Qur'an and *Sunnah* such as *zakat*, *waqf*, *sadaqah*, *infaq*, *faraid*, wills, et cetera. The man-made wealth refers to the assets that have been created by man, such as the products of Islamic banking and finance, et cetera. The social security wealth refers to the assets that guarantee the well-being of the human beings, such as *faraid*, *takaful*, et cetera. Again, all these wealth are entrenched in the philosophical underpinning of Islam and have to be operated within the framework of the Islamic operational underpinning.

However, the mere concentration on the definition and categorization of wealth is also inadequate. It will end up by leaving the wealthy, the wealth managers and the wealth actors untouched, in spite of the fact that they are indeed dominant parts of the whole process of the wealth management. So far, even if there might be already awareness on the significance of the wealthy, the wealth managers and the wealth actors in the conventional wealth management, it is problematic for the following reasons.

Firstly, the aspects of the wealthy, the wealth managers and the wealth actors that are being discussed are only confined to the aspects that could generate, or at least maintain, the wealth itself. The conventional production function which places labor and entrepreneurship in the same line with the other means of production such as land, capital and *n* factors manifests clearly the reductive treatment of the conventional theories towards human beings. Though lately there are already discussions on the invisible aspects of human beings such as psychological and emotional aspects, they are still seen in relations to their ability in generating wealth, rather than in understanding them as comprehensive components of human's spiritual domain.

Secondly, the end result of the above problems is the creation of pseudo-human beings in the wealth management discourses, whose ultimate aim is to fulfill their unlimited wants within the state of the scarcity of resources, as is convincingly believed by the conventional economic theory. The inability of the wealth management thinkers to identify other human aspects of their wealth managers and actors such as faith (*iman*), heart (*qalb*), and desires (*nafs*) entails with theoretical deficiencies and disastrous results, such as self-interest, speculation, corruption, et cetera.

The above discussions lead to a conclusion that the wealth management is actually not only an art of managing the wealth, but also of managing the wealth managers and actors.

In the case of Islamic wealth management, there is no alternative other than formulating an Islamic human management which takes into consideration the creational origin and status of human beings as servants and vicegerent of Allah SWT (*`abd-Allah* and *khalifat-ullah* respectively). This should have culminated in the discussion on the internal beings of the wealth managers and actors, which includes the spiritual components such as *rohul-tamayyiz*, faith (*iman*), heart (*qalb*), and desires (*nafs*). All would shape up a picture of a true nature of the wealth managers and actors, from which a formulation of an effective human management could be developed, and a true effective wealth management system would be in operation.

### ***Redefining Who Should be Wealthy***

The last thing the present author is interested in is to rethink whether all human beings should be wealthy. Efforts and endeavors undertaken by wealth managers and actors, as well as development thinkers so far seem to be so. Every bit of their intelligence is used to formulate efficient ways in optimizing the utilization of the so-called scarce resources to fulfill human unlimited wants, minimizing risks and maximizing the wealth of, in many cases, the wealthy and simultaneously, in a lesser term, transforming the poor into a wealthier condition.

But the question that arises is why, during the Prophet Muhammad SAW, there is a group of Companions called *ahlus-suffah* that has never been asked by the Prophet SAW to be wealthy? They stayed at the verandah of the Masjid-ul-Nabawi in a condition that contemporary development theorists call absolute poverty. Another Companion, the poor Tsalabah who was very keen to be wealthy, was also not blessed by the Prophet SAW to be so.

But in contrary to the above, on the other hand, the wealthy Companion Sayyidina Abdul Rahman bin `Auf who was keen to be poor was not allowed by the Prophet SAW to be so. The Prophet SAW in fact used to auction the little possession of a poor who came to seek the Prophet's SAW help in overcoming his poverty. Half of the income from the auction was given by the Prophet SAW to the poor man to fulfill his subsistence while another half to buy an axe so that he could earn his own living.

### **Why the Prophet SAW reacted differently to different individuals?**

Historical facts has proven that the *ahlus-suffah*, although unemployed and poor in the sense of conventional economic theorists, were actually committed knowledge seekers and *jihadists*. Their tasks were to study about and disseminate Islam, apart from defending the religion from its enemies. They were perceived as unemployed just because they did not earn any income from their works. In spite of their poverty, however, they were content with their life (*qanaah*) and did not trouble any members of the society, unlike the poor man who was asked by the Prophet SAW to work and earn his own living. Tsalabah on the other hand, who eventually became wealthy after he promised to provide the needs of the needy, proved to be too obsessed with his wealth and passed away as an unfaithful person. But in contrary to Tsalabah, Sayyidina Abdul Rahman bin `Auf was very generous and has been able to strengthen Islam through his wealth.

The moral of the stories are as follows. Firstly, not all people are supposed to be wealthy. So is to be poor. Secondly, the choice is depended on the eventual effects of the wealth or poverty on one's life and his religion. Wealth and poverty are just means to accomplish the pleasure of Allah SWT (*mardhatillah*). And thirdly, the main determinant of the choice is the faith (*iman*) of the person concerned. The higher the faith, the vaster the choice is<sup>6</sup>. Then why wealth managers and actors are putting their full effort in attempting only a wealthier life for all people?

### ***Conclusion***

The discussion above has led to answers that the present author is curious of. Firstly, the management method that has to be used in managing the wealth Islamically is the Islamic wealth management method. Secondly, the Islamic wealth management should not only managing the wealth, but also has to redefine the meaning of wealth from Islamic perspective as well as dealing with the management of wealth managers and actors themselves. And thirdly, not all people necessarily should be wealthy and the Islamic wealth management therefore needs to include a method of identification of who should be wealthy and who should be poor, depending on their potential contribution to himself, his family, his society and his religion.

<sup>6</sup> For a detailed discussion on this, see Muhammad Syukri Salleh 2004.

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