

Testing the Validity of Risk Management in Islamic Finance: The Hadith Point of View

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Abstract

Risk management in Islamic finance can be seen as an important aspect for business operation. The nature of Islamic finance which is quite different compared to conventional counterparts since the existence of shariah principle affect the risk management is more crucial in Islamic finance. Nevertheless, the practice of risk management in Islamic finance must be in line with shariah. Hence, this paper aims to analyze the validity of risk management from the Hadist point of view. By conducting qualitative research through detecting the quality of Hadist, the study revealed that Risk management practice is in line with shariah principle. It is based on the Hadits narrated by Ibnu Hibban that from the text, including in the matan and sanad can be classified as hadits 'shohih'. In addition, the practice of Risk management is comply to the fulfilment of maqosid syariah.

Keywords: Risk Management, Hadits, Islamic Finance, Maqosid Syariah.

Abstrak

Manajemen resiko dalam keuangan Islam dapat dilihat sebagai aspek penting untuk sebuah bisnis. sifat keuangan Islam yang cukup berbeda dibandingkan dengan rekan-rekan konvensional karena adanya prinsip syariah mempengaruhi manajemen resiko lebih penting dalam keuangan Islam. Meskipun demikian, praktik manajemen resiko dalam keuangan syariah harus sejalan dengan syariah. Oleh karena itu, makalah ini bertujuan untuk menganalisis validitas manajemen resiko dari sudut pandang hadits. Penelitian ini mengungkapkan bahwa praktik manajemen resiko sejalan dengan prinsip syariah. Hal ini berdasarkan hadits yang diriwayatkan oleh Ibnu Hibban bahwa dari teks yang termasuk dalam matan dan sanad dapat digolongkan sebagai hadits shohih. Selain itu, praktik manajemen resiko sudah sesuai dengan pemenuhan maqosid syariah.

Kata kunci: Manajemen Resiko, Hadits, Keuangan Islam, Maqosid Syariah.

Pendahuluan

Risk management is a core activity of every business activity, including financial institution which consist of two types of risk namely business risk and financial risk.¹ Risk generally is defined as the existence of uncertainty about

¹ William F. Sharpe, 'Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk', *The Journal of Finance* 19, no. 3 (September 1964): 425–42, <https://doi.org/10.2307/2977928>.

future outcomes (Damodaran, 2007). Risk is often linked with undesirable event that produces negative outcome.²

Risk becomes more challenging for Islamic financial institution, especially banking sector. It is close the nature as financial intermediary, in which risk can be seen as embedded part of financial transaction.³ As result, Islamic financial institution faces a wide array of risk in their operation. The complexity of the business and also its business nature in which focus in providing service as financial intermediary cause the sensitivity of Islamic financial institution the change of the return. Islamic finance performance very much depends on the external condition. Therefore, it is very crucial for financial institution to manage this risk.

Islamic financial institution in Indonesia that has been operating since 1992, with the Bank Muamalat as its milestone, is also very close to the issue of Risk. There are some specific issues in Islamic financial institution that require special treatment in regard to risk and risk management. This is partly due to differences in the orientation of Islamic financial institutions against risk, in which Islamic finance is run based on sharia principles. With the rise of Islamic finance sophistication in recent years, there is a genuine need to address financial institution concerns related to financial risks arising from various financial transactions and the structure of sharia products. As a result, many risk management instruments begin to be structured in a manner consistent with Sharia with limited objectives and parameters primarily as a tool for hedging purposes.

The role of risk management in Islamic banking operation, is same as in conventional bank, to achieve the main objectives in maximizing the asset value and minimizing risk.⁴ In term of Islamic banking practice, risk management is defined as an activity in identifying the risk that potentially arises in Islami bank, managing the risk with the parameter of shariah.⁵ Identifying and managing risk for Islamic bank is normal condition, since as a business entity they have taking risk for future growth. However, risk taking excessively tend to deter their future. Hence, the risk must be managed properly.

In Islamic literature, business risk which is faced by the company is defined as khatar and mukhatarah. According to Muslim jurist, Mukhatarah is "possibility of unexpected outcomes".⁶ Some others, defines Khatar and mukhatarah interchangeably with term of gharar. Mukhatarah is the uncertainty

² Syed Ehsan Ullah Agha and Ruslan Sabirzyanov, 'RISK MANAGEMENT IN ISLAMIC FINANCE: AN ANALYSIS FROM OBJECTIVES OF SHARI'AH PERSPECTIVE' 7, no. 3 (2015): 8.

³ Asyraf Wajdi Dusuki, 'Banking for the Poor: The Role of Islamic Banking in Microfinance Initiatives', ed. Masudul Alam Choudhury, *Humanomics* 24, no. 1 (22 February 2008): 49–66, <https://doi.org/10.1108/08288660810851469>.

⁴ Rashedul Hasan, Abu Umar Faruq Ahmad, and Tamiza Parveen, 'Sukuk Risks – a Structured Review of Theoretical Research', *Journal of Islamic Accounting and Business Research* 10, no. 1 (7 January 2019): 35–49, <https://doi.org/10.1108/JIABR-06-2015-0026>.

⁵ Shahid Anjum and Lai Tung Kin, 'Effectiveness of Risk Management Practices in an Islamic Bank of Brunei Darussalam', 2019, 7.

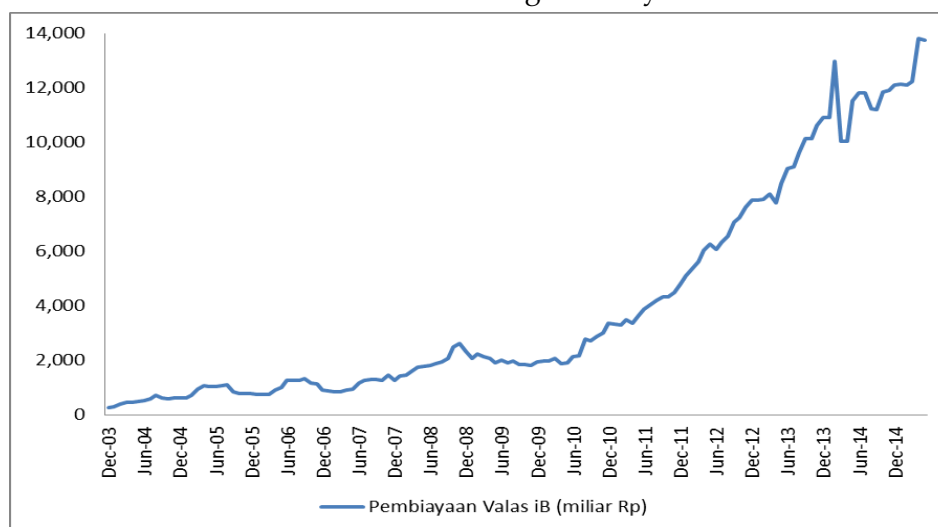
⁶ Al-Sharbasi, A. (1981). *Al-Mu'jam Al-Iqtisadi Al-Islami*. Beirut: Dar Al-Jail.

that exist in a business transaction in which the gain or loss of such transactions are unknown. From the definition stated by Muslim jurist, we can conclude that risk both in Islamic and conventional term is quite similar.

Islamic banking and finance also exposes the same risks such as business risk, exchange rates risk, commodity price risk, and operational risk as their conventional counterpart. Moreover, it also has been widely acknowledged that Islamic banking and finance cannot sustainably continue on this growth propensity without a proper risk management framework. In fiqh muammalat, the risk management lies on the scope of public interest or *maslahah*, which is a licit foundation of consideration in sharia prescriptions. Sharia teachings enjoins risk-taking according to the principle of *al-kharaj bil daman* (i.e. with profit comes responsibility) and *al-ghorm bil ghom* (i.e. with profit comes risk), and at the same time also commands adherents to avoid *gharar* (excessive uncertainty), *maisir* (gambling), and the assistance of *riba*. Islamic banking and finance faces the complex risks that existed in global financial system such as business risk, exchange rates risk, commodity price risk, and operational risk as their conventional counterpart. Accordingly, the market participants of this industry search for a better risk management tools. This has led to the introduction of derivatives to cater the needs of Islamic banking and finance industry on risk management devices in which in Indonesia, Islamic Hedging has been introduced by National Shari'ah Council Fatwa No.96 / DSN-MUI / III / 2015 on Sharia (Islamic) Hedging Transaction on the Exchange Rate as a continuation of the DSN Fatwa No.28 / DSN-MUI / III / 2002 on the Sale and Purchase Currency (*Al-Sharf*).

Islamic hedging product was introduced by Bank Indonesia because Islamic banks require Islamic Hedging, whereby Sharia currency financing continues to increase (+/- Rp14 trillion) as describes by graph below. It can be seen from the graph below that the financing product via foreign currency increased significantly between 2012 and 2014. It indicate that the need of Islamic bank on the Islamic hedging as part of risk management is very crucial.

Picture 1: Financing Valas by Islamic Bank



The objective of this paper is to delineate the concept of risk management from Islamic perspective. In addition, this paper will focus on the elaboration of hadiths concept and its analytical process in verifying the validity of some hadiths which is applied in Islamic bank. The paper is structured as follows. The next section discusses the concept of risk from Islamic perspective. Section 3 will discuss the hadiths from text and context perspectives based on the paradigm in ilmu hadist. The rest of this paper is conclusion.

Risk form Islamic Perspective

Financial institution faces a three types of risk in their operation, namely, transferable risk to the others, manageable risk by financial institution, and risk that can be eliminated. Financial institution will avoid risk that cannot be managed. In practice they will taking risk that normally can managed efficiently or the risk which can transferred to the other parties. The main reason since the main rule of financial institution is as intermediary that based on the customer trust. Failing in managing risk will create more systemic risk for the whole financial system, even the whole of economy.⁷

The substance of risk is the uncertainty about an exposure pertaining to the nature and the extent of events that have consequences for human being. Saiful Azhar Rosly and Mohammad Ashadi Mohd. Zaini (2008) defined risk as a likelihood of loss and exposure. In Islam, the existence of uncertainty is fundamental to well-being.⁸ Quran (31:34) states that:

“Indeed, Allah has knowledge of the Hour and sends down the rains and knows what is the wombs. And no soul perceives what it will earn tomorrow, and no soul perceives in what land it will die. Indeed, Allah is Knowing and Acquainted.”

Specifically, in commercial transaction, Islam enjoins one should exercise the necessary means for wealth protection from different risks that may have illness consequences. With that, Islamic legal maxim (*qawaid fiqhiyah*) stated that *al-Akhdh bil-asbab* (i.e., pursuing the legitimate ways to reach desired ends), for instance proactive risk management. Furthermore, sharia prescriptions also enjoins that *al-ghorm bil ghorom* (i.e. with profit comes risk) which indicates that the necessity to take risks to compensate the return for sustainable wealth creation. Accordingly, any profit reaps without taking into consideration of risk is not permissible. In the realm of Islamic finance, its essentially to take the risks

⁷ Abul Hassan, 'Risk Management Practices of Islamic Banks of Brunei Darussalam', *The Journal of Risk Finance* 10, no. 1 (2 January 2009): 23–37, <https://doi.org/10.1108/15265940910924472>.

⁸ Saiful Azhar Rosly and Mohammad Ashadi Mohd. Zaini, 'Risk-return Analysis of Islamic Banks' Investment Deposits and Shareholders' Fund', ed. M. Mansoor Khan, *Managerial Finance* 34, no. 10 (29 August 2008): 695–707, <https://doi.org/10.1108/03074350810891010>.

to economic progress. Al-Suwailem states that the economic growth cannot take place unless with accepting risks.⁹

Market risk can be defined as the potential loss due to swift in market prices, i.e commodities and equities) and market rates, i.e interest rates and exchange rates. In the context of Islamic finance, the Islamic Financial Services Board (IFSB) defines market risk as:

“The risk of losses in on-and off-balance sheet positions arising from movements in market prices i.e. fluctuations in values in tradable, marketable or leasable assets (including *sukuk*) and in off-balance sheet individual portfolios (i.e restricted investment accounts). The risk related to the current and future volatility of market values of specific assets (i.e, the commodity price of a *salam* asset, the market value of a *sukuk*, the market value of *murabahah* assets purchased to be delivered over a specific period) and of foreign exchange rates” (IFSB, 2005, p.16)

The presence of risks in the marketplace is exposed to market players, either to companies or banks. The banks, whether conventional or Islamic, are exposed to the credit risks as the consequences of the different preferences of depositors and borrowers. In that, the banks are essentially focused on managing these exposures to ensure the capital soundness to their depositors. This exposure is known as asset-liability mismatches, which happens due to swift on fixed/floating, currency, and tenor of depositors and borrowers. Not just that, banks also subjected to interest rates risks because the nature of their assets and liabilities. Particularly, banks are exposed to the interest rates movement (i.e treasury rates, LIBOR) in pricing their financial asset and liabilities. Surprisingly, Islamic financial institutions also exposed to interest rates movement. Some of practitioners (i.e treasurers) confirmed that the assets on the balance sheets of Islamic banks are subjected to mark-to-market basis as the consequences of the use of net present value (NPV) and interest rate yield curve.¹⁰ In Islamic banks albeit its operationis non interest-free mechanism, have not been immune to the impact of interest rates. In fact, Bacha (2004) finds that Islamic banks in Indonesia under dual banking system may also be subject to interest rate risk. Islamic banks, to certain extent, have the same economic horizon and common customer similar with conventional counterpart. Therefore, in turn, these factors affect the earnings of banking institutions, whether conventional or Islamic.¹¹

Apart from that, Islamic banking and finance industry may also be subject to exchange rates risks. IFSB assert that “Islamic financial institutions are also exposed to foreign exchange fluctuations arising from general FX spot rate changes in both cross-border transactions and the resultant foreign currency receivables and payables. These exposures may be hedged using sharia

⁹ Sami Al-Suwailem, 'ISLAMIC APPROACH TO RISK', 2011.

¹⁰ Syahiru Shafiai and Engku Rabiah Adawiah Engku Ali, 'Risk Management in Islamic Finance: What Does Islam Say about Mukhāṭarah?', *AL-ITQAN: JOURNAL OF ISLAMIC SCIENCES AND COMPARATIVE STUDIES* 2, no. 2 (1 November 2018): 79–94.

¹¹ Zairy Zainol and Salina Hj. Kassim, 'A Critical Review of the Literature on the Rate of Return Risk in Islamic Banks', *Journal of Islamic Accounting and Business Research* 3, no. 2 (21 September 2012): 121–37, <https://doi.org/10.1108/17590811211265948>.

compliant method" (IFSB, 2005). Companies and banks, whether Islamic and conventional, subject to foreign exchange rates risks as the consequences of the different of supply and demand in the currencies market, which are determined by way of interest rate differentials between countries and various macroeconomic indicators, i.e GDP growth, inflation, balance of payments, etc.

Specifically, in most cases, Islamic banks invest in foreign currency denominated assets using local currency deposits. On the other hand, investors tend to invest in local currency assets using foreign currency liabilities. In doing so, both Islamic banks and investors may be subject to foreign exchange risk. Not just that, Islamic banks and investors may also be subject to rate mismatch risk, due to the different level of benchmarking. The foreign currency assets/liabilities will be normally valued using foreign currency benchmark (i.e LIBOR), and the local currency assets/liabilities will be priced using local currency benchmark (i.e KLIBOR). In that, both parties are exposed to rate mismatch risk. Therefore, Islamic banks should focused on how to manage these exposures, so that Islamic banks can offering better investment alternatives to their investors.

Investors, either conventional or sharia-based, have different preferences and requirements in investment decision. The preference for conservative investors is capital protection. However, depending on the appetite of the investors, some are prefer to yield enhancement instead of capital protected purposes. In the realm of Islamic finance, investors for Islamic investments can be categorized into three parts. The first is the sharia-compliant investors who would only invest their funds that consistent with sharia principles. The second group is the sharia compliant preferred investors, who would invest in both conventional and Islamic investments; however, they have preference for sharia compliance investment products. The third group is the yield susceptible performance, that would pooled their funds in Islamic investments so long as its provide a better yield.¹²

Having discussed the market risks, its imperative for Islamic banking and finance to have risk strategy framework.¹³ As pointed earlier, market risks are inevitable in contemporary business horizon. To minimize exposure to business risks as the result of price changes and exchange rates fluctuation, hence, hedging instrument is important to

¹² Rifki Ismal, 'Formulating Withdrawal Risk and Bankruptcy Risk in Islamic Banking', *International Journal of Islamic and Middle Eastern Finance and Management* 5, no. 1 (30 March 2012): 63–77, <https://doi.org/10.1108/17538391211216848>.

¹³ Azlin A. Ahmad and Salmy Idawati Yaqoob. 2012. The Principle of Risk Management: Sharia Perspectives. *Journal of Applied Sciences Research*, 8(7): 3335-3343, 2012

take place. Hedging concept, which is advocated by some in Islamic finance industry, is used to minimize the exposure to business risks. Being so, hedging is regarded as a form of sharia acceptable risk management strategy.

Literally, the word *mukhatarah* is commonly used to connote with the word risk in English. This word is actually derived from an Arabic root word '*khatar*', which implies several meanings such as exposure and fear or destruct¹⁴ or an exalted position¹⁵. Therefore, the meaning of *mukhatarah* in the context of Islamic finance can be enunciated by some scholars, in the following:

a. Gharar (Uncertainty)

Risk or in arab word known as *mukhatarah* is normally by some scholars associated to uncertainty or gharar. Imam Syafii, in his masterpiece, *al-Umm*, stated that a contract is void because of two main reason, first, the issue of selling something before the seller has actually owned the subject matter. Second, the sales that more based on uncertainty, or *mukhatarah*.¹⁶ From this definistion, it can be concluded that the word *mukhatarah* is actually referring to uncertainty.

b. Maysir (Gambling)

Ibn al-Qayyim al-Jawziyyah associated *mukhatarah* or risk with the gambling issues, as mentioned in the following text:

وَالْمُخَاطَرَةُ مُخَاطَرَتَانِ: وَالْخَطَرُ الثَّانِي: الْمَيْسِرُ الَّذِي يَتَصَمَّنُ أَكْلَ الْمَالِ بِالْبَاطِلِ

Meaning: "And risk can be in two forms.....second, in the form of gambling which basically consuming property in unjust manner."¹⁷

As we know that the two association of risk namely *gharar* and *maysir* are prohibited by the Prophet Muhammad, but not all risk can be deemed as a prohibited action. Risk can be seen as normal situation that will always happen in the business or contract.¹⁸ In this regards, Ibn Taimiyyah further explained about the nature off risk from Shariah perspectives:

¹⁴ Al-Razi, Mukhter al-Shohih, p.173.

¹⁵ Ibn Faris, Mu'jamMaqoyis al-Lughah, Vol. 2, p.199

¹⁶ Ibn Al-Qayyim, Zad al-Ma'ad, Vol. 5, p. 723.

¹⁷Ibn Al-Qayyim, Zad Al-Ma'ad, Vol. 5, p. 723.

¹⁸ Asyraf Wajdi Dusuki. 2012. ISRA. Kuala Lumpur: Pearson Publishing. Page. 112

"وَأَمَّا الْمُخَاطَرَةُ فَلَيْسَ فِي الْأَدِلَّةِ الشَّرْعِيَّةِ مَا يُوجِبُ تَحْرِيمَ كُلِّ مُخَاطَرَةٍ؛ بَلْ قَدْ عَلِمَ أَنَّ اللَّهَ وَرَسُولَهُ لَمْ يُحْرِمَا كُلَّ مُخَاطَرَةٍ، وَلَا كُلَّ مَا كَانَ مُتَرَدِّدًا بَيْنَ أَنْ يَغْنَمَ أَوْ يَغْرَمَ أَوْ يَسْلَمَ... وَلَكِنْ يَحْرُمُ مِنْ هَذِهِ الْأَنْوَاعِ مَا يَشْتَمِلُ عَلَى أَكْلِ الْمَالِ بِالْبَاطِلِ، وَالْمُوجِبُ لِلتَّحْرِيمِ عِنْدَ الشَّارِعِ أَنَّهُ أَكَلَ مَالًا بِالْبَاطِلِ، كَمَا يَحْرُمُ أَكْلُ الْمَالِ بِالْبَاطِلِ وَإِنْ لَمْ يَكُنْ مُخَاطَرَةً؛ لِأَنَّ مُجَرَّدَ الْمُخَاطَرَةِ مُحْرَمٌ....."⁶

Meaning: "There is no Shariah evidence to categorically prohibit all forms of risks. In fact, Allah and His Messenger do not prohibit all types of risks, or all activities which are doubtful in terms of whether it is profitable or loss or safe (neither profitable nor loss)...Instead, the type of risk which is prohibited concerning consumption of property in an unjust or wrongful manner. The main reason for prohibition from Shariah viewpoint is mainly concerned the unjust consumption of property even without the element of risk. Risk alone does not constitute prohibition."¹⁹

Based on the above assertion, risk can be generally categorized into three main types namely, permissible, non-permissible risk and manageable risk. The following discusses the respective types of risk as identified by the jurists:²⁰

1. Permissible Risk

The permissible risk is very often exist in the normal economic activities, that involve in such business transaction in order for generating return. This type of risk is something inevitable, that according to shariah must be borne by all transacting parties, as a countervalue for the permissible return. It is based on the fundamental legal maxim "*al-ghunm bil-ghurm*" which means "entitlement to profit is accompanied by responsibility for attendant expenses and possible loss." This maxim is extracted from several hadiths of the Prophet (peace be upon him); among them:

الخراج بالضمان

"[Entitlement to] profit is dependent on responsibility [for attendant expenses and possible loss and defects]."²¹

¹⁹ Ibn Taymiyyah, al-Mustadrak 'ala Majmu' Fatawa Syaikh Al-Islam, t.t., 1418H, Vol.4, p.66.

²⁰ Asyrof Wajdi Dusuku. 2012. ISRA. Kuala Lumpur: Pearson Publishing. Page 113.

²¹ Hadits narrated by A'ishah (may Allah be pleased with her) (Abu Daud, Hadits no. 1464; Ahmad 49:6, Hadits nos. 161, 208, 237; Ibn Majah, 2:754; Sunnan al-Bayhaqi, 5:321).

يُسْتَحَقُّ الرَّبْحُ إِمَّا بِالْمَالِ وَإِمَّا بِالْعَمَلِ وَإِمَّا بِالضَّمَانِ

"The justification of profits are either based on effort, or through property invested or liability assumed"

2. Non-Permissible Risk

In principle the main reason why such risk is prohibited, is due to its contradiction with the shariah principle "aklu al-maali bi al-baatil". Hence, according to Ibnu Taymiyah, there are two aspects that affect the risk is prohibited, namely Maysir, and Gharar. The principle is taken from the Quranic verse:

يَا أَيُّهَا الَّذِينَ آمَنُوا لَا تَأْكُلُوا أَمْوَالِكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِنْكُمْ

The prohibition of unjust consumption of property is the type of risk that can cause any trading or transaction to become void. According to the Shariah. Jurists link this risk to the element of excessive uncertainty, that in Arabic known as *gharar fahish*. Included in this category is *gharar* caused by elements of gambling (maysir), which is as a zero-sum game forbidden by the Shariah.

3. Tolerable risk to be avoided

Apart from the two above risk types, there is another type of risk that in fiqh is still tolerable but if possible avoidable. Business can still be associated with this risk, but the most important is the risk management procedure must comply with shariah. All financial instruments applied in mitigating risk must be in accordance with shariah parameters.²²

Hadist on Risk Management Issues: Text and Context

The legality foundation of risk management in Islamic finance is provided from the Sunnah. The first hadist is narrated by At-Tirmidzi (1998) on the case of a Bedouin who was tying a camel, which is commanded by prophet Muhammad p.b.u.h. This hadist was narrated by Anas bin Malik that an Arab Bedouin asked the prophet;

يَا رَسُولَ اللَّهِ أَتْرِكُ نَاقَتِي وَأَتَوَكَّلُ أَوْ أَعْقِلُهَا وَأَتَوَكَّلُ؟ قَالَ بَلِ اعْقِلْهَا وَتَوَكَّلْ

²² See debate in Hussein Hamid Hassan (2009) Basic Sharia Principles Governing Risk Management, paper presented in Harvard-LSE Workshop on Risk Management. London School of Economics, February 26, 2009.

“O the Messenger of Allah...Should I leave my camel untied and trust in Allah, or should I tie it?” The Holy Prophet (p.b.u.h.) replied: “Tie your camel and then trust in Allah” (Al-Tirmidhi, 1998).²³

The second hadiths pertaining to the risk management is also narrated by Imam Al-Baihaqi (2003), in which the case is same as narrated by At-Tirmidzi. However, the text of hadiths is different. This hadiths explain the commandment of the Prophet Muhammad in tying the camel before they trust it to Allah.

أَخْبَرَنَا أَبُو نَصْرِ بْنِ قَتَادَةَ، أَخْبَرَنَا الْعَبَّاسُ بْنُ الْفَضْلِ النَّضْرَوِيُّ، حَدَّثَنَا الْحُسَيْنُ بْنُ إِدْرِيسَ، حَدَّثَنَا هِشَامُ بْنُ عَمَّارٍ، حَدَّثَنَا حَاتِمُ بْنُ إِسْمَاعِيلَ، عَنْ يَعْقُوبَ بْنِ عَبْدِ اللَّهِ بْنِ أُمَيَّةَ، عَنْ جَعْفَرِ بْنِ عَمْرٍو بْنِ أُمَيَّةَ، عَنْ عَمْرٍو بْنِ أُمَيَّةَ، قَالَ: قُلْتُ: يَا رَسُولَ اللَّهِ، أُرْسِلُ نَاقَتِي وَأَتَوَكَّلُ؟ قَالَ: "اعْقِلْهَا وَتَوَكَّلْ"²⁴

Albaihaqi also narrated the same context of hadiths, with a different text. The unique of the two hadiths narrated by him is, the narrator is different whereby for the first hadiths he receive from ‘Amr bin Umayyah, while the second hadiths was received from Anas bin Malik.

أَخْبَرَنَا عَلِيُّ بْنُ أَحْمَدَ بْنِ عَبْدِانَ، حَدَّثَنَا أَحْمَدُ بْنُ عُبَيْدِ الصَّقَّارِ، حَدَّثَنَا عَلَّانُ بْنُ عَبْدِ الصَّمَدِ، حَدَّثَنَا إِسْمَاعِيلُ بْنُ مَسْعُودِ الْجَحْدَرِيِّ، حَدَّثَنَا خَالِدُ بْنُ يَحْيَى بْنِ أَبِي قُرَّةَ، حَدَّثَنِي عَمِّي الْمُغِيرَةُ بْنُ أَبِي قُرَّةَ، عَنْ أَنَسِ بْنِ مَالِكٍ، قَالَ: جَاءَ رَجُلٌ عَلَى نَاقَةٍ لَهُ فَقَالَ: يَا رَسُولَ اللَّهِ، أَدْعُهَا وَأَتَوَكَّلُ؟ فَقَالَ: "اعْقِلْهَا وَتَوَكَّلْ"²⁵

Regarding to the quality of the two above hadiths, from the narrator (sanad), we cannot find the evidence in some hadiths book, that these hadiths is “shahih”.²⁶ However, Anas bin Malik as the narrator is well-known as the companion of the prophet who narrated many hadith with level “shohih”.²⁷In addition, according to Abu Hatim (1993), Ya’kub bin Abdillah as narrator of these hadiths is very popular with his trustworthy.

أَخْبَرَنَا الْحُسَيْنُ بْنُ عَبْدِ اللَّهِ الْقَطَّانُ، قَالَ: حَدَّثَنَا هِشَامُ بْنُ عَمَّارٍ، قَالَ: حَدَّثَنَا حَاتِمُ بْنُ إِسْمَاعِيلَ، قَالَ: حَدَّثَنَا يَعْقُوبُ بْنُ عَبْدِ اللَّهِ، عَنْ جَعْفَرِ بْنِ

²³ Al-Tirmidhi, M. (1998). Al-Jami' Al-Kabir. Beirut: Dar Al-Gharb Al-Islami.

²⁴Al-Baihaqi, (2003), Sya'bul Iman: Beirut: Dar-Al-Gharb Al-Islami, Hadiths No 1159.

²⁵Ibid, Hadith No 1161

²⁶Muhammad Nashiruddin al-Albani, 1995. Silsilah Al-Ahadiths Al-Shohihah, Riyadh: MaktabahMa'arif

²⁷Abi Abdillah Muhammad bin Ahmad bin Abdul Hadi. 1996. Thobaqotu Ulama Al-Hadiths. Beirut: Ar-Risalah.

عَمْرُو بْنُ أُمَيَّةَ ، عَنْ أَبِيهِ ، قَالَ : قَالَ رَجُلٌ لِلنَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ : أُرْسِلْ نَاقَتِي وَأَتَوَكَّلُ ؟ ، قَالَ : اعْقِلْهَا وَتَوَكَّلْ.²⁸ قَالَ أَبُو حَاتِمٍ رَضِيَ اللَّهُ عَنْهُ : يَعْقُوبُ هَذَا : هُوَ يَعْقُوبُ بْنُ عَمْرٍو بْنِ عَبْدِ اللَّهِ بْنِ عَمْرٍو بْنِ أُمَيَّةَ الضَّمْرِيُّ مِنْ أَهْلِ الْحِجَازِ مَشْهُورٌ مَأْمُونٌ.

From the narrator (sanad), there are some argument;

a. Husain bin Abdillah:

#	العالم	القول
1	أبو حاتم الرازي	لما كبر تغير فكل ما دفع إليه قرأه، وكلما لقن تلقن، وكان قد بما أصح، كان يقرأ من كتابه، ومرة: صدوق
2	أبو حاتم بن حبان البستي	ذكره في الثقات
3	أبو زرعة الرازي	من فاته هشام يحتاج أن يترك في عشرة آلاف حديث
4	أبو علي الأصبهاني الحداد	مشتهر بالنقل والفصاحة والرواية والعلم والدراية
5	أحمد بن حنبل	طياش خفيف
6	أحمد بن شعيب النسائي	لا بأس به
7	أحمد بن صالح الجيلي	ثقة، ومرة: صدوق
8	ابن حجر العسقلاني	صدوق مقرئ كبير فصار يتلقن فحديثه القديم أصح
9	الدارقطني	صدوق، كبير المحل، ومرة: صدوق كيس
10	الذهبي	شيخ أهل دمشق ومفتيهم وخطيبهم ومقرئهم ومحدثهم
11	صالح بن محمد جزرة	يأخذ على الحديث، ولا يحدث ما لم يأخذ
12	عبد الله بن محمد الفرهاداني	كان يلحق كل شيء، ما كان من حديثه
13	عبدان بن أحمد الأهوازي	ما كان في الدنيا مثله
14	محمد بن مسلم بن وارة	كان يبيع الحديث
15	مسلمة بن القاسم الأندلسي	تكلم فيه، وهو جائز الحديث صدوق
16	معن بن عيسى القزاز	آفته أنه ربما لقن أحاديث فتلقنها
17	يحيى بن معين	ثقة، ومرة: كيس كيس، ومرة: ليس بالكذوب

b. Hisyam bin Ammar

#	العالم	القول
1	أبو القاسم بن بشكوال	ثقة، سكن المدينة

²⁸Ibnu Hibbah, 1993. ShohihIbnuHibban. Beirut:Dar Al-Gharb Al-Islami. Hadist No.

2	أبو بكر البيهقي	حجة
3	أحمد بن حنبل	أحب إلي من الدراوردي، وزعموا أن فيه غفلة إلا أن كتابه صحيح
4	أحمد بن شعيب النسائي	ليس به بأس، وقال مرة: ليس بالقوي
5	أحمد بن صالح الجيلي	ثقة
6	ابن أبي حاتم الرازي	كوفي الأصل، مدني الدار
7	ابن حجر العسقلاني	صحيح الكتاب صدوق يهيم، مرة: احتج به الجماعة ولم يكثر له البخاري ولا أخرج له من روايته عن جعفر شيئا بل أخرج ما توبع عليه من روايته عن غير جعفر
8	الدارقطني	ثقة وزياداته مقبولة
9	الذهبي	ثقة
10	علي بن المديني	كان عندنا ثقة، ومرة: تكلم في أحاديثه عن جعفر الصادق
11	محمد بن سعد كاتب الواقدي	ثقة مأمون كثير الحديث
12	مصنفوا تحرير التهذيب	ثقة
13	يحيى بن معين	ثقة

The last hadits on the case of Bedouin is narrated by Umayyah. The text of this hadist is same as narrated by 'Amr bin Umayyah. This hadits has been commented by Abu Hatim as hadits shohih. Therefore according to the 3 above hadits, this hadist on the issue of tie a camel and the trust to Allah can be applied as legal foundation on islamic risk management.

According to the argument of ulama, pertaining to the "narrator of hadits", all the narrator is *tsiqoh*. In addition, all narrators are *muttasil*. From this point of view it means that this hadis is can be used as a legal foundation of risk management. From the text of hadits, there are more than 3 narrators who explained this hadits. Therefore, Islamic derivative, as a main instrument in Islamic finance can be applied in this perspective.

Another hadist regarding the risk management was also narrated by Anas bin Malik that the Prophet (p.b.u.h.) said:

اتجروا في أموال اليتامى لا تأكلها الزكاة

"Trade the money of the orphans, so it will not be eaten (decreased) by zakah" (Malik, 2004).

In this hadith, the Prophet Muhammad commands every trustee of the orphan's assets to invest it into a profitable investment. The aim is that the property is not exhausted due to zakat exposure. The logic is simple, as we know, zakat is for a treasure that has the potential growth. This means that if the property is not invested then every year will be reduced by 2.5% of zakat.

Another hadits which is very popular in the risk management tool has been done by Abbas ibn Abdul Muttallib (may Allah be pleased with him) as narrated by Ibnu Abbas:

(حديث مرفوع) ثنا أبو سهل بن زياد ، نا مُحَمَّدُ بْنُ غَالِبٍ ، نا مُحَمَّدُ بْنُ عُقْبَةَ السَّدُوسِيِّ ، نا يُونُسُ بْنُ أَرْقَمَ أَبُو أَرْقَمَ الْكِنْدِيِّ ، نا أَبُو الْجَارُودِ ، عَن حَبِيبِ بْنِ يَسَارٍ ، عَنِ ابْنِ عَبَّاسٍ ، قَالَ : كَانَ الْعَبَّاسُ بْنُ عَبْدِ الْمُطَّلِبِ " إِذَا دَفَعَ مَالًا مُضَارَبَةً اشْتَرَطَ عَلَى صَاحِبِهِ ، أَنْ لَا يَسْلُكَ بِهِ بَحْرًا ، وَلَا يَنْزِلَ بِهِ وَادِيًا ، وَلَا يَشْتَرِيَ بِهِ ذَا كَبِدٍ رَطْبَةً ، فَإِنْ فَعَلَهُ فَهُوَ ضَامِنٌ ، فَرَفَعَ شَرْطَهُ إِلَى رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَأَجَازَهُ " ، أَبُو الْجَارُودِ ، ضَعِيفٌ .

“Whenever Abbas ibn Abdul Muttalib (may Allah be pleased with him) handed over his assets [camels] for mudarabah to his partner, he stipulated that he should not take the assets across the sea, nor take them down to the bottom of a dry river bed, nor trade them for live animals. If he were to do any of these, he would have to bear the compensation. Word of al-Abbas stipulation reached Rasulullah (p.b.u.h.) and he allowed it” (Al- Thobroni, 2004).²⁹

This Hadith is very important for any party who is bound in the mudarabah contract to provide certain requirements to each party in the business activities they undertake. However, in this context, this hadith is a clear example of how Abbas ibn Abd al-Muttalib included some conditions in mudaraba whose goal was to manage risk. This hadits give a best practice example conducted by shohabah.

This hadits also used by DSN in his Fatwa No. 07/DSN-MUI/IV/2000 regarding to Mudharabah Financing. Unfortunately the above hadiths are “dhaif”, in which this hadith is matruk (not used) according to Imam Al - Haitsami because in the structure of “sanad” there is Abu Jarud Al-A’ma (blind) kadzb (lie). Therefore, Imam Al - Haitsami ordered the hadeeth.³⁰ However, the similar hadits was also narrated by Ad-Daruquthni, Al-Baihaqi and Ibnu Hajar Al-Asqolani,³¹ mentioned in the book bulughul marom, Chapter about Qiradh. But this hadith has a different matan, and it is narrated from Hakim ibn Hizam.

عن حكيم بن حزام انه كان يشترط علي الرجل اذا اعطاه مالا مقارظة ان لا يجعل ما لي في كبد رطبة ولا تحمله في بحر ولا تنزل به في بطن مسيل فان فعلت شيا من ذلك فقد
ضمنت مالي³²

As we know, Muslim must put the trust the Alloh for everything that they face in their live as human. However, as Muslim they are also commanded by Alloh to try for doing the best in maintain their property. Its means that, trust

²⁹At-Thobroni, 1997. Mu’jam Al-Ausath.

³⁰See Wahbahzuhaely, Al-Fiqhu Al islam Waadilatuhujuz 5 (10 Juz) Chapter Mudharabah

³¹ Muslimweb.

³²Al-Daraqutni, A. (2004). Sunan Al-Daraqutni. Beirut: Muassasah Al-Risalah.

to Allah is very good, but they should be more active. Regarding to the wealth, Muslim must have maximum effort in safeguarding their wealth, and after that, they can trust (tawakkal) to Allah. In doing so, risk management to mitigate the risk is not contradicting with shariah (Usmani M. T., 1999).

Therefore, from the current context of Islamic financial industry, risk management tool is very crucial in mitigating the risk. Hadiths as stated above regarding the risk management is as supporting argument from the Qur'an. There are several foundations of theorems used by Islamic finance researchers and practitioners to justify the truth and permissibility of risk management which is something inherent in Islamic financial institutions. In the Qur'an, according to financial experts there are some arguments about the importance of risk management ie QS Yusuf 47-49.

قَالَ تَزْرَعُونَ سَبْعَ سِنِينَ دَأْبًا فَمَا حَصَدْتُمْ فَذَرُوهُ فِي سُنْبُلِهِ إِلَّا قَلِيلًا مِمَّا تَأْكُلُونَ
ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ سَبْعٌ شِدَادٌ يَأْكُلْنَ مَا قَدَّمْتُمْ لَهُنَّ إِلَّا قَلِيلًا مِمَّا تَحْصِنُونَ
ثُمَّ يَأْتِي مِنْ بَعْدِ ذَلِكَ عَامٌ فِيهِ يُغَاثُ النَّاسُ وَفِيهِ يَعْرِضُونَ

[Joseph] said, "You will plant for seven years consecutively; and what you harvest leave in its spikes, except a little from which you will eat. Then will come after that seven difficult [years], which will consume what you saved for them, except a little from which you will store. Then will come after that a year in which the people will be given rain and in which they will press [olives and grapes]" (Qur'an, 12:47-49).

According to Ibnu Katsir, the above verses, Yusuf (p.b.u.h), interpreted the dream of the king of Egypt, this country will face big problems related to the economics condition. According to him, in the next seven year after the seven year prosperity, Egypt will face crisis. Therefore, he advised to the king to prepare proper economics strategy in managing this fact. Yusuf also recommend the king, to give instruction to all Egyptian in actively planting crops during the first seven year, thus the harvest can be used in the crisis. This strategy predicted by him, will save the Egypt from the suffering (Ibn Kathir, 1998).

The above verses are very popular in Islamic finance expert to justify the legality of risk management instrument. This is based on the fact that the existence of Islamic risk management instrument is very important to manage and to mitigate the risk faced by the Islamic financial institution. Therefore, this verse is accepted as the first milestone of risk management. According to Yazid et.al. (2017), Risk management is in line with maqosid syariah.³³

Conclusion

³³ Ahamad Syukri Yazid et.a. 2017. Islamic Personal Risk Management from Islamic Perspective. World Applied Sciences Journal 35 (9): Hlm. 1885-1892

Risk management is one of the most important parts of Islamic finance industry in which currently has been entering for the next phases for internationally recognized. Normally, as like their conventional counterpart, Islamic finance as financial intermediary also expose with many risk associated with its nature of business or with financial policy. Because of this fact, risk faced by Islamic finance institution is same as in conventional, even some specific risks are exist such as shariah compliance risk and reputational risk. Therefore, risk management in Islamic finance is very crucial in managing and mitigating risk to reduce the impact of risk with the whole business of this industry. From this point of view risk management is unavoidable in Islamic finance.

However, as general practice conducted by many scholars, the appearance of Islamic finance product must be developed based on the shariah principle. In doing so, the need of Islamic legal foundation is very important. Hence, many researchers has been arguing that there are many verse and hadits that explain of risk management, but there is limited paper that discuss the issue of validity of the hadist on Risk management.

This paper found that, the hadits on Risk management narrated by Ibnu Hibban from the text perspective including in the matan and sanad can be classified as hadits 'shohih'. From its matan, this hadist is muttasil, and all the narrator is tsiqoh, while the matan (text), this hadits also supported by other narrator such as at-Tobroni, and Al-Baihaqi.

The second hadits on riks management is narrated At-Thobroni. This hadits also used by DSN in his Fatwa No. 07/DSN-MUI/IV/2000 regarding to Mudharabah Financing. Unfortunately the above hadiths are "dhaif", in which this hadith is matruk (not used) according to Imam Al - Haitsami because in the structure of "sanad" there is Abu Jarud Al-A'ma (blind) kadzb (lie). Therefore, Imam Al - Haitsami ordered the hadeeth. However, the similar hadits was also narrated by Ad-Daruquthni, Al-Baihaqi and Ibnu Hajar Al-Asqolani, mentioned in the book bulughul marom, Chapter about Qiradh. But this hadith has a different matan, and it is narrated from Hakim ibn Hizam. In the context of Islamic finance, risk management is unavoidable. Since, the fact that Islamic finance is exactly will face risk, manage risk is permissible. Some scholars even argue that this is in line with maqosid syariah.

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