MULTI-LEVEL MARKETING PARADIGM IN ISLAM

Farhan Kamilulloh  
STAI Asy-Syukriyyah  
farhan.kamilulloh@asy-syukriyyah.ac.id

Prio Ambardi  
STAI Asy-Syukriyyah  
prio.ambardi@asy-syukriyyah.ac.id

Abstract: This study aims to find out about MLM (Multi Level Marketing) in Islamic view (Islamic law). This research is qualitative descriptive. This study included literary research to examine the written sources such as scientific journals, book references, literature, encyclopedias, scientific articles, scientific papers and other sources that are relevant and related to the object which is being studied. As for the object of study of this research is form of texts or writings that describe and explain about MLM that be popular in Indonesia. Results of this study is Islamic law permit MLM as long as not contrary with Islamic law. However, if it is contrary with Islamic law, so MLM is forbiden. Islam has principles on the development of business systems that must be free of elements dharar (danger), jahalah (vagueness) and zhulm (detrimental or unfair to one party). The system of bonuses to be fair, do not oppress and do not only benefit the people. Businesses also must be free from the element of gambling, oppression, fraud, unclean, riba (interest), vanity etc. If we want to develop a MLM business, it should be free from those elements above. Therefore, the goods or services are commercialized and ordinances sales must be halal, no haram and doubtful, and not in conflict with the principles of Shari‘ah above.

Keywords: MLM, Pardigm, Islamic

INTRODUCTION

Business is one of the honorable activities in Islamic teachings. Because of that, there are so many verses of the Qur'an and Hadith of the Prophet that mention the norms of commerce. Muslims business people, both individually and collectively, are not free to do whatever they like or what is profitable, but they are bound by a set of faith and morals, moral ethics for each of their economic activities, improve their position as consumers, producers, distributors Dani others as well as in carrying out their efforts in developing and creating their wealth.

It is recommended in Islamic teachings that even the Prophet Muhammad himself has stated that through this trade route, the doors of sustenance will be opened so that the gift of

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2 Ahmadi Ahmadi dkk., “Perilaku Organisasi dan Kepemimpinan Pesantren” (Inteligensia Media, 2017).
Allah emanates from him "buying and selling something that is permissible in Surah Al-Baqarah (2):275

أَلْدِينَ يَأْكُلُونَ الْرِّبَاءَ ۚ لَا يُقُولُونَ إِلَّا كَمَا يَقُولُونَ إِلَّا كَمَا يَقُولُ الَّذِي يَتَخَطَّبُهُ الْقُلُوبُ مِنْهُمْ ذَٰلِكَ بَلْ إِنَّ هُمَّ تَأْكُلُونَ إِلَّا ٱلْبَيْعَ مَثَلًاۢ ﴿ۚ أَثَبَتْ ﴾ ﴿ۚ أَنْ تَأْخَذَ ﴾ ﴿ۚ أَنْ يُحْدَثَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ ﴿ۚ أَنْ يَأْكُلَ ﴾ 

275. Orang-orang yang makan (mengambil) riba tidak dapat berdiri melainkan seperti berdirinya orang yang kemasukan syaitan lantaran (tekanan) penyakit gila. Keadaan mereka yang demikian itu, adalah disebabkan mereka berkata (berpendapat), sesungguhnya jual beli itu sama dengan riba, padahal Allah telah menghalalkan jual beli dan mengharamkan riba. Orang-orang yang telah sampai kepadanya larangan dari Tuhannya, lalu terus berhenti (dari mengambil riba), maka baginya apa yang telah diambilnya dahulu (sebelum datang larangan); dan urusannya (terserah) kepada Allah. Orang yang kembali (mengambil riba), maka orang itu adalah penghuni-penghuni neraka; mereka kekal di dalamnya.

Currently a very popular business pattern is a business using the MLM (Multi Level Marketing) system method. Basically doing business with this method is okay because the original law of mu'amalah is al-ibaahah (perhaps so far there is no evidence that forbids it. However, this does not mean that there are no signs that regulate it. However, in practice there are often various deviation from sharia rules.

Indonesian society appears system new trade known as the term Multi-Level Marketing abbreviated (MLM). This trading system practiced by various companies, whether on a local, national, regional and international. Among them are Amway, Uni Beauty Shop International (UBSI) and DNX Indonesia. Such trading system this is very tempting some members community for promising big profit in good time relatively short.

One of the characteristics of the trend marketing in the Globalization Era is emergence of the so-called Multi Level Marketing. This is proven by the number of companies that use Multi Level Marketing system for market its products. Draft MLM born in 1939 is a marketing creation and innovation, as a solution to involve consumer society in activities marketing efforts. With the intention that consumer society can enjoy not only the benefits of the product, but also financial benefits (in the form of incentives, gifts and even share ownership company).

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METODOH

This study uses library research with reference search efforts literature related to the subject matter discussed descriptively. Concept studies or literature is done by critical and careful study of the relevant literature with the subject matter that will be studied and analyzed. The approach in this research is a qualitative approach that is descriptive-interpretative. This type of research is a research library. The data obtained is a descriptive narrative about MLM Perspektif Islamic. As a research library research, the data collection technique used is documentation, by taking data from various relevant literature.

DISCUSSION

Discourse Multi-Level Marketing (MLM)

Etymologically Multi-Level Marketing (MLM) comes from the language English Multimeans many whereas level means level or level. As for marketing means marketing. So from the word can be understood that MLM is tiered marketing many. Referred to as "Multi-Level" because it is an organization distributors who carry out sales multi-tiered or multi-level.5

In the sense of "Marketing" actually includes the meaning of selling and besides the meaning of selling, in marketing many aspects related to it including product, price, promotion, distribution and so on. So "Marketing" is broader in meaning than sell. Selling is part of "Marketing” because selling is just exchange transaction activities with money.6 Understanding multi-level marketing or in short MLM is a modern marketing system through distribution network built permanent by positioning corporate customers as well as marketing personnel. In other words can stated that MLM is tiered marketing through network distributor built with turn consumers into energy marketing.

According to Royan MLM or Multi-Level Marketing is also known as network marketing is one of the entrepreneurial marketing methods by utilizing the network system (networks). Network marketing because it is a marketing network in it contains a number of people who carry out the process of marketing products/services.7 Marketing and distribution carried out through many levels (tiers), which commonly known as Upline (upper level) and Downline (level below), people will be called Upline if have downlines. And the core of the

business This MLM is driven by network, both vertically above down or horizontally left-right or it could be a combination of the two. Everyone who was successfully invited and join the group will provide benefits and advantages to the one who invites him, usually by using the presentation system or bonus.

Multi-Level Marketing (MLM) entered Indonesia in the 80s an, Direct Selling business network (Direct Selling) MLM, continues to bloom and fertile mushrooming and growing again after the storm of the monetary crisis and economy. Players who plunged into the world MLM that takes advantage of momentum and crisis situations to offer business solutions for foreign and local players. This shows that the MLM business much in demand by many people.

Multi-Level Marketing rated as a more marketing method efficient and effective at retail level (retail sales) due to the size and the breadth of the movement of individuals who launch this marketing program compared to traditional marketing systems. Multi-Level Marketing or Network Marketing is a system distribution of goods or services through a network or people who independent, then these people will sponsor others for help forward through one or multiple income levels.

Peter Clotier in his book entitled Multi Level Marketing A Practical Guide To Successful Network Selling as quoted by Axinantio formulates Multi Level Marketing is a way or direct selling method to customers through a network that developed by distributors who introduce distributors next.

**Discourse Of History Multi-Level Marketing (MLM)**

The idea of the birth of this MLM concept against the backdrop of the fact that, the concept of retail and direct selling (without forgetting all the advantages), just give financial benefits to people certain limited number. That is capital owners and business managers, admin staff, employees, sales or couriers. And a capable third party become an intermediary service (at least able to opening a kiosk). As well as the fourth party who carry out the role of advertising (advertising), such as TV, radio, newspapers, magazines, billboards and the like. While the community consumers are only positioned as product beneficiaries only.

It is recognized that the concept of MLM is not sharia that grows and develops in this archipelago since 1986 and has now reached 106 companies. (62 Some of the companies have licenses Tiered Sales Business from Ministry of Trade of the Republic of Indonesia) has indeed increase the degree of economy (partially) consumer society (distributors). But the problem is the problem halal and product purity, rules play and work culture, whether the product which
are sold free of harmful elements forbidden in Islam and what is the way? its work is free from elements of usury, gharar (deception or uncertainty), maisir (gambling) and zulm (exploitation)? Short paper this will attempt to explain this by explaining what is meant with multi-level marketing business and characteristics, and Islamic views to this business.

The root of MLM can't released from the founding of Amway Corporation and its nutrilite products in the form of food supplements for the diet stay healthy. This concept started in 1930 by Carl Rehnborg, a American businessman living in China in 1917-1927. After 7 years do the experiment at last he managed to find food supplements and provide their findings to his friends. Not when they want him to sell it to them, Rehnborg said “You who sell it to your friends and I will give a commission to you”.

This is the early practice of MLM which short story next company This Rehnborg who can already recruit 15,000 salespeople from home the house that was then banned operated by the court in 1951, because they exaggerate the role of the food. Which one this makes Rich DeVos and Jay Van Andel Main distributor of nutrilite products those who have organized more than 2000 distributors set up The American Way Association that finally renamed Amway.

As for the characteristics and businessbMulti-Level Marketing are:
1. Provide equal opportunities for each member to succeed.
2. Profits and success distributor is fully determined by the result of work (hard) in the form of sale and purchase of products and company services.
3. Each member has the right to one-time member.
4. Registration fee to become a member not too expensive and can accountable for its value is equivalent to the goods obtained.
5. Profits earned by distributors independently calculated by system clear calculation based on proceeds from personal sales and the network.
6. Any independent distributor is prohibited to pile up stuff, because that The most important thing is the use of the product perceived benefits or benefits directly by consumer.
7. Benefits enjoyed by members Multi Level Marketing, not only financial but also non financial matters such as awards, positions in rank, social rank, health, character development, etc.
9. In the Multi-Level Marketing system product training is very important to deliver to consumers.

10. Any sponsor or up-line interested in improving quality of distributors in its network.

11. Distribution of commissions or bonuses usually done once a month.\(^8\)

**Discourse Multi-Level Work System Marketing**

Renowned marketing expert Don Failla, divide marketing into three types. First, retail (retail), Second, direct selling (direct sales to consumers), the third is multi-level marketing (tiered marketing via network distribution built with positioning customers at once as a salesperson). Appearance product marketing strategy trends through MLM system in the modern business world very beneficial for many parties, such as entrepreneurs (both producers and MLM company). This is due to because of the cost savings in advertising. This business also benefits the distributor who acts as simsar (Commerce Partners) who want to be free (no bound) at work.

MLM marketing system that was born in 1939 was the creation and marketing innovation that involves consumer society in activities marketing efforts with the aim of consumer society can enjoy not only the benefits of the product, but also financial benefits in the form of incentives, gifts, hajj and umrah, insurance protection, retirement savings and even company stock ownership.\(^9\)

In general, how to work in business MLM are as follows:

1. Everyone will get profit from buying and selling activities what he did. If he wants get bigger bonuses then he can build an organization the bigger one.

2. Those who are at the bottom, but can build more organization greater than the one who invited him, then the person concerned has chance to get greater profit than the person who invited him above.

3. If at a certain period a person partners do not make purchases product, then he will not get profit though the path below generates turnover which is infinite.

4. Everyone who joins MLM business and want to earn bigger bonus, then he must act as a seller or enduser by buying a number of products eligible for get a bonus, and

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he should too sponsor others to form business organization that can generate turnover.

Globally MLM business system done by recruiting candidates customers who also function as consumers and members (members) of companies that practice EVENING. As for the details of the business MLM is done by:

a) At first the company tried to attract consumers to become customers member, by requiring the candidate consumers buy product packages company at a certain price.

b) By purchasing a product package the company, the buyer is given one membership form (member) from company. After becoming a member then the next task is to find new members in a way like above, namely buying company products and fill out the membership form.

c) New members are also in charge of looking for candidates new members again by the way as above, namely buying the product company and fill out the form membership.

d) If the member is able attract a lot of members, then he will get a bonus from company.

More members that can be captured, the more there are lots of bonuses because the company feels benefited by many members at once become a product package consumer company. With the members new who is also a consumer pack company products, then member who are on the first, second level and so on will always get bonus relay from the company, because the company feels benefited with new members.

Among MLM companies, there are who carry out fundraising activities community to invest in the company, with the promise of provide a profit of almost 100% in every month. There is several other MLM companies that where can someone become a member don't have to sell products company, but enough with register by paying money registration, then he is on duty look for other members in a similar way the same, the more members it will be the more bonuses you get of the company.

**Discourse Islamic Views About Multi Level Marketing**

MLM is assessed as a method more efficient and effective marketing at the retail level (retail sales) because of the magnitude and breadth of the movement the individual running the program This marketing is compared to the system ordinary marketing. Multi-Level Marketing or Network Marketing is distribution system of goods or services through a network or people
independent, then people it will sponsor others to help pass through one or multiple levels of income.

Basically, the law of MLM determined by the form of the muamalat. If muamalat contained in it is a non-contradictory muamalat with Islamic law, then it's valid the MLM. However, if the muamalat contrary to Islamic law, then MLM is forbidden. In MLM there is an element of service, meaning a distributor selling things that don't belong to him and he gets paid by percentage price of goods and if you can sell according to the target he gets a bonus that set by company.

There are many kinds of MLM and every company has specifications separately. So far it's been about 200 companies above call it MLM. Things to know in assessing a business / buying and selling that in accordance with Sharia provisions. It's basically everything form of mu'amalah or transaction the law is permissible (permissible) so that there is arguments against it. Islam has principles regarding business system development that is free from the element of dharar (danger), jahalah (obscurity) and zhulm (detrimental or unfair to wrong one party). The bonus system must be fair, not oppressive and not only benefit the people at the top. Businesses must also be free from elements MAGHRIB, the abbreviation of the five elements gambling, persecution, fraud, haram, usury (flower), vanity etc. If we want develop an MLM business, then he must be free from the elements above. Therefore, goods or services that are business and how to sell it must be halal, not haram and not doubtful and does not conflict with the principles of sharia above.

MLM that uses strategy marketing in stages (levelization) contains positive elements, provided that filled with Islamic values and the system is adapted to the shari'ah Islam. If so, MLM is considered have elements of friendship, da'wah and tarbiyah. According to Muhammad Hidayat, Sharia Council Central MUI, this kind of method ever used by the Prophet in doing Islamic da'wah in the early days of Islam. Islamic da'wah at that time was carried out through the theory of infectious gethok (mouth to mouth) mouth) from friend to friend other.

Business run by system MLM is not just running sales of goods, but also services, namely level-level marketing services (tiered) with rewards in the form of marketing fees, bonuses, prizes and so on, depending on achievement, and level a member. Great marketing services act as an intermediary between producers and consumers. In terms of Islamic

jurisprudence this is called Samsarah / Simsar. Samsarah activities in the form of distributor, agent, member or trading partner in Islamic jurisprudence is included in the contract ijarah, which is a transaction using services of others in return, incentives or bonus (ujrah) All scholars allow contracts like this.

Just like other ways of trading, the MLM strategy must meet the pillars of buying and selling and good morals (ethics). In addition, the commodities sold must be halal (not haram or doubtful), meet quality and be useful. MLM is not allowed to trade products whose halal status is not clear. Or use the mode of offering (advertising) promotional production without heeding religious norms and decency. So, basically the MLM system is muamalah or buyu' whose basic principle is permissible (permissible) as long as there are no elements: - Riba’ - Ghoror (fraud) - Dhoror (harming or harming other parties) - Jahalah (not transparent).

The requirements for MLM to become sharia include: 1) Products marketed must be halal, thayyib (quality) and stay away from doubts (Subhat is something that is still doubtful). 2) The contract system must meet the rules and pillars of buying and selling as contained in Islamic law (fiqh muamalah). 3) Operations, policies, corporate culture, and accounting systems must comply with sharia. 4) There is no excessive mark up on the price of goods (the price of goods is marked up to double), so that members are oppressed with very high prices, not commensurate with the quality and benefits obtained. 5) The management structure has a Sharia Supervisory Board (DPS) consisting of scholars who understand economic issues. 6) The intensive formula must be fair, not oppress the down line and not place the up line, only receive passive income without working, the up line must not receive income from the hard work of the down line. 7) The distribution of bonuses must reflect the efforts of each member. 8) There is no exploitation in the rules for the distribution of bonuses between the first to become a member and the latter, 9) The bonus given must have a clear ratio from the start. 10) Do not focus on tertiary goods when the ummah is still struggling with the fulfillment of primary needs.

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MLM business ventures, (especially those managed by Muslims), should have a noble mission behind their business activities. Among them: 1) elevating the economic status of the ummah through efforts that are in accordance with the guidance of Islamic law. 2) improve the relationship of ukhuwah Muslims around the world, 3) establish an international scale ummah economic network, both production, distribution and consumer networks so that it can encourage the independence and economic glory of the ummah. 4) strengthen the resilience of the faith from the invasion of ideologies, cultures and products that are not in accordance with Islamic values. 5) anticipate and prepare strategies and competitiveness to face the era of globalization and information technology and 6) increase consumer peace with the availability of halal and thayyib products.

There are several forms of the MLM system that are clearly prohibited or doubtful, namely if he uses the following system:

1. The price is higher than usual. Selling products that are traded in the MLM system at a price much higher than the usual price, this is not recommended in Islam, even according to some scholars, this contract is invalid. Selling goods at a higher price than the usual price is a form of price fraud to ordinary people who do not know the normal price. In the MLM system, the price is deliberately increased because it is combined with the registration fee as a member.

2. Target Personal Purchases As Commission Conditions. Apart from the dues that must be paid by members, there are usually conditions that require the member to achieve certain purchase targets as a condition to get a commission from the sales of members under him. If he fails to reach the purchase target then his membership will be lost or he will not get any commission even though his subordinates sell so much. All MLMs
that apply these conditions, cause their MLM system to be problematic from the Sharia point of view because of the element of injustice against members and the existence of conditional sales obligations with conditions that are determined unilaterally and are in the form of oppression. Basically, the commission taken for the sale of goods is permissible according to the Shari'ah.

3. If a member registers as an MLM member with a certain fee, but there is no single product to trade, the only effort is to find a downline member. Every time he gets a new member, then he is given a few percent of the payment of the new member to him. The more new members, the more the bonus sales. This is a form of usury because trading a certain amount of money to earn more money in the future

4. There are also MLMs that manipulate in selling their products, or force buyers to use their products or what are sold are illegal goods. So MLM is clearly forbidden.

Sheikh Salim Al-Hilali once issued a fatwa forbidding MLM with a pyramid scheme in its marketing system, with each member having to find new members and so on. Each member pays dues to the company with a certain amount in the hope of getting a bonus, the more members and marketing their products, the more bonuses promised. Actually, most MLM members who follow this method are motivated by the promised bonus in the hope of getting rich quick in the shortest possible time, even though he actually doesn't want the product.

In addition, it is necessary to pay close attention to several sharia issues in MLM business, including as highlighted by the DKI Jakarta MUI in the Indonesian Fiqh of the DKI Jakarta MUI Fatwa Association (page: 288), namely;

1. The goods traded in the MLM system use a price that is much higher than the fair price, then the law is haram because indirectly the company has added the price charged to the buyer as a share of capital in a syirkah contract (partnership) considering that the buyer will also become a member. a company that, if he participates in marketing, will benefit from the relay. Thus, the practice of MLM trading also contains an element of vagueness or deception because there is confusion between the sale and purchase contract, syirkah and mudharabah, because the buyer after becoming a member also functions as a worker who markets the company's products to prospective buyers or new members.

2. If a prospective member registers for an MLM company by paying a certain amount of money, provided that he or she has to buy the company's products either to be resold or not with the specified conditions to be able to get points or bonuses. And if they cannot
reach the target, their membership will be revoked and the money will be forfeited. This is forbidden because it contains elements of gharar which are very clear and tyrannical towards members.

3. If a prospective member registers by paying a certain amount of money, but there is no obligation to buy or sell company products, he is only obliged to find new members in the same way as above, namely paying the registration fee. The more members, the more bonuses. This is one of the usury-based transactions because putting money in the company then getting more results like a money game. As is the case with MLM companies that carry out activities to attract funds from the public to invest there with the promise of being given interest and bonuses from their capital by turning them into usury investments such as conventional banking deposits.

CONCLUSION

MLM stands for Multi Level Marketing which is also known as Network Marketing. In Indonesian, MLM is known as Tiered Marketing, or MLM Tiered Direct Selling or Tiered Direct Marketing is a sales system carried out by companies, where companies engaged in the MLM industry only sell their products directly to registered consumers (members), not through agents/distributors; In addition, the company also provides an opportunity for every registered consumer (member) to become a marketer or distributor. In this way, a consumer automatically becomes a marketer. In other words, a consumer will have a double function in the eyes of the company, namely firstly he becomes a consumer, secondly he is also a partner of the company in marketing its products.

Every trade must be profit oriented. However, Islam places great emphasis on fairness in obtaining these benefits. That is, the price of the product must be reasonable and not marked up in such a way in a very expensive amount, as is the case in many MLM business companies today. Even though the Qur'an does not set a fixed nominal amount of a reasonable profit in trade, the Qur'an firmly advises that profit taking is carried out fairly, mutually pleased and profitable.

A sharia MLM company is a company that implements a modern marketing system through a tiered distribution network, using sharia concepts, both from the system and the products sold. Basically, Islamic MLM is a buying and selling concept that develops with various variations. The development of buying and selling and its variations of course requires caution so as not to come into contact with things that are forbidden by sharia, such as usury.
and gharar, either on the product or in the system. So, in running an MLM business, it is necessary to be aware of the negative psychological impacts that may arise, thus endangering the personality.

REFERENCES


