

ISLAMIC BUSINESS ETHICS AS THE CORNERSTONE FOR THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES IN LIVESTOCK FARMING AND RATTAN CRAFTSMANSHIP

Arista Fauzi Kartika Sari, Erika Dwi Rahmawati, Sindy Dinasti Bahrul Eltasari
Universitas Islam Malang
Email : aristakartika@unisma.ac.id

This study aims to promote a shift in the business paradigm from a capitalist economy to an Islamic economic system through an empirical approach. This shift is crucial for establishing a more ethical and sustainable business environment within the framework of Islam. The research employed a qualitative approach with descriptive analysis. The empirical investigation focused on the professions of cattle breeders and rattan furniture craftsmen, who served as the sources of data. The findings reveal that these professions have implemented the five fundamental principles of Islamic business ethics: unity, balance, freedom of will, responsibility, and truth. However, respondents in this study did not fully comprehend Islamic financial literacy, particularly the concept of Riba, which they associate with taking excessive profits.

Keywords: *ethics, business, Islam, SMEs*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic structure. According to data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (2023), there are more than 64 million MSME actors who contribute around 60% to the national Gross Domestic Product (GDP). This role makes MSMEs a driving force in community economic empowerment.



Figure 1. Overview of the Contribution of MSMEs in Indonesia's Economy

The contribution of MSMEs in Indonesia, as shown in Figure 1, illustrates that MSMEs are able to absorb up to 96.9% of the total workforce in Indonesia. Additionally, they contribute to 60.5% of the national GDP, 15.6% of total non-oil and gas exports, and 60.0% of total investments in Indonesia. This contribution of MSMEs in Indonesia can be seen in the growth of MSMEs in Malang City. From 2020 to 2022, 437 new MSMEs were registered, bringing the total number of MSMEs in Malang City to 28,412 (Badan Pusat Statistik, 2023).

However, behind this significant contribution, many MSMEs face challenges in managing their businesses, particularly in terms of literacy in Islamic business ethics practices. In 2016, the OJK found that financial literacy in Shariah finance in Indonesia was only 11%, a figure that is disproportionate to the majority of the Muslim population in Indonesia (KNEKS, 2021). Common phenomena include practices such as fraud in weighing scales, deception in product quality, exploitation of labor, and manipulation of information in marketing. This indicates that many MSME actors have yet to internalize ethical values in their business operations.

In addition, the era of globalization and digitalization brings new challenges for MSMEs in maintaining integrity and moral values in business competition. Many small business owners are driven to prioritize short-term profits by neglecting ethical aspects and sustainable business practices through business ethics. However, the resilience and long-term sustainability of a business heavily rely on consumer trust, harmonious relationships with stakeholders, and the blessings in the business being run.

Islam has provided a comprehensive way of life for all activities, whether individual, social, material, moral, legal, cultural, economic, or political, both nationally and internationally. Islam invites people to embrace Islamic renewal without any hesitation and to follow Allah's guidance in all aspects of life (Hashim, 2012).

The implementation of Islamic business ethics is a relevant and potential approach to building a moral foundation in the business world, particularly in the context of Indonesian society, which is predominantly Muslim. Islamic business ethics prioritizes principles such as honesty (sidq), justice ('adl), responsibility (amanah), and the avoidance of fraud (tadlis) and uncertainty (gharar) (Antonio, 2010; Hasan, 2011). These values are both universal and contextual, making them applicable across various scales of businesses, including MSMEs. Islamic business ethics advocates for equal access and opportunities for all individuals, without any form of discrimination (Alshehri et al., 2021; Aydin, 2020).

Ayyubi & Anggriani (2016) this proves that Islamic business ethics has a positive influence on the business performance of Muslim MSMEs in Bogor City. This is reflected in the increase in assets, good relationships with customers, smooth operational activities, and effective human resource management.

Islamic business ethics not only defines what is halal and haram in business but also encourages business owners to establish fair and harmonious relationships with customers, suppliers, employees, and the surrounding environment. In practice, this ethics can serve as the foundation for decision-making, marketing strategies, human resource management, and financial management with integrity. However, there remains a gap between the idealism of Islamic ethics and the practices on the ground, influenced by limited understanding, lack of guidance, and high economic pressures. Efilianti (2018) A study on the practice of Islamic business ethics in MSMEs within the UIN Jakarta environment revealed that business owners have understood and implemented Islamic principles and values based on the Qur'an and Hadith. These principles cover various aspects, including management, marketing/advertising, and production/pricing

This study aims to provide literacy to MSMEs and the Indonesian public on how to conduct business based on Islamic principles through an empirical study. The goal is to create a more ethical and sustainable business environment within the framework of Islam. This is crucial, considering that many unethical business practices still exist, which can harm various parties. Therefore, the implementation of Islamic business ethics becomes a strategic step to improve these conditions and support the overall progress of MSMEs.

Based on the problems and previous studies outlined above, it is essential to conduct in-depth research on how Islamic business ethics are implemented by cattle farmers and rattan craftsmen. This research is expected to contribute to the development of MSMEs, strengthening them not only economically but also ethically, morally, and spiritually.

LITERATURE REVIEW

Islamic business ethics is a system of values derived from the Qur'an and Hadith, which regulates how a Muslim should behave in conducting economic activities. Several key principles that are often referred to include honesty, justice, transparency, and social responsibility (Chapra, 2001). Business ethics are often associated with good or bad behavior, and what is right or wrong in business activities. The concepts of right and wrong are often linked to equality and justice, or the satisfaction of all parties involved in a transaction. In Islam, business ethics have been extensively discussed in various literatures, with the primary sources being the Qur'an and the Sunnah of the Prophet. Business actors are expected to act ethically in their activities. Trust, justice, and honesty are fundamental elements in achieving the long-term success of a business.

According to Kholiq (2016), there are five basic principles that underpin Islamic ethics, namely:

1. *Unity*

This reflects the concept of Tawhid, which integrates all aspects of life – economics, social, politics, and culture – into a unified, consistent, and orderly whole. It involves both vertical (humanity's relationship with the Creator) and horizontal (relationship among humans) dimensions. In business practice:

- a. There is no discrimination against workers, sellers, buyers, or other business partners (QS. 49:13).
- b. Refrain from unethical practices and encourage individuals to act with trustworthiness because wealth is a trust from Allah (QS. 18:46).

2. *Equilibrium*

Balance, togetherness, and moderation are ethical principles that must be applied in both business activities and entities (QS. 2:195; QS. 25:67-68, 72-73; QS. 17:35; QS. 54:49; QS. 25:67). In business practice:

- a. No fraud in measurements and weights.
- b. Price determination should be based on a normal market mechanism.

3. *Free Will*

Free will here refers to the freedom to choose or act according to ethics or otherwise: "And say (O Muhammad), 'The truth is from your Lord, so whoever wills, let him believe, and whoever wills, let him disbelieve'" (QS. 18:29).

- a. The concept of freedom in Islam leans toward cooperation, not competition, and certainly not to the extent of undermining each other's businesses. Even if competition exists in business, it should be a competition in doing good or *fastabiq al-khairat* (competing in goodness).
- b. Fulfilling contracts, both business agreements and employment contracts. "O you who have believed, fulfill your promises" (QS. 5:1).

4. *Responsibility*

Responsibility refers to accountability for every action. According to Sayid Quthb, responsibility is a balanced responsibility in all its forms and scopes, between the soul and body, between individuals and their families, between individuals and society, and between one society and another.

- a. Economic return for capital providers must be calculated based on profits that cannot be guaranteed in amount and cannot be set in advance, unlike in an interest-based system.
- b. Islam prohibits all speculative transactions such as *gharar*, *ijon* system, and the like.

5. *Benevolence*

Benevolence here also includes virtue and honesty. The essence of truth is to have the right intentions, attitudes, and behavior when engaging in various processes, such as transactions, obtaining commodities, product development, and profit acquisition. The application of this in business according to Al-Ghazali:

- a. There is a spirit of voluntariness between both parties in a transaction, cooperation, or business agreement.
- b. There is a spirit of friendliness, tolerance, and kindness in selling, buying, and collecting debts.
- c. Honesty in every business transaction process.
- d. Fulfilling agreements or business transactions.

RESEARCH METHODOLOGY

This study uses a qualitative research method with descriptive analysis. It is a type of research that aims to answer questions. Descriptive research is a method of studying the status of a group of people, an object, a set of conditions, a system of thought, or the status of a class of events in the present time. The purpose of descriptive research is to provide a systematic, factual, and accurate description or depiction of facts, characteristics, and the relationships between phenomena being studied. According to Whitney, descriptive research is the search for facts with proper interpretation. Descriptive research studies societal issues, social norms, and specific situations, including relationships, activities, attitudes, views, ongoing processes, and the influences of a particular phenomenon.

The data collection technique involves interviews with informants. Interviews are conducted to complement the data and obtain accurate information. In this study, the researcher conducted interviews with Mr. Yudi (BY), the owner of a dairy cattle farm, and Mr. Mahardi (BM), the owner of a rattan crafting business.

RESULTS AND DISCUSSION

The researcher conducted an interview with Mr. Yudi (YD), a dairy cattle farmer who has been running his business since 2002, meaning the business has been operating for 23 years. Throughout the development of his business, which has reached this point, Mr. Yudi has never failed to apply both effort (ikhtiar) and trust in Allah (tawakal) by continuously following developments in animal care and technology. This can be seen from the answers he provided during the interview,

“dalam profesi ini, ikhtiar saya adalah dengan terus mengikuti perkembangan zaman dan teknologi untuk merawat hewan ternak. Dengan ikhtiar itu saya berharap semoga profesi yang saya tekuni saat ini bisa berjalan dengan lancar dan semakin maju”

Based on the answers provided by Mr. Yudi (BY), it reflects the effort (ikhtiar) and trust in Allah (tawakal) that Mr. Yudi practices, which demonstrates his principle of Tawhid in conducting his business. The effort in developing his business is shown by Mr. Yudi's continuous update of farming methods in line with modern advancements, while all the results are entrusted to Allah SWT.

The principle of Tawhid is also demonstrated by Mr. Mahardi (BM), a rattan furniture entrepreneur who has been managing his business for about 15 years. According to him, the most important aspect of doing business is not only the capital, but also prayer (dua). This was conveyed in the results of the interview,

“dalam suatu usaha bukan hanya modal (yang penting), karena dalam usaha juga harus berdoa yang menjadi satu sinergi yang komplit dalam mendirikan usaha. Dengan selalu berdoa dan berserah diri kepada Allah agar (usaha) diberikan kelancaran dan kemudahan, dengan berikhtiar selalu berusaha menjadi lebih baik”

Both informants demonstrate that a business can endure not only because of worldly efforts, but also through prayer, effort, and surrender to Allah SWT, the sole owner of everything in this world.

Business management is one of the key factors that Mr. Yudi (BY) implements, which has allowed his business to thrive for so long. This management is carried out by prioritizing the health and well-being of his dairy cattle. Additionally, he ensures that the cattle are provided with healthy and high-quality feed.

“sebagai peternak susu sapi perah, penting untuk memprioritaskan Kesehatan hewan dan kesejahteraan hewan. Pertimbangan aspek seperti pakan yang sehat dan berkualitas, fasilitas yang memadai, pemantauan Kesehatan serta perlakuan yang baik terhadap sapi”

Based on the statement made by Mr. Yudi (BY) above, as a farmer, he is expected to provide the best care for his cattle, ensuring that they are not harmed or subjected to cruelty. This attitude reflects the principle of responsibility ethics. The responsibility to the cattle that provide milk for Mr. Yudi's business, as well as the responsibility to Allah SWT, since Mr. Yudi is caring for animals that are central to his livelihood.

The responsibility toward animals is also mentioned by Allah SWT in Surah Al-Maidah (5:2), which means:

“Hai orang-orang yang beriman, janganlah kamu melanggar syi’ar Allah, dan jangan melanggar kehormatan bulan haram, jangan (mengganggu) binatang-binatang dan juga binatang-binatang untuk qurban”

The principle of business ethics in Islam, particularly justice, is practiced by BM in managing his business. Justice here can be seen in the initial process of ordering goods, where he prioritizes consultation with his customers regarding the model, size, and price of the ordered items. This is because his business involves custom-made or order-based products. This was revealed in the results of the interview,

“contoh nyata dari akad yang saya terapkan yaitu sebelum kita mengerjakan penanan barang, kita mengutamakan musyawarah seperti model barang yang dipilih, model ukuran, dan harga. Jadi kita tidak memiliki harga patokan yang tetap karena dalam usaha yang saya jalani ini bukan harga yang bisa dipatok karena naik turunnya harga bahan.....harus bermusyawarah hingga kedua belah pihak setuju, dalam artian saya mendapatkan keuntungan dan pihak pembeli tidak terlalu mahal. Jadi kita berdiskusi sampai menemukan harga terbaiknya. Untuk kebijakan (penentuan harga) pasti ada, karena kita mempekerjakan orang. Pasti keringat orang tersebut kita hargai supaya kita tidak mengambil keuntungan dari tenaga dan kerja orang”

Based on the statement, the products chosen by the customers can be adjusted to the price and materials that the customers can afford, and the process of consultation continues until an agreed-upon price is reached between the seller and the buyer, ensuring that there is no *tadlis* (fraud) or deception involved. Hidayat & Huda (2023) state that justice means providing clear information about the products or services offered, including price, quality, and associated risks. Furthermore, justice also requires an agreement between the parties involved based on mutually beneficial principles and without any coercion or pressure.

The principle of justice has been practiced by both informants by offering fair prices based on mutual agreements without excess. This is reflected in the interview results with Mr. Yudi (BY),

“...pada penjualan susu sapi perah kepada pembeli atau biasanya pada KUD kami tidak mengambil keuntungan yang berlebihan, sehingga tidak ada riba. Melainkan sudah sesuai dengan harga yang kami jual per harinya. Gaji karyawan sudah ada pembagiannya sendiri.”

The principle of Islamic business ethics, specifically freedom of will, has also been applied by BM and BY. Both treat their employees well and provide wages that align with the initial agreements made with them. Employee welfare is also taken into account to maintain the sustainability of both the dairy farming and rattan furniture crafting businesses. This is in accordance with the hadith of the Prophet Muhammad SAW, as narrated by Ibn Majah: "Give the worker his wages before his sweat dries."

However, based on Mr. Yudi's explanation, there was a misunderstanding regarding the concept of *riba* (usury), where he defined *riba* as taking excessive profits. This interpretation is inaccurate, as financial literacy regarding Shariah finance in Indonesia remains quite limited. This misunderstanding is also experienced by Mr. BM, who, in the interview, mentioned,

“...supaya kita tidak mengambil keuntungan dari tenaga dan kerja orang, untuk itu ada standar sendiri kan penerapan pembagian keuntungan yang tidak melebihi batas dan menghindari riba.”

Another practice carried out by Mr. Yudi (BY) in running his business ethically is fulfilling contracts with business partners, such as when he delivers sterilized milk to the KUD (Cooperative Unit) in Gondanglegi,

“Saya menjual susu sapi kepada KUD Gondanglegi unit ternak, ... dalam hal ini sangat penting untuk menjaga kesterilan dari susu sapi tersebut, karena nantinya akan disuplai kepada Nestle”

To maintain a good partnership with his business partners, Mr. Yudi (BY) ensures the quality of the milk produced. He even uses a Milking Machine instead of manual milking to preserve the sterility of the milk, from the moment it is milked until it reaches the hands of the consumers at KUD Gondanglegi.

Both Mr. Mahardi and Mr. Yudi have implemented Islamic business ethics in their professions, including the principles of Unity, Balance, Free Will, Responsibility, and Truth. These principles have contributed to the longevity of their businesses, as they do not rely solely on physical or material strength, but also on spiritual strength. Ultimately, everything in this world has been determined by Allah, including sustenance. However, this does not mean that humans should do nothing to seek their sustenance. There is the process of *ikhtiar*, which means to pray and make an effort, and then *tawakal*, which is to surrender everything to Allah SWT.

The results of this study align with the findings of Hidayat & Huda (2023), which show that in Islamic business ethics, fairness, such as the fair distribution of wealth, justice in economic transactions, the prohibition of exploitation, and business responsibility, provides a foundation for business practitioners to create a fair and sustainable economic environment.

Research by Uyun (2025) also shows that the application of Islamic business ethics has a significant impact on business performance. Observations indicate that Islamic business ethics create a harmonious work environment, which improves job satisfaction, employee loyalty, and ultimately productivity. The implementation of Islamic business ethics tends to be more innovative and responsive to changes, helping maintain financial stability and a good reputation. There are still many professions that have not been researched. Since this study only focuses on two professions, it is a limitation of this research. It is hoped that future studies can use other professions as subjects for research that discusses business ethics in Islam.

CONCLUSION AND SUGGESTIONS

The success of the businesses run by Mr. Yudi (BY) and Mr. Mahardi (BM) over nearly two decades can be attributed to their application of Islamic business ethics. Both the dairy farmer and the rattan craftsman have adhered to the principles of Unity, Balance, Free Will, Responsibility, and Truth. This can serve as empirical evidence that conducting business in accordance with Islamic principles can ensure the long-term sustainability of a business. Business

success is not solely about financial capital or generating large profits; spiritual processes must also be integrated to create a more ethical and sustainable business environment.

In addition, this research highlights the lack of public literacy regarding Shariah-compliant financial practices, especially concerning *riba* (usury). The findings demonstrate that many business owners, including those in the MSME sector, still have misconceptions about financial ethics in Islam. This gap in knowledge can affect the long-term success and ethical foundation of their businesses. Therefore, it is crucial to improve financial literacy, particularly in the context of Shariah-compliant finance, to ensure businesses operate in line with Islamic principles.

For future researchers, it is recommended to include MSMEs from various sectors to broaden the scope of research on the implementation of Islamic business ethics. Additionally, researchers should address any misconceptions about Shariah finance literacy among MSMEs, providing clear explanations and guidance. This would help improve understanding and foster more ethical business practices across different industries.

DAFTAR PUSTAKA

- Alshehri, F., Fotaki, M., & Kauser, S. (2021). *The effects of spirituality and religiosity on the ethical judgment in organizations. Journal of Business Ethics.*
- Antonio, M. . (2010). *Etika Bisnis dalam Islam.* Gema Insani.
- Aydin, N. (2020). *Paradigmatic foundation and moral axioms of ihsan ethics in Islamic economics and business. Journal of Islamic Accounting and Business Research.*
- Ayyubi, S. El, & Anggriani, S. A. (2016). Peran Etika Bisnis dalam Islam terhadap Kinerja Usaha Mikro, Kecil dan Menengah (UMKM) Pangan di Kota Bogor. *Journal of Business and Banking*, 6(2).
- Chapra, M. U. (2001). *The Future of Economics: An Islamic Perspective.* Leicester. *Leicester: The Islamic Foundation.*
- Efilianti, D. (2018). Etika bisnis dalam Islam: Konsep dan Implementasi pada Pelaku Usaha Kecil. *ESA: Jurnal Ekonomi Syariah*, 1(2).
- Hasan, Z. (2011). *Business Ethics in Islam: The Grafting of Modernity on the Shariah Framework. International Journal of Islamic and Middle Eastern Finance and Management*, 4(3), 221–234.
- Hashim, M. (2012). *Islamic Perception of Business Ethics and the Impact of Secular Thoughts on Islamic Business Ethics. International Journal of Academic Research in Business and Social Sciences*, 2(3).
- Hidayat, M. S., & Huda, Q. (2023). Konsep *Fairness* dalam Etika Bisnis Islam: Kajian Literatur terhadap Praktik Distribusi dan Keadilan Ekonomi. *JEKIS: Jurnal Ekonomi Islam*, 1(2).
- Indonesia, K. K. dan U. R. (2023). Data UMKM Nasional. www.kemenkopukm.go.id
- Kholiq, A. (2016). *Etika Bisnis Dalam Perspektif Islam.*
- KNEKS. (2021). *Prinsip dan Etika Bisnis Syariah.* Modul UMKM Industri Halal.
- Uyun, K. (2025). Analisis Penerapan Etika Bisnis Islam Di Umkm Busana Muslim “Fashion Store” Geger Bangkalan. *Jurnal Media Akademik (JMA)*, 2(6).