

Implementation of Islamic Business Ethics in Small and Medium Micro Enterprises (MSMEs) in Jambi City

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Abstract— *This study discusses implementing Islamic business ethics in micro, small and medium enterprises (MSMEs) in Telanai Pura Jambi City. This research is a qualitative descriptive study, with data collection methods, namely interviews, observation, and documentation, and data analysis techniques, namely data reduction, data presentation, and conclusion drawing. The informants in this study were MSME actors, namely MSME owners, employees, buyers, and the local community. The results of this study indicate that the MSME actors have understood Islamic business ethics, believing that all transactions carried out are by Islamic teachings. MSME actors have also implemented Islamic business ethics principles, namely the principle of unity (tawhid), the focus of justice ('Adl), the principle of free will (Ikhtiar), the principle of responsibility (responsibility), and the principle of honesty (Siddiq). The application of these principles has been implemented into managed MSMEs, namely in the form of friendly and courteous service to customers, not neglecting prayer times, being generous, behaving honestly and fairly in the business being undertaken, selling good and decent goods, setting reasonable prices, always instilling an attitude of responsibility in doing business and always trying and believing that only Allah SWT is the one who controls the sustenance of his servants.*

Keywords: Islamic Business Ethic, MSME Actors.

1. INTRODUCTION

Economics is an activity carried out by an individual to make a choice and how to make that choice. In Islam, economic activity is also very well known. However, the goals of Islamic economics and conventional economics are very different. Traditional economics aims only to achieve utility and profit, but Islamic economics reaches the ultimate goal of world welfare and the hereafter (Falah). Therefore, in carrying out economic activities carried out by each Muslim, it must always be oriented to the benefit. Islam offers fair trade ethics based on the example of the Prophet in doing business.

Every business activity is currently starting to apply ethical and moral elements in its activities, not only to achieve business goals itself, such as getting big profits but to cultivate good discipline and integrity in any business person because every business person applies discipline and integrity that good, the business value in the eyes of the wider community will be good too [1]. This aims to avoid any immoral actions in running their business to overcome fraud that is carried out only for a profit ranging from reducing or cheating in the form of scales, lying about the quality of goods sold, making fake offers or requests, competition unhealthy with other traders and so on [1].

Received: 10 October 2022

Reviewed: 23 November 2022

Accepted: 31 December 2022

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In doing business or trading, entrepreneurs must also pay attention to ethics in doing business. This is like the principle in business ethics that Islamic economics creates nothing but human benefits, namely physical and spiritual welfare. Therefore, Islamic economics views economic behavior in several aspects, namely aspects that are permissible (permissible), aspects that are recommended, aspects that are prohibited, and characteristics that are commanded, including having noble character, being trustworthy, honest, not cheating, not reducing the scales, not taking perjury, not a monopoly and so on [2].

Every business activity is currently starting to apply ethical and moral elements in the business activities undertaken, not merely to achieve the business goals themselves, such as expecting to get big profits, but also wanting to cultivate good discipline and integrity in anyone who does business [3]. People began to emphasize the importance of applying ethics in business. In fact, in social life, humans have been regulated in the view of Islamic teachings to control all human life, including those relating to implementing the economy in business. So, business ethics has been applied from an Islamic perspective.

Islamic business ethics has a principle in implementing Islamic business ethics. Normatively, the Qur'an provides more regulations regarding business, based on the framework of handling business as economic actors without distinguishing class in inviting and practicing its guidelines. The following is an explanation: a paradigm with the Qur'anic perspective, namely the business paradigm, and is based on the principles of Islamic business ethics [4].

2. THEORITICAL REVIEW

The first principle is unity (tawhid). The principle of monotheism is developed from the belief that all resources on earth are the creation of Allah SWT. At the same time, humans are given the mandate to own, manage and use them temporarily. The principle of monotheism was also developed with the belief that all human activities, including economic activities, are supervised by Allah SWT and will be accounted for before Allah SWT in the hereafter. The second is the principle of justice ('Adl). This principle of justice is the basis and goal of all human actions in life, including economic activity.

The third is free will (Ikhtiar). In doing business, a businessman is given the freedom to achieve his individual goals in doing business. However, in Islam, the space provided is not free but still controlled, so it has limitations that must be based on the Qur'an and Hadith. The fourth is responsibility. This responsibility is an essential character that must be possessed by a person in any field, including in the business field. The principle of accountability is closely related to the direction of free will, so it can be interpreted that humans have the freedom to do anything but remains responsible for what he does during their lifetime.

Moreover, the last is honesty (Siddiq). Truth is the value of truth that is recommended and does not conflict with Islamic teachings. In the business context, truth is intended as the right intention, attitude, and behavior, including the transaction process and the process of seeking or gaining profit. Islamic business ethics is applied in a business. Islamic business ethics will be contained in the activities carried out by Micro, Small, and Medium Enterprises (MSMEs). MSMEs are productive economic businesses that stand-alone, which are carried out by individuals or a business entity that is not a company or is not a branch of a company that is owned and controlled, or becomes a part either directly or indirectly of a medium-sized business or essential business that meets the criteria [5].

In Indonesia, MSME actors significantly contribute to the country's economy. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises of the

Republic of Indonesia (Kemenkop) in 2017 that 99.99% of business units in Indonesia are micro, small, and medium scale, and 0.01% are large scale [6]. The data shows that in addition to having a relatively significant contribution to Indonesia's GDP, the number of MSMEs in Indonesia is also very large. With so many MSME enthusiasts, it shows that MSMEs have a positive impact on increasing the workforce, unemployment, poverty, equitable distribution of income, and rural economic development. Small and medium-sized industries as a potential business nature in creating job opportunities, especially in areas that are less touched by large industries [7]. The existence of MSMEs in Jambi City is very strategic in improving the economy. MSMEs' resilience has been proven to be a safety net for the economy. For this reason, the development of MSMEs in Jambi City needs more serious attention to increasing entrepreneurs' ability to compete in regional and international markets. The creative economy sector is overgrowing, and the development of MSMEs in Jambi City can be felt.

3. RESEARCH METHODS

This study used qualitative research methods. This research was carried out on August 26, 2022, to August 26, 2022. In this study the object of this research was SMEs in Telanaipura District, Jambi City. The research instruments used in this study were interviews, observation, and documentation. Interviews are a form of discourse, images mainly reflecting the structure and purpose of different interviews. Namely, discourse is created and organized by asking and answering questions [8].

Furthermore, observation is the observation of an object under study, either directly or indirectly, to obtain data that must be collected in research [9]. Moreover the last is documentation. Documents are records of events that have passed. Documents can be in writing, pictures, or monumental works of someone. Documents in writing include diaries, life histories, stories, biographies, regulations, and policies. Documents in the form of images, for example, photos, live images (videos), sketches, and others. Documents in the form of works of art, for example, works of art, such as sculptures, paintings, films, and others. The document method complements the qualitative observation and interview methods [10]. The data analysis method used in this research is data reduction, data presentation, and conclusion drawing.

4. RESULTS AND DISCUSSION

Micro, Small, and Medium Enterprises (MSMEs) are regulated in the Law of the Republic of Indonesia No. 2 of 2008 concerning MSMEs. Article 1 of the Law states that micro-enterprises are productive businesses owned by individuals or business entities with the criteria for micro-enterprises, which are also regulated in the Act [11]. The type of business goods is only sometimes fixed and can change anytime. The place of business is sometimes flexible and can change places at any time. Generally, these micro-enterprises have not had access to banks, but some have gone to non-bank financial institutions. Generally, these micro-enterprises do not have a business license or other legal requirements such as a TIN.

Small business has an asset value of more than Rp. 50,000,000.00 up to a maximum of Rp. 500,000,000.00, excluding land and buildings for business premises, has annual sales of more than Rp. 300,000,000.00 up to a maximum of Rp. 2,500,000,000.00. A medium-sized business is a business in a productive economy and is not a branch or subsidiary of a major company and is a direct or indirect part of a small business or large business with a total net worth by the laws and regulations. A medium-sized business has a net worth of

more than Rp. 500,000,000.00 up to a maximum of Rp. 100,000,000,000.00 with annual sales of more than Rp. 50,000,000,000.00.

This study seeks to determine how Islamic business ethics are implemented in SMEs in Jambi City. In this study, researchers researched the perpetrators of Telanai Pura SMEs in Jambi City. In this study, the researcher will describe the implementation of Islamic business ethics based on the principles of a business paradigm that has a Qur'anic perspective, namely Unity (*Tawhid*), Justice (*Al 'adl*), Free Will (*Ikhtiar*), Responsibility, *Siddiq* (Courage, wisdom, and honesty), and the last is trusted (*Amanah*).

Implementation of Islamic Business Ethics Based on the Principles of the Al-Qur'an Effective Business Paradigm:

Implementation of Unity (*Tauhid*)

The principle of monotheism was developed from the belief that all resources on earth are created and belong to Allah. At the same time, humans are only given the mandate to own, manage and use them temporarily. Based on the results of researchers' observations on the MSME actors at Telanai Pura, Jambi City, some MSME actors still need to implement the Tawhid ethics in the MSMEs they manage. However, not a few MSME actors apply the Tawhid ethics. In the ethics of Tawhid, it means that Allah SWT is the owner and creator of the universe and its contents and establishes rules and laws, such as:

- 1) Business Activities The following are the elements of business activities that contain elements of:
 - a) Perform prayers on time.
 - b) There is a special place of worship for MSME actors.
 - c) Paying zakat according to what is required to be issued.

Jefri, the owner of the Maknyos Chicken Geprek (45 years old), said: "In this place, I enforce the hours for prayer for employees, I set the opening and closing times for my business, such as when I will pray dzuhur, I temporarily close the shop starting from 12:00 to 13:00 so that there is time for me and the employees pray and have lunch. I do not understand the concept of Islamic business ethics. However, in my opinion, it is certainly not far from the established Islamic law, so I am very concerned about my efforts to avoid violating Islamic law."

The same thing was also conveyed by Mrs. Suryani, the owner of the Geprek Buffet (47 years old) UMKM: "I do not understand exactly what the concept of Islamic business ethics is. However, in my opinion, we as creatures of Allah SWT must believe that who else manages sustenance, if not Allah SWT, and everything has its portion. Here it is open only from morning to evening, although sometimes there are still many other MSMEs open until evening, so if it is for prayer time here, God willing, it will not be negligent. Moreover, places of worship are provided here."

Mrs. Ranti (29 years old), as a team member at MSME Geprek Buffet, said: "As long as I work here for about four months, there is indeed a time shift during prayer hours, sometimes it is effective. However, this is sometimes neglected, considering that lunch connoisseurs are usually busy between 12:00 and 13:30, so we often postpone the time for prayer before the break until it is quite quiet."

Based on the results of the interviews above and reinforced by the results of the researcher's observations, it can be concluded that the behavior of MSME traders at Telanai Pura Jambi City has applied the principle of monotheism in the business they run, consistently carrying out their obligations to worship Allah SWT by not

neglecting the five daily prayers for worldly affairs. As traders, they can only tolerate whatever results they get after they have done their best in trading.

2) Business Conduct Limits

Applying the limits of business ethics such as politely mentioning names or the form of calling customers, for employees/employees to be present at work on time, not hesitating to say thanks and smile, and showing good ethics towards superiors, co-workers, and visitors. The following are the results of interviews with researchers at Telanai Pura SMEs regarding the limits of business behavior.

Mrs. Risa (27 years old), as a buyer of the Geprek Buffet, said: "I have eaten here quite often. I feel comfortable with the environment and the employees here. I am served politely. It is just that sometimes there is one team member who, in my opinion, is less ethical because he often cleans the dining table while the customer is still at the table. More than that, I like and am comfortable with this place to eat." Supadi (54 years old) Surrounding community: "Yeah, I have lived here for a long time. I have also bought food here, the food is delicious, especially the sambal. In my opinion, the service here is polite, even though sometimes I am not a buyer, but the owners and employees are all friendly."

Based on the interview above, every MSME place sets its boundaries to maintain the image of the place they manage. They still prioritize politeness and good service and always maintain the boundaries between worldly activities and the hereafter so that they always get the blessing of Allah SWT.

Implementation of Justice (Al-'Adl)

Justice is a condition that is fair to a character, act, or treatment of something. Islam encourages its people to be fair in all aspects of life, including business. In business, Islam forbids a businessperson to cheat in his business practices. Based on the results of the researcher's observations to see the implementation of the attitude of justice in setting prices for the MSME actors at Telanai Pura Jambi City, the researchers saw that almost all MSME actors applied this attitude, based on the results of interviews with traders to ensure that all transaction activities carried out by Islamic teachings would get ridho from Allah SWT. That way, they are always careful to maintain the behavior in trades. The form of piety in running a business always includes the intention to worship Allah SWT. The understanding of traders about justice and honesty is the key to achieving a higher degree both materially and in the sight of Allah SWT.

Ilham (40 years old), owner of MS said: "As a Muslim, I must apply a fair attitude. I have consistently adhered to the principles that I created. Like taking advantage, it is not excessive, which is only natural so as not to oppress buyers, and we as businesspeople do not lose. Because I have applied a fair attitude, I have put something in its place. One day I will also be held accountable. The meaning of justice and honesty in doing business will bring good fortune." Another informant is Mrs. Aini Yuwanisa, MSME Owner, Bibot Cheese Stick Story said: "The products that I sell now arguably sell better in Jakarta than in Jambi. I do not mess with my business. I always involve Allah SWT in every step I take to be blessed, for alms or the like. God willing, I always prioritize that."

Based on the results of the interviews above, the principle of fairness is fundamental in determining the selling price of an item. With price accuracy, it can also increase the number of product purchases. From the results of the interviews above, it can be concluded that Jambi SMEs have implemented the principle of

justice in setting prices.

Mrs. Endang (41 years old) worker at Karya Laundry, has said, "I have been working in this laundry for about nine months. Besides me, there are three other workers. My job here is to weigh, wash and scrub. Thank God I am comfortable while working here. For the wages I get, I feel sufficient and fit with what I have been doing." Susi Anjani (24 Years) Buffet Geprek Employee said: "I am fairly new to work here, not even a year, about three months running. Regarding the salary, I think it is enough, but if you want to be given extra, that is okay too (hehe). However, the salary I receive, I think, is by what I do, but here the work is quite heavy, especially when I have to grind the chili sauce myself."

Based on the explanation above, MSME actors understand the importance of fairness in trading. They try to practice fairness. Being fair is shown by setting prices according to the quality of goods and giving wages according to what employees have done to get many buyers and comfort in doing business.

Free Will (Effort)

Humans are free to implement Islamic rules in economics because economic problems include aspects of muamalah, not worship. General rules apply, except that what should not be done in Islam is injustice and usury. Some elements of free will in this research are:

1) Freedom in determining the place.

Freedom in determining this place is an essential component of doing business. This can be a measure of the progress of a business because a strategic place will increase the attractiveness of buyers. The following are the results of interviews with researchers regarding the principle of free will in implementing Islamic business ethics for MSME actors. Septi Sukmawati (34 years old), Employee 6666 Cosmetic & Accessories, has said: "I have been working here for a long time, about two years. There are four employees here, but for this morning shift, Risma and I. The choice of this place, as far as I am with the owner, is not ordered from anywhere. This is purely the will of the owner. Maybe it is also because this is the center because it is close to schools, offices and often quite crowded with visitors."

Based on the interview, the Cosmetic n Accessories point of sale shows that they apply the concept of free will in their business, thus showing that the MSME can be said to have implemented the principle of free will. The following is an interview with other MSME owners. Lili (29 years old), as a team member of Jambi Telanai Children's Snack, has said: "For this business, as far as I know, it has many branches, namely next to Mie Aceh Simpang, the red light of the Hajj hostel, in front of the Puri Mayang housing estate, next to POD Persijam Jambi City, and here (in front of Sd 47 Sungai Kambang Telanai. I think I chose this place already passed the survey. First, this is seen from the consumer's opportunity, for the selection of the place to be made as much as possible, namely by not disturbing the surrounding environment, located in a positive environment so that consumers are comfortable to shop". From the results of the interviews above, it can be concluded that the selection of a place to do business is made by surveying first so that the place can become a consumer attraction.

2) Freedom in setting prices

The following are the results of interviews between researchers and MSME actors by Mrs. Santi (42 Years). She said: "If a buyer bids, I will consider it.

However, if I cannot accept the offer, I will not force it. If you do not want to buy it, it is your right to buy it. I also have the right to give it or not because I never set a price below the market price because my goods are fortunately only a little.”

Based on the results of the interviews and observations above, almost all the answers of MSME actors have implemented the principle of free will. This is indicated by MSMEs already having their standards regarding the products they will sell, choosing their products that are indeed clearly halal so that consumers/buyers do not need to worry about the halalness of all the products sold. Moreover, the interview above illustrates that in the principle of free will, traders describe that by giving freedom to buyers whether they want to buy or not, traders will still set prices according to their market prices.

Responsibility

Responsibility in the individual is so fundamental in Islamic teachings. Unlimited freedom is impossible for humans to do because it does not require accountability. To fulfill demands and unity, humans need to be held accountable for their actions [12]. Mr. Ilham (40 years old), Owner of MSME, has said: "I will continue to do my best always to be responsible. Just as I trust the workers here always to instill an attitude of responsibility, and also I will be responsible if there is a mistake, I will replace it with a good item." Another informant Mr. Kiki (27 Years), an Employee of UMKM Sedulur said: "I have been working here for about one year. There are nine employees here. The choice of place here because maybe the place is strategic. I work here passionately and hard, and I will do my best. However, if there is a mistake that I made, then I am committed to correcting the mistakes I made. So far, I always come on time and work according to what has been assigned."

From the interview above, it can be seen that the seller is ready to replace if the seller makes a mistake. The Telanai Pura MSME traders are responsible for their employees by providing adequate rest and prayer times. As well as the responsibility to consumers by providing convenience in shopping. In addition, employees of MSME actors have also implemented an attitude of responsibility at work.

Honesty (*Siddiq*)

This trust in honesty is an essential characteristic a businessperson must own. The principle of honesty is closely related to the principle of freedom, so it can be interpreted that humans have the freedom to do anything but remain responsible for what they do during their lifetime. Honesty is the beginning of the formation of trust. Honesty is the primary key to running a business so that consumers are maintained so they can return to the merchant and increase purchases from before.

Sumi (49 years old) Worker in a restaurant, has said: "Because honesty can make buyers feel satisfied and they are not disappointed, it is important that both traits be present in a business. I do not want to lie, but sometimes I can steal some money from the purchase, but I do not want to. I assume my boss has trusted me here, so I have no right to disappoint him." Mr. Farhan (27 Years) Buyer at Geprek Buffet, has said: "I often eat here because it is delicious here. Besides that, the system is also taken by myself, so I like to eat here because I can take it according to the portion we need. I also work not far from here, so during lunchtime, I come here to eat. Here itself implements a self-pick-up system, and after the meal is paid for, it is clear to apply honesty in it."

In business, of course, profit is sought, but blessings are also sought in business by applying the aspect of honesty to all business processes. Honesty in business is an important point that must be applied by always being open and putting things in their place.

5. CONCLUSION

Several conclusions were obtained based on the results of the research that had been done and the discussion described in the previous chapter. From the interviews of researchers with MSME actors Telanai Pura Kota Jambi, which includes business founders, MSME employees, and consumers. Based on the results of the study, it can be concluded:

- 1) MSME actors Telanai Pura Jambi City have almost fully implemented the principles of Islamic business ethics in their business, but some still need to pay more attention to these principles.
- 2) Regarding the principle of unity (tawhid), some MSME actors are still negligent in implementing the principle of monotheism. This is indicated by the fact that business activities still interfere with obligatory worship, namely prayer. One of the obstacles is that the MSME actors where eating is often crowded with visitors at lunch and coincides with the midday time. However, the majority of MSME actors have applied this principle.
- 3) Principle of justice, in principle of justice, almost all MSME actors have implemented it. They explain that being honest and fair will increase the sustenance obtained.
- 4) The principle of responsibility, results of the researcher's research on the principle of responsibility show that the perpetrators of the Telanai Pura UMKM in Jambi City in managing their business are already responsible because, in the results of the interview, it has been explained that the seller is ready to compensate if the seller makes a mistake. Because the class in every activity carried out by humans will be accounted for. So as much as possible you have to do good so that later the responsibility will also be good.
- 5) The principle of honesty, from the results of the study, it can be concluded that the perpetrators of MSMEs at Telanai Pura Jambi City have almost all MSME actors applying the principle of honesty. Small and medium-sized enterprises (SMEs) have implemented the principle of honesty by constantly trying to get closer to Allah SWT and prioritizing honesty in business.

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