

APPLICATION OF ISLAMIC BUSINESS ETHICS IN RUNNING MICRO SMALL AND MEDIUM MSME ENTERPRISES

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Abstract: This research aims to determine the application of Islamic business ethics in running Micro, Small and Medium businesses in the Umi Zahra Clothing Store industry. The research approach used is a qualitative approach. The research method involves interviews with owners and employees of Micro, Macro and Medium Enterprises. Based on the results of implementing Islamic business ethics in running a business at the Umi Zahra Clothing Store, it starts with always prioritizing honesty, trustworthiness, prioritizing the quality of the product itself, strengthening customer relationships and making a positive contribution to the growth of UMKM and integrating the values of Islamic Ethics.

Keywords: Business Ethics, Islamic Business Ethics and UMKM

INTRODUCTION

Business world No Can Apart from business ethics, many research results show that there is a positive relationship between business ethics and the success of a businessman. Like the bankruptcy story of Lehman Brothers which illustrates the impact of a company that does not follow business ethics in its business operations. Lastly, unfair business practices, only thinking about maximizing profits and harming other parties, will destroy even large companies. The reality we currently face in society is behavior that deviates from religious teachings, weakening ethical values in business.

Business actors or companies that do not follow ethics will not do good, so they can threaten social relations and harm consumers, even themselves. If traders do not follow the business ethics that should be applied, it is very likely that these traders will experience many bad things. One of them is low consumer satisfaction which results in no purchases of products which ultimately results in decreasing income levels. Therefore, companies have an obligation both internally and externally to improve the welfare of their employees and protect or provide social benefits to society. All parties involved in business, whether buying and selling or otherwise, must provide mutual benefits and behave in accordance with religion.

Islam encourages people to do charity, but it must be based on the ethics and rules specified in Islam. In Islam, doing business is highly recommended, but it must be in accordance with what is written in the Koran and conveyed by the Prophet Muhammad SAW. Both are guidelines for Muslims in doing business. These guidelines include several rules based on Islamic business, including sidiq (honesty), amanah (responsibility), prohibition of usury, keeping promises, fraud,

tathfif (cheating the scales), alienating other people. traders, do not collect goods and other things that can harm other people.

Micro, Small and Medium Enterprises (MSMEs) are business entities run by individuals and community groups. It cannot be denied that the existence of SMEs is one of the backbones of the Indonesian economy. The MSME sector generally plays a role in creating jobs, encouraging economic growth and increasing income distribution through business opportunities (Kaukab, 2020). Every year, this sector continues to grow until it reaches 60% of Indonesia's GDP in 2018, while labor-intensive SMEs are able to absorb 96% of the workforce or experience growth of 5% every year. Therefore, the government has started an aggressive transformation of SMEs, starting from cheap loans to offering various incentives.

Even though it plays a very strategic role, developing SMEs is not easy. Therefore, most entrepreneurs are business owners and managers, entrepreneurs have full responsibility for consumer satisfaction. On the other hand, consumers are now increasingly critical of the SMEs they visit, they are educated and don't just look at the price when buying. However, when shopping, they pay more attention to comfort and quality of service. In serving consumers, employees must work professionally and skillfully. Apart from that, employees must always be friendly and smile and provide good service. Smiling (tabasum) creates love, affection and makes other people feel more appreciated. One of the most emphasized efforts is to increase sales by providing optimal service to consumers, as best as possible in service delivery, so that consumers are comfortable in making purchases.

Based on the background above, the author intends to examine further how good consumer ethics are practiced in business with the research title " Application of Islamic Business Ethics in Running Micro, Small and Medium Enterprises, MSMEs ".

LITERATURE REVIEW

Business ethics

1. Understanding business ethics

Ethics comes from the Greek word "Ethos", which means custom or habit, and means that ethics relates to principles, good ways of life, good rules of life, and all habits that are adhered to and practiced are transferred from one person to another or from generation to generation. Ethics is usually defined as a systematic attempt to make sense of our individual or social moral experiences using reason, thereby determining the roles that will govern human actions and the values that are beneficial in life. (Ahmad Syafiq, 2019) .

According to Islam, ethics, or manners, and morals are contained in the Al-Qur'an and Sunnah. In his daily life, Rasulullah SAW became an example for Muslims with his morals. After the science of monotheism became the basis of our relationship with the creator, Allah SWT, the science of monotheism has been added to the ethics of monotheism, which directs us to follow His commands and abandon everything that He forbade it. Apart from that, our relationships with each other must be carried out in a good way and in accordance with applicable norms (Hidayat, 2023)

In Islam, it is mandatory to act fairly, including towards those who are disliked when interacting in the world of work and business. According to Islamic justice, the rights of other people, the social environment, the universe, and the rights of Allah and His Messenger are responsible for a person's fair behavior. (Katmas et al., 2022)

2. The Koran's foundation for business ethics

Business ethics are based on the Quran and Hadith. The Qur'an is the first source of Islamic business ethics, and Islamic ethics also regulates economic ethics, including matters such as production, consumption, distribution, etc. (Rohmah & Badi', 2020)

In principle, business competition according to Islamic law must be healthy, honest, well-behaved, sympathetic, fair, and establish friendships to strengthen the bond of brotherhood. Therefore, Islamic principles and morals make it possible to compete with everyone. In verse 77 of Al-Qashash book, Allah SWT said

It means:" And seek the enjoyment of the hereafter that God has given you, and do not forget the enjoyment of this world. Do good to others as God has done good to you, and do not cause harm on earth. Indeed, Allah does not like those who do evil" (QSAI-Qasash:77) (Siti Hofifah, 2020)

According to Sudarsono, Islamic ethical values in business activities are presented from the perspective of the Koran, including, "Being honest (trustworthy), doing good to both are Islamic ethical values in relation to the good nature of appropriate and recommended actions or treatment. to be carried out as a commendable characteristic." Ali Hasan (2009) added that business ethics in Islamic law are the morals of running a business in accordance with Islamic values so that there is no worry when running a business because it is considered good and correct.

Taking all of the above into account, it can be said that Muslim individuals and groups are given the freedom to trade and do business. However, this is based on faith and ethics (morals) taught by Islam, so he does not have absolute freedom in investing money or spending it. He must act in accordance with the values of honesty, justice and truth as well as profit for his business. In addition, he must follow the general rules and principles of the Islamic legal system (Athar, 2020) .

3. Principles of Business Ethics

Rasullullah SAW Principles of Business Ethics

Healthy Islamic business ethics must start with business people understanding business ethics. The principles of Islamic business ethics do not originate from the Islamic religion. Islam has regulated various aspects, including "morals" such as prioritizing honesty, discipline and responsibility. One of the foundations of Islamic business ethics is the characteristics of the Prophet Muhammad, which include:

- i. Siddiq
Shiddiq, which means right, in the context of managing Islamic business. not only correct in speech or speech, but also required to be correct in action.
- ii. Trust Safe
Trust means trust. Running a business requires trust between business people and consumers. To foster this trust, business people must be responsible and comply with the provisions and agreements so as not to disappoint or harm either party.
- iii. Tabligh

According to Tabligh, running an Islamic business must be in accordance with the condition of the goods to be sold so that the quality is not compromised. After that, the item must be sent.

iv. Fathonah

Fathonah means intelligent or cunning. Islamic businesses must also be smart in running a business, smart in communicating with customers, smart in managing marketing strategies, and smart in promoting products. They also have to be good at reading situations when running a business (Aldo et al., 2024) .

Islam teaches several ethics to obtain blessings in buying and selling, such as:

a. Selling good quality goods

In buying and selling, Islam recommends selling goods that are of good quality, can still be used, and are halal. On the other hand, religion prohibits selling damaged goods, including haram goods.

b. Do not hide defects in goods

One of the reasons why someone loses the blessing of buying and selling is if they sell a damaged item and then hide the damage.

c. Don't play swearing.

Traders usually use oaths to convince buyers to sell their goods, but Islamic law prohibits this.

d. Loose and generous.

This loose and generous nature is highly appreciated and highly recommended for businesses as it will be easier to increase customers and attract their interest.

e. Don't put each other down

It is not surprising that there is competition in business. However, this competition must be used to improve and improve the quality of products and services, not to bring each other down (Syahputra, 2019)

MSMEs

1. Understanding MSMEs

Small and medium enterprises (MSMEs) are stand-alone productive business units, which are carried out by individuals or business entities in all economic sectors (Tambunan, 2012). The differences between Micro Enterprises (UMi), Small Enterprises (UK), Medium Enterprises (UM) and Large Enterprises (UB) are usually based on the initial asset value (not land and buildings), average turnover per year, or the number of permanent workers. However, each country has a different definition of MSMEs based on these three measuring tools.

Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) regulates the definition of MSMEs in Indonesia. The law stipulates the definition of MSMEs as follows:

- a. Productive businesses owned by individuals and/or individual business entities that meet the criteria set out in this Law are considered micro businesses.

- b. According to the law, stand-alone productive economic businesses carried out by individuals or business entities that are not subsidiaries or branches of companies and are not owned, controlled or become part either directly or indirectly of medium or large businesses are considered small businesses. .
- c. According to the law, a medium-sized business is a productive economic business carried out by an individual or business entity which is not a subsidiary or branch of a company and which is owned, controlled, or is part, either directly or indirectly, of a small business or large business with net assets. or annual sales results (Gonibala, 2019)

2. Types of MSMEs

Small and medium businesses (MSMEs) usually operate in two (two) fields: industrial industry and goods and services. According to Presidential Decree no. 127 of 2001, the types of business that can be carried out by small and medium enterprises in industry and trade are

- a. The processed food and beverage industry carries out preservation processes using traditional methods such as salting, salting, sweetening, smoking, drying, boiling, frying and fermentation.
- b. an industry that ties threads using hand tools from artificial fibers into patterned or dyed threads.
- c. The textile industry includes weaving, knitting, batik and embroidery which are characterized by being carried out using ATB or hand-operated tools. Examples include batik, cap, skullcap, and so on.
- d. hand tool industry for carpentry and cutting that is made manually or semi-mechanically (Suyadi et al., 2017)

RESEARCH METHODS

The method in this research is to use qualitative research. Qualitative research is research conducted to understand social phenomena from the subject's point of view. And the activity carried out is field research using a descriptive approach method, namely the data that has been collected is arranged by organizing the data into categories, describing it into units, carrying out a synthesis, arranging it into patterns, choosing what is important and what is important. will be studied, and make conclusions so that they are easily understood by yourself and others.

In this research, the primary data sources are interviews and observations with shop owners and employees. Secondary data sources in this research are documentation, research journals, library research, as well as using the internet as a support to search for additional information to complete the necessary theories related to this research.

Data collection techniques in this research are observation, interviews and documentation techniques. Data analysis techniques used include data reduction, data display, conclusions and verification. The technique for checking the validity of the data in this research is diligent observation, triangulation, and using reference materials

RESULTS AND DISCUSSION

brief history of the Umi Zahra clothing shop , the Umi Zahra clothing shop located in Tembung, Kampung Kolam Village, which started its business in 2010, starting only selling around homes and schools. Then in 2012, Umi Zahra decided to open a clothing shop in her own home and it turned out that many local people had a hobby of shopping.

Apart from that, Umi Zahra employed employees from initially only 2 employees until now there are 17 employees and on August 13 2023 the Umi Zahra shop started opening a branch on Jalan Rumbia, Batang Kuis city.

Umi Zahra Clothing Store applies Islamic business ethics which pay attention to honesty in business to gain customer trust, loyalty to superiors and other employees, discipline in work, and responsibility both in this world and the hereafter. However, there are some dissatisfied buyers.

The research results show that the Umi Zahra Clothing Store has supporting factors that come from within, namely leaders who prioritize religion will ensure the implementation of Islamic business ethics in the store, such as tabayun first to employees if problems or errors occur. Apart from that, the leader's trustworthy attitude has a significant influence on directing employees to be able to take the Umi Zahra Clothing Store in the right direction.

One of the challenges in providing satisfactory service to customers who directly buy products at the Umi Zahra Store is the lack of caution from employees in sending products. This causes customers to find differences in color and size that do not match expectations. Umi Zahra Shop also addresses this problem by requiring customers to exchange products back within 24 hours.

The implementation of business ethics can also be seen from the management and human resources within the Umi Zahra Clothing Store, which always prioritizes religion, spending money to help the community's economy, paying zakat, alms and making contributions. From a financial perspective, the Umi Zahra Clothing Store is progressing and has great opportunities to achieve its vision and mission.

CONCLUSION

Business ethics is an understanding of what is good for a business called business. Discussions about business ethics must begin by providing a series of basic principles regarding understanding with good and correct intentions. In this way one can then discuss matters about the business world. The results of the research conducted research on Toko Umi Zahra, a micro, small and medium enterprise, and found that their business ethics have enabled them to provide good service to buyers. They apply this business ethic by providing friendly and polite service to buyers and selling high quality goods.

Umi Zahra clothing store generally applies business ethics to its micro, small and medium businesses. The clothing store prioritizes religion and always sets a good example to each of its employees. The four principles of Islamic business ethics, honesty, loyalty and discipline, do not pose a problem, but accuracy in providing services is limited to the color and size of clothing.

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