



Implementation of Sharia Principles in Managing Halal Certified MSME Business

Muhammad Nailul Author

^aManajemen Bisnis Syariah, Fakultas Ekonomi dan Bisnis Syariah, Universitas Al-Qolam,
Malang, Jawa timur, 65174, Indonesia

¹nailulauthor@alqolam.ac.id

ARTICLE INFO:

Article History:

Received: 14 January 2024

Revised: 21 February 2024

Published: 17 March 2024

Keywords:

Sharia Compliance; Halal Certification; MSMEs; Business Management

Kata Kunci:

Kepatuhan Syariah; Sertifikasi Halal; UMKM; Manajemen Bisnis

ABSTRACT

The rapid growth of the halal industry in Indonesia has heightened the importance of Sharia compliance in business management, particularly among micro, small, and medium enterprises (MSMEs) in Malang. This study aims to explore the extent of Sharia principles implementation in halal-certified MSMEs and the challenges they face in aligning their operations with Islamic guidelines. Utilizing a qualitative approach, in-depth interviews and observations were conducted with MSME owners to gain insights into their experiences. The results indicate that while many MSMEs actively implement Sharia principles in areas such as sourcing halal materials and ethical marketing, they encounter significant challenges, including limited access to certified suppliers and a lack of understanding of halal regulations. Furthermore, the study reveals that adherence to Sharia compliance enhances customer loyalty and trust, thereby improving business performance. This research contributes to bridging the gap between theory and practice in Sharia-compliant business management and provides practical recommendations for MSMEs to optimize their operations within the halal framework.

ABSTRAK

Pertumbuhan pesat industri halal di Indonesia telah meningkatkan pentingnya kepatuhan syariah dalam manajemen bisnis, khususnya di kalangan usaha mikro, kecil, dan menengah (UMKM) di Malang. Penelitian ini bertujuan untuk mengeksplorasi sejauh mana prinsip-prinsip syariah diterapkan dalam UMKM bersertifikat halal serta tantangan yang mereka hadapi dalam menyesuaikan operasional dengan pedoman Islam. Menggunakan pendekatan kualitatif, wawancara mendalam dan observasi dilakukan dengan pemilik UMKM untuk mendapatkan wawasan mengenai pengalaman mereka. Hasil penelitian menunjukkan bahwa meskipun banyak UMKM secara aktif menerapkan prinsip-prinsip syariah di berbagai bidang seperti pengadaan bahan halal dan pemasaran etis, mereka menghadapi tantangan signifikan, termasuk akses terbatas ke pemasok bersertifikat dan kurangnya pemahaman mengenai regulasi halal. Selain itu, studi ini mengungkapkan bahwa kepatuhan terhadap syariah meningkatkan loyalitas dan kepercayaan pelanggan, sehingga meningkatkan kinerja bisnis. Penelitian ini berkontribusi untuk menjembatani kesenjangan antara teori dan praktik dalam manajemen bisnis yang patuh syariah serta memberikan rekomendasi praktis bagi UMKM untuk mengoptimalkan operasional mereka dalam kerangka halal.



This work is licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/).

How to cite: Author, M, N. (2024). Implementation of Sharia Principles in Business Management in Halal certified MSMEs. *Iqtishodia: Jurnal Ekonomi Syariah*, 9(1), 41-45. doi: <https://doi.org/10.35897/iqtishodia.v9i1.1520>

INTRODUCTION

The rapid growth of the halal industry in Indonesia has drawn significant attention to the importance of Sharia compliance, particularly in business management. In Malang, where the majority of the population is Muslim, halal certification has become crucial for micro, small, and medium enterprises (MSMEs) to ensure that their products and services align with Islamic principles. However, many halal-certified MSMEs in Malang face challenges in fully implementing Sharia principles, especially in business operations, financial management, and marketing. This study focuses on understanding the extent to which Sharia principles are applied in halal-certified MSMEs in Malang and explores the associated challenges and opportunities.

Several studies have examined the importance of Sharia compliance in business management. For example, a study by Rahman and Kosim (2018) found that MSMEs implementing Sharia principles in their financial management experience higher levels of consumer trust and loyalty, particularly in Muslim-majority markets. Another study by Syafii and Nugraheni (2019) highlighted the challenges faced by MSMEs in rural areas, including in Malang, where access to certified halal raw materials can be limited. These studies underline the practical difficulties encountered by many MSMEs in Malang after obtaining halal certification, which aligns with the problem this research aims to address: how halal-certified MSMEs in Malang manage to implement Sharia principles in their business practices and the difficulties they encounter.

To address this issue, this study employs a qualitative approach, following the methodology used by Marzuki, Abdullah, and Hassan (2020), who explored the role of Sharia compliance in enhancing MSMEs' market competitiveness. By conducting in-depth interviews and observations with halal-certified MSME owners in Malang, this research aims to provide a comprehensive understanding of how Sharia principles are applied in various aspects of their businesses, including production processes, financial transactions, and customer relations. This approach also allows for the exploration of the challenges faced by these businesses and the strategies they use to overcome them.

While existing studies have largely focused on the theoretical framework of Sharia-compliant business management, as shown by Haron and Jalil (2021) and Ismail (2017), few have explored the real-world experiences of MSMEs in Malang in integrating these principles into their operations. The lack of empirical research on this topic creates a gap between theory and practice, especially for smaller businesses with limited resources and knowledge. This research contributes to filling that gap by focusing on halal-certified MSMEs in Malang and providing practical insights into how they navigate Sharia compliance in their daily operations.

Furthermore, Rahim and Saifuddin (2022) investigated the potential benefits of implementing Sharia principles in MSMEs, finding that businesses adhering to Sharia principles tend to have stronger reputations and more loyal customer bases. This finding is relevant to the current study, which also aims to assess the impact of Sharia compliance on business performance in Malang. This research will explore whether the perceived benefits of Sharia compliance are realized by halal-certified MSMEs in Malang and how these benefits can be enhanced.

Another relevant study by Zainal and Hamsah (2022) investigated the barriers to Sharia compliance among MSMEs, emphasizing the need for better educational resources and support systems to facilitate adherence to Islamic principles. Meanwhile, Sari and Prihadi (2020) explored the impact of Sharia-compliant marketing strategies on consumer behavior, finding that ethical marketing aligned with Islamic values significantly influences purchasing decisions.

Moreover, Hasan and Arif (2019) studied the perceptions of MSME owners towards Sharia compliance, revealing that a majority viewed it as a competitive advantage. This aligns with the findings of Mustaqim and Hamid (2021), who reported that MSMEs implementing Sharia principles experience increased market share due to enhanced brand loyalty. Lastly, the research by Lestari and Iskandar (2023) focused on the long-term benefits of Sharia compliance, indicating that businesses maintain sustainable growth when they consistently adhere to Islamic values.

The application of Sharia principles in business management is not only a religious obligation but also offers practical benefits for businesses in Malang. Sharia-compliant businesses often gain a competitive edge by building trust with their customers, particularly in Muslim-majority markets, as demonstrated by studies such as those conducted by Syed and Ahmad (2020). By ensuring that their operations are transparent, ethical, and aligned with Islamic values, MSMEs in Malang can strengthen their brand image and improve customer loyalty. This research will explore how these benefits are realized by halal-certified MSMEs in Malang and how they can be maximized.

The main objective of this research is to analyze how Sharia principles are implemented in the management of halal-certified MSMEs in Malang. Specifically, the study aims to identify the key challenges these businesses face in maintaining Sharia compliance and to assess the impact of Sharia adherence on their overall business performance. By examining these aspects, the research will provide valuable insights for MSMEs in Malang seeking to improve their Sharia-compliant practices and for policymakers supporting the halal industry in the region.

Additionally, this study aims to offer practical recommendations for MSMEs in Malang to strengthen their Sharia compliance. These recommendations will be based on the experiences of halal-certified businesses in Malang that have successfully integrated Islamic principles into their operations. The findings will be valuable for both MSME owners and stakeholders in the halal industry in Malang, including regulators, certification bodies, and consumers, to foster a more robust and sustainable Sharia-compliant business ecosystem.

In conclusion, this research addresses the critical issue of how halal-certified MSMEs in Malang implement Sharia principles in their business management. By examining the challenges, opportunities, and impacts of Sharia compliance, the study aims to bridge the gap between theory and practice, providing actionable insights for MSMEs and the broader halal industry in Malang. Through this qualitative approach, the research contributes to a deeper understanding of the practical realities faced by MSMEs in Malang and offers solutions to enhance their Sharia-compliant business practices.

RESEARCH METHOD

This study employs a qualitative research design to explore the implementation of Sharia principles in halal-certified micro, small, and medium enterprises (MSMEs) in Malang. This design allows for a nuanced understanding of the experiences and perspectives of MSME owners regarding Sharia compliance. By focusing on qualitative methods, the research captures rich, detailed narratives that reveal how these businesses integrate Islamic principles into their operations, including challenges faced and strategies employed.

The population for this research consists of halal-certified MSMEs operating in Malang, encompassing various sectors such as food and beverage, retail, and services. Purposive sampling will be used to select participants, specifically targeting owners or managers of MSMEs with at least one year of halal certification. This approach ensures that the sample includes individuals who possess relevant insights into the implementation of Sharia principles within their business practices.

The data collection technique in this study uses in-depth interviews and participant observations, by conducting in-depth studies related to the concept of Sharia compliance in business management practices. This approach allows for a detailed exploration of the experiences, challenges, and strategies of halal-certified MSME owners in Malang regarding the implementation of Sharia principles.

The data analysis technique uses qualitative data analysis through thematic analysis, namely by presenting a description related to a systematic and comprehensive picture of the practice of Sharia principles in halal-certified MSMEs. This involves identifying key themes and patterns in the data, which helps to illuminate how these businesses integrate Islamic values into their operations and the impact of Sharia compliance on their overall performance.

RESULT AND DISCUSSION

Implementation of Sharia Principles in MSMEs

The qualitative data analysis revealed that halal-certified MSMEs in Malang predominantly implement Sharia principles in various aspects of their operations, including production processes, financial transactions, and marketing strategies. For instance, many participants emphasized the importance of sourcing halal-certified raw materials and ensuring that all ingredients and production methods comply with Islamic laws. This finding aligns with existing literature, such as the study by Rahman and Kosim (2018), which highlights that adherence to Sharia principles enhances consumer trust and loyalty. The successful implementation of these principles fosters a positive brand image among Muslim consumers, thereby promoting customer loyalty.

Challenges Faced by MSMEs

Despite the commitment to Sharia compliance, the research uncovered several challenges faced by

MSMEs in Malang. Participants reported difficulties in accessing certified halal suppliers, particularly for specific ingredients, which hindered their ability to fully comply with Sharia requirements. Additionally, some MSME owners expressed a lack of understanding of the detailed regulations surrounding halal certification, leading to unintentional non-compliance. This resonates with the findings of Syafii and Nugraheni (2019), which highlighted the logistical challenges faced by MSMEs in rural areas. The data suggest that enhancing access to halal supply chains and providing better educational resources on Sharia compliance are critical for supporting these businesses.

Benefits of Sharia Compliance

The study also highlighted the perceived benefits of Sharia compliance among the participants. Many MSME owners reported that adhering to Sharia principles not only increased their customer base among Muslim consumers but also attracted non-Muslim customers who appreciate ethical business practices. This finding is consistent with Rahim and Saifuddin's (2022) research, which noted that businesses that maintain Sharia compliance often enjoy a stronger reputation in the market. The integration of ethical practices into their business models has helped MSMEs differentiate themselves in a competitive market, leading to enhanced customer loyalty and overall business performance.

Interpretation and Relation to Existing Knowledge

The findings from this study contribute to the existing body of knowledge on Sharia-compliant business practices by providing empirical evidence from halal-certified MSMEs in Malang. The research not only confirms existing theories regarding the positive correlation between Sharia compliance and customer trust but also highlights new insights regarding the specific challenges and benefits faced by these enterprises. By integrating these findings with the literature, the study suggests that addressing logistical and educational gaps is essential for improving the efficacy of Sharia compliance in MSMEs.

Recommendations for Future Research

Based on the findings, this study proposes several recommendations for future research. Further studies could explore the long-term impacts of Sharia compliance on business performance in various sectors beyond MSMEs. Additionally, research could investigate the effectiveness of training programs aimed at enhancing understanding and implementation of Sharia principles among MSME owners. The development of new frameworks for halal certification that address the identified challenges may also warrant further investigation.

CONCLUSION

The conclusion of this study shows that halal-certified micro, small, and medium enterprises (MSMEs) in Malang are actively implementing Sharia principles in various aspects of their operations, including production, financial transactions, and marketing strategies. The research findings highlight the significant role of Sharia compliance in enhancing consumer trust and loyalty, as well as the challenges MSMEs face, such as limited access to certified halal suppliers and a lack of understanding of detailed regulations. Overall, this study contributes valuable insights into how MSMEs navigate the complexities of Sharia compliance, identifying both the benefits and obstacles inherent in their efforts.

However, this study has limitations, including a focus solely on halal-certified MSMEs in Malang, which may not be generalizable to other regions or types of businesses. Further research is aimed at expanding the objects of study to include a broader range of halal-certified MSMEs across Indonesia, as well as exploring the long-term impacts of Sharia compliance on business performance. Additionally, future studies could investigate the effectiveness of training and support programs designed to assist MSME owners in fully integrating Sharia principles into their operations. By addressing these areas, researchers can further enrich the understanding of Sharia-compliant business practices and their implications for the broader halal industry.

ACKNOWLEDGMENT

This section We would like to express our gratitude to Baznas Microfinance Desa Sawojajar Malang for their support in this research. Their assistance has been invaluable in facilitating our study on the implementation of Sharia principles in halal-certified MSMEs.

REFERENCE

- Ahmad, N., Rahman, H., & Ibrahim, M. (2020). The relationship between Sharia compliance and financial performance in halal-certified businesses. *Journal of Islamic Finance*, 9(1), 23-34.
- Haron, H., & Jalil, N. A. (2021). Theoretical framework of Sharia-compliant business management: Implications for micro, small, and medium enterprises. *Journal of Islamic Business and Management*, 12(2), 99-112.
- Hasan, A., & Arif, M. (2019). Perceptions of MSME owners towards Sharia compliance: A qualitative analysis. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(4), 511-525.
- Ismail, A. (2017). Understanding Sharia compliance in business operations: A framework for MSMEs. *International Journal of Islamic Economics and Finance*, 5(1), 47-58.
- Lestari, W., & Iskandar, I. (2023). Long-term benefits of Sharia compliance in business: Evidence from MSMEs. *Asian Journal of Business and Accounting*, 16(1), 71-85.
- Marzuki, A., Abdullah, S. S., & Hassan, M. S. (2020). Sharia compliance and market competitiveness of MSMEs: A qualitative study. *Journal of Business Research*, 110, 80-88.
- Mustaqim, M., & Hamid, H. (2021). Sharia compliance as a competitive advantage for MSMEs: An empirical study. *Journal of Business Ethics*, 164(3), 507-522.
- Rahman, A., & Kosim, M. (2018). Trust and loyalty in Sharia-compliant MSMEs: A study of the halal market. *Journal of Islamic Marketing*, 9(2), 345-358.
- Rahim, A. R., & Saifuddin, M. (2022). The impact of Sharia compliance on customer loyalty: Evidence from halal-certified businesses. *Asian Journal of Business and Accounting*, 15(1), 45-60.
- Sari, Y., & Prihadi, B. (2020). The influence of Sharia-compliant marketing strategies on consumer behavior in halal industries. *Journal of Marketing Research*, 57(2), 148-162.
- Syafii, M., & Nugraheni, D. (2019). Challenges in maintaining halal certification for MSMEs: A case study from rural Indonesia. *International Journal of Islamic and Middle Eastern Finance and Management*, 12(3), 402-415.
- Syed, M., & Ahmad, N. (2020). Building trust through ethical business practices: The role of Sharia compliance in enhancing customer relationships. *Journal of Business Ethics*, 162(2), 251-265.
- Yusof, R., & Azman, A. (2021). Building customer trust through Sharia compliance: Insights from Malaysian MSMEs. *International Journal of Business and Management Studies*, 13(1), 19-30.
- Zainal, S., & Hamsah, S. (2022). Barriers to Sharia compliance in MSMEs: Educational and support needs. *Journal of Islamic Business and Management*, 14(2), 139-154.