
Proceeding Medan International Conference Economics and Business

Volume 1, Year 2023

"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

Perceptions of Small and Medium Enterprises Actors on the Application of Islamic Management in Managing Business**Elizar Sinambela^{1*}, Syafrida Hani¹, Irfan¹**¹Universitas Muhammadiyah Sumatera Utara
Jl. Captain Mukhtar Basri No. 3 Medan, Indonesia***Email:** elizarsinambela@umsu.ac.id**ABSTRACT**

This study aims to describe the perceptions of micro, small and medium enterprises (MSMEs) on the application of Islamic Management in managing businesses. This study is part of research on Islamic micro enterprises. The main obstacle faced by MSME actors is the low ability to manage a business so that it has an impact on business development. The data collection process was carried out through a literature study and interviews with MSME managers. Islamic management is built on the basis of the Koran and hadith and maqashid sharia by applying 5 (five) management principles, namely: the principle of monotheism and organizational commitment, the principles of knowledge and organizational learning, the principles of morality and the personality of members of the organization, the principles of worship and work practices, and the principle of mardhatillah and performance. The results of the study show that MSME actors have implemented Islamic Management in managing their business but are still in general principles due to a lack of understanding of Islamic management and unsupportive external factors such as regulations and business competition. It is hoped that the results of this study can be basic in formulating a management model with governance entrepreneurial organization according to the Islamic paradigm.

Keywords: Enterprises Actors, Islamic Management, Islamic Business

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INTRODUCTION

Based on information quoted from the press release of the Ministry of Economy on June 3 2021, HM.4.6/133/SET.M.EKON.3/06/2021, it states that the world's Muslim population is expected to reach around 2.2 billion people in 2030 (data from the State of the Global Islamic Economy Report 2019-2020). The latest data for 2020-2021 presented in the State of the Global Islamic Report report, the ranking of Indonesia's Islamic economic indicator values is ranked 4th in the world, up 1 rank from the previous year's position. This information indicates that the need for an Islamic lifestyle will be the main need of the Indonesian Muslim community. In line with this, the potential for Islamic economic development will continue to grow in the future.

Micro, small and medium enterprises have a very important role in the economic system of a country. Based on data from the Ministry of Cooperatives and SMEs in 2019, information was obtained that the market share for micro, small and medium enterprises in Indonesia reached 99.9% and if detailed in more detail, micro businesses controlled 98.67%. Small and Medium Enterprises have a role as a provider of employment that is able to absorb a large number of workers so that they have the potential to reduce unemployment and poverty, contribute to increasing Gross Domestic Product (GDP) and economic growth, contribute to increasing exports while at the same time potentially expanding export and investment (Heatubun; 2008).

Various literature studies on the problems experienced by micro, small and medium enterprises are very much found. In the report of the Department of Islamic Finance Economics Some of the problems of MSMEs are described that currently the ability of MSMEs to carry out effective and efficient production is still low, especially in terms of time utilization, and this is supported by the low quality of technology because in general the production and marketing processes still use traditional methods. Even though the use of technology to improve product marketing is a solution for MSMEs to increase sales figures and have a significant impact on business development

Islamic micro enterprises This research is the focus of this research because it is still minimal and even the concept of small business management has not been found from an Islamic point of view. One of the obstacles in the development of SMEs is the structural concept. Many studies of micro-enterprises from an Islamic perspective in the world have indeed been carried out, but they are more focused on just one aspect of management, namely finance and other studies related to financial aspects from an Islamic perspective.

Data on the Ministry of Cooperatives and SMEs in Medan City in 2021 there are 259812 registered SMEs. In fact, the success of MSMEs in conventional business is not only concentrated on financial factors alone, but is also influenced by various internal and external factors. In the conventional view, the internal factors of MSMEs can be seen in studies on issues of governance or management, human resource management and marketing. External factors that also influence business success, such as the economy, government policies, globalization, information technology and other related factors.

The concept of Islamic management in business management is actually not only a financial issue that avoids usury, products that are processed in a halal and toyyib manner, but also how everyone involved in the business process is able to carry out their duties and responsibilities in accordance with Islamic principles. Business enterprises carried out by Muslims must really cultivate an Islamic management model that is different from the

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conventional model, namely it must contain balance, physically and spiritually, as well as the balance of the world and the hereafter Qorib and Juliandi; 2015)

Based on the conditions above, this study will examine how the perceptions of MSME actors regarding the application of Islamic management in managing the businesses they run. The perceptions they convey will later become the basis for drafting the concept of Islamic management in managing a business so that the business being run can develop and become a major force that has a significant impact on improving the national economy and people's welfare.

METHOD

This study uses a qualitative research paradigm, namely grounded theory. Research with a grounded theory paradigm aims to construct theoretical concepts that are developed based on empirical data in the field, either to find completely new concepts, or to enrich existing concepts. (Ather. et al; 2011).

Sources of research data, from (1) Islamic MSME entrepreneurs as informants; (2) written notes/documents; (3) including the main Islamic reference sources, namely the Al-Qur'an, Hadith, Ijmak and Qiyas so that the concepts developed are truly in accordance with Islamic principles; and (4) In addition, data sources are also obtained from studies in scientific journals.

These data were collected using various techniques, such as: (1) observation; (2) in-depth interviews; (3) document review; and (4) literature review. Research data were analyzed using techniques namely: (1) descriptive data analysis, especially to describe data from observations, interviews, and document review; and (2) content analysis is also part of the research data analysis tool.

RESULT AND DISCUSSION

This research as a whole uses qualitative methods with grounded theory which aims to construct theoretical concepts, and then these theoretical concepts are developed based on empirical data in the field sourced from informants (table 2). The informants of this research are Muslim business actors who manage micro, small and medium enterprises who have the desire and commitment to carry out business management according to Islamic principles. The following is the informant's profile:

Table 1. Informant Profiles

Informant Identity	Informant
Gender	75% Male 25% Female
Education	SMA, Diploma and Bachelor
Status	90% Owner, 10% Manager (Director)
length of business	30% < 5 Years 70 % > 5 Years
Other information	Family business Former Employee Business Management Experience

Based on table 1 above, most of the informants are business owners who have been running their business for more than 5 years and some have even been 25 years. This

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shows that business actors have run their businesses with high commitment. Informants are dominated by men with education ranging from high school, diploma and bachelor degree. Other information found, businesses that have been established for more than five years on average are family businesses.

It is assumed that these informants will provide information about perceptions or thoughts about Islamic management practices in accordance with the experiences and practices they have carried out. The statements submitted will be used to build the framework of the Islamic management model in this study. Organizational aspects relate to management and governance concepts and practices, namely management models, leadership patterns, decision-making and the ability to survive in various conditions and dynamics of the micro and macro environment. The discussion of the concept of Islamic management is described from various aspects, such as organizational aspects, human resources, marketing concepts, and finance (Juliandi; 2019). Various issues related to the problems faced by micro and medium enterprises were identified based on a review of the literature and information obtained from informants.

The results of interviews with informants about perceptions in building an Islamic management model are presented in table 3. On average, informants revealed that in carrying out Islamic management one should be based on monotheism, have a vision and mission, be trustworthy, be honest, carry out Islamic values and for the benefit.

Table 2. Results of interviews with informants about Perceptions of Islamic Management

Draft	Informant Answer
monotheism	<ul style="list-style-type: none"> - Fear Allah, do not commit fraud - There is control from God - The business concept is carried out in accordance with the Islamic teachings of the Qur'an and Sunnah
Vision	<ul style="list-style-type: none"> - Must have long term goals for future success - There is no Vision because you don't understand it, what is important today is there - Determine the way to success
Trust	<ul style="list-style-type: none"> - Trust is the basic capital in business - Responsibility for work means carrying out the mandate - Generate consumer confidence
Transparency	<ul style="list-style-type: none"> - Openness and transparency, to gain trust - Complete work according to targets and expectations to gain trust - Honesty to gain trust
Instilling Islamic values	<ul style="list-style-type: none"> - There must be in every movement and step in trying - Rasulullah's business activities are used as an example, understanding maqashid sharia in business practices - The enthusiasm and actions taken are directed towards the target as rahmatan lil alamin - Have knowledge and understanding of the Prophet's business behavior, continue to learn and think to be able to minimize risk and business competition - Running a business in accordance with Islamic rules so that the business gets blessings - Follow the honest and trustworthy business behavior of the Prophet

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Draft	Informant Answer
Benefit	<ul style="list-style-type: none"> - Setting long-term goals for future success and benefiting the Ummah - The business concept must be directed and set targets, in order to provide benefits for all nature (rahmatan lil alamin) - The business that is run can benefit other people and the surrounding environment

From the results of interviews also obtained answers from informants that in running a business there are many obstacles encountered, especially in implementing Islamic-based management. The obstacles that were revealed from the informants' answers can be seen in the following table;

Table 3. Business constraints according to informants

No.	business aspect	Obstacles
1	management models	Culture Professionalism, Mindset, ability to face competition.
2	Organization	Does not yet exist and does not understand the Vision, running a business as it is does not focus on the Vision, There is no standard operational standard, Government attention in the form of policies and pro-micro and small businesses is still low
3	Human Resources	The quality of human resources is less skilled. Cannot afford quality human resources
4	Financial Accounting	Not being able to do good bookkeeping, access to finance is still lacking
5	Information Technology	Lack of mastery of information technology

Another obstacle faced by informants in developing is human resources (HR), on average they admit that the low level of education of managers causes many unresolved problems including the inability to innovate (Albar, et al; 2014) even though innovation is a must continuously upgraded in order to overcome difficulties in product marketing and be able to maintain business.

DISCUSSION

Based on the results of interviews with informants, it can be explained that in their business management, MSME actors have applied Islamic management concepts. Where from the informants' answers it can be seen that the concept of monotheism is applied with belief in the Al-Quran and Sunnah as a guide in running a business, and the existence of Allah's supervision in every business activity will prevent business fraud. The importance of establishing a vision and mission is needed as an initial plan to achieve the company's goals and success in the long term.

Allah said in QS Fatir (35; 37)“....And did We not extend your life in a period sufficient to think for those who want to think, and (did not) come to you a warner? So taste (Our punishment) and there is no helper for those who are unjust."This verse tells us to think and warn so that we can do our best. Thinking and planning for the future by setting a vision and mission as well as goals in the short and long term, if this is to be used for the benefit of the people, it is a form of worship. Everything that has been entrusted to us to be managed and implemented is a mandate.

In Islamic business, amanah means a form of management accountability and maintaining consumer trust as the basic capital in business. Informants' perceptions of the concept of trust in Islamic management are related to trust, on average it reveals that the

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concept of openness (transparency), honesty, works thoroughly according to the target to gain trust. In QS Al Baqarah (2; 283)

﴿وَإِنْ كُنْتُمْ عَلَى سَفَرٍ وَلَمْ تَجِدُوا كَاتِبًا فَرِهْنَ مَقْبُوضَةً فَإِنْ مِنْ بَعْضِكُمْ بَعْضًا فَلْيُؤَدِّ الَّذِي أُؤْتِمِنَ أَمْنَتَهُ وَأَلْيَقِ اللَّهَ رَبَّهُ وَلَا تَكْتُمُوا الشَّهَادَةَ وَمَنْ يَكْتُمْهَا فَإِنَّهُ آثِمٌ قَلْبُهُ وَاللَّهُ بِمَا تَعْمَلُونَ عَلِيمٌ ۚ ۲۸۳﴾

those who are entrusted carry out their mandate (debt) and let them fear Allah, their Lord; and do not you (witnesses) hide testimony. And whoever hides it, then in fact he is a person. Meaning: "If you are on a trip (and don't pay in cash) while you don't get a writer, then there should be dependents held (by the debtor). However, if some of you believe in some others, then let those who are sinful in heart; and Allah is Aware of what you do."

The two verses of the Koran that have been stated above are related to the concept of monotheism by believing that Allah is all-seeing and all-knowing of what his people do. So that in carrying out business management we think to do good and avoid fraudulent acts that will harm ourselves and others. Because the best people are those who can give kindness and benefit to others

The concept of instilling Islamic values is something that is important to implement in Islamic management, the embodiment of these Islamic values can be carried out as the Prophet did as an example of a successful businessman, the behavior of the Prophet was honest and trustworthy, smart and always upgrading skills and abilities through learning, in order to be able to evaluate results and risk analysis in order to be able to face business competition and minimize risks. The Messenger of Allah is an exemplary example for the people in accordance with QS Al Ahzab (33:21) which means "Verily, in (self) the Messenger of Allah is a good role model for you (namely) for those who hope (grace) Allah and (the arrival of) the Day of Judgment and he mentions Allah much.

In every business activity, starting from target setting, production processes or operational activities to decision making, one must comply with Islamic values and understand the principles of maqashid sharia. The purpose of maqashid sharia is for the welfare and benefit of humanity (Chapra; 2013), so that it is in accordance with what is perceived by all informants that the Islamic management model must aim for prosperity and benefit the people and their environment so that it becomes rahmatan lil alamin.

According to the informants, the problems faced by micro-enterprises were almost the same in general, the problems of small and medium-sized enterprises were related to limited human resources and inadequate skills, and the problem of remuneration or rewards given to human resources had not yet received the attention of micro-entrepreneurs. The organizational structure is still simple with a non-standard division of labor, no standard operating standards, this could be because most micro businesses have not yet determined the vision and mission, let alone convey the vision and mission to their employees, so the mindset is only focused on today's capabilities and tomorrow (short term) so the quality of management is low. Even though Allah has revealed that we make the most of our time so that nothing is wasted, as in QS Al Mukminun (23: 40) which means: "In a little more time they will surely be the ones who regret." This verse gives meaning so that we are able to manage our business by focusing on what we want to achieve and maximizing results so that nothing is in vain.

After setting the vision and mission, of course there are business goals, what you want to achieve, and how to achieve it. Of course there will be plans and strategies that

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must be drawn up. Therein lies the importance of preparing a business plan, not only for today's interests but also for long-term business continuity. Allah says in QS An Naba (78: 10-11) which means "And We made the night as clothing. And We have made the day for a livelihood. Strengthened by QS Al Isra (17:12) "And We made the night and the day as two signs, then We erased the sign of the night and We made the sign of the day bright, so that you seek grace from your Lord, and so that you know the number of years and calculation. And We have explained everything clearly."

The meaning of these two verses clearly informs us that Allah has arranged a time for us to carry out activities during the day, making calculations with good planning each year with clear steps and explanations. That in Islam it is important for us to plan and make good use of time. Because everything that is done will be held accountable as the words of QS Al Hijr (15: 92-93) which means "So by your Lord, We will definitely question them all, about what they have done before."

HR Management in Islam elaborates on theory motivation, work ethics, human capital and self-development through education and training. The marketing strategy was developed using theory and empirical evidence about the concept of marketing in Islam, while the development of the concept of financial management in Islam was developed in accordance with the goals of Islamic economics, namely justice and prosperity (Hafidhuddin and Tanjung 2003). As explained by Allah in QS Al Baqarah 195 which means: "And spend (your possessions) in the way of Allah, and do not throw yourself into destruction, and do good, for verily Allah loves those who do good." From this verse Allah has emphasized that humans use wealth for the good way so that it benefits others.

The ability of micro businesses to access finance has an impact on capital and difficulties in obtaining raw materials (Prahmana; 2013). This is also in line with the low quality of financial management, most micro businesses do not have financial reports which is also due to the availability of human resources in the financial sector. Whereas in business the financial aspect is a determinant of long-term business sustainability, because it provides information about the ability of a business to fulfill obligations, the ability to generate profits, the ability to carry out business activities effectively and efficiently.

Statement and The views of Muslim business actors revealed during interviews generally agree that business activities are not only profit-oriented but are activities of helping each other, facilitating each other and mutually providing benefits between customers/consumers and entrepreneurs as producers. Regarding customer/consumer orientation where the informant's perception stated that: "serving sincerely, it's part of a strategy to make customers or consumers have an emotional bond with us as producers." Providing maximum service will have a positive impact on consumers, where emotional bonds will certainly grow, customers will continue to use products in the long term. In line with the perception of the informant who stated that the customer is king, : "... if it's only physical satisfaction, the customer tends to only buy once. But if the body and soul are satisfied, the customer will come and come again and at the same time become a means of promotion for other customers.

The interview results also indicates that the problems of MSMEs seen from the legal aspect are still weak. Basically, UKM is a business that is not a permanent legal entity. This condition is certainly an obstacle for SMEs in developing their business activities, so it needs special attention from the government. Even though in general there are laws regarding micro and medium enterprises as described above, the government must

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continue to upgrade and pay special attention to the development of these micro enterprises. From the various literature reviews that the researchers found, it was also revealed that the legality aspect was weak, and had not been fully supported by regulations and the government's support in a full and equitable manner. (Cardoza et al., 2015; Cowling et al., 2015; Hani & Daud, 2013).

The results of the researchers' search for various policy rules regarding the management of MSME management have indeed been issued by the government. However, in relation to the management of Islamic management, it is still very minimal, this is evident from the researchers' investigation of Indonesian government provisions such as Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, Regulation number 10/PER/M.KUKM/VI/2016 concerning cooperative data collection, small and medium enterprises, have not yet touched on the management of Sharia MSMEs. Thank God, in Government Regulation Number 7 of 2021 concerning facilitation, protection and empowerment of cooperatives and micro, small and medium enterprises, there are already management rules based on sharia principles. This is in line with the increasingly booming trend of halal products.

Information technology limitations hamper access to marketing and also inhibit products. Capital constraints are one of the main factors for SMEs to develop [and there are still not many parties willing to contribute in terms of capital to micro and medium enterprises, especially the private sector (Estensoro et al. 2021, Kijkasiwat. 2021). Banking concerns about the capability of SMEs in managing and repaying loans are a barrier for SMEs to maintain and develop their businesses. This financial obstacle is expected to be overcome if management is able to devise strategies to build networking and improve HR skills and expertise.

Forms of ownership in small and medium enterprises are divided into: family ownership, corporation (corporate), and family and corporate ownership or blockholder system. [30]. This form of ownership will determine the MSME's strategy and performance related to the degree of acceptance of risk in decision making. Studies regarding the relationship between forms of ownership and strategic behavior of MSMEs are still very limited, while forms of ownership will greatly influence the incentive system and control over the operations of a business.

In accordance with the theoretical studies that have been stated previously, that there are still not many government regulations regarding Islamic management, even seen from theoretical studies there are still not many Islamic management concepts and models. This was also conveyed by the informants, that there needs to be regulation, including policies regarding zakat and taxes which are still being studied, especially in Indonesia. Likewise, in the implementation related to Islamic management practices, the average revealed that they had started to apply Islamic principles such as fulfilling zakat, infaq and almsgiving obligations, but some limitations such as paying high salaries according to HR capabilities were still difficult to implement because financial conditions were not yet optimal.

IMPLICATIONS

The results of this study can enrich the literature on Islamic management, especially for micro, small and medium enterprises, and can be implemented by Muslim entrepreneurs in managing their business in accordance with the guidance of Islamic law.

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With all the limited time and knowledge of sharia economic law, it may still be necessary to make a more in-depth study using more and more updated Islamic economics literature.

CONCLUSION

Basically, in managing their business, MSME actors have implemented Islamic management in general. This is evident from their perceptions which state that in carrying out Islamic management should be based on monotheism, have a vision and mission, be trustworthy, be honest, carry out Islamic values and for the benefit. The concept of Islamic Management in managing small and medium enterprises is built on the basis of the Koran and hadith and maqashid sharia by applying 5 (five) management principles, namely: the principle of monotheism and organizational commitment, the principle of knowledge and organizational learning, the principle of morality and the personality of members of the organization, the principle of worship and work practice, and the principle of mardhatillah and performance. Islamic micro enterprises are an important component of the poverty alleviation strategy, which is based on sharia principles. The concept of Islamic management in business management is actually not only a financial problem that avoids usury, products that are processed in a halal and toyyib manner, but also how everyone involved in the business process is able to carry out their duties and responsibilities in accordance with Islamic principles. Business enterprises carried out by Muslims must contain balance, physically and spiritually, as well as the balance of the world and the hereafter

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