

The Effects Of Islamic Spirituality to Small Business Performance

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Abstract: Some entrepreneurship studies indicated Islam as a religion that encourages his people to become entrepreneurs. The purpose of this empirical study is to measure the influence of the spirituality of Islam on the performance of the business, in the province of West Java. The research method using descriptive quantitative approach with a simple linear regression analysis by using sample of 100 owners and managers of micro enterprises, the data obtained by survey method and using questionnaire as data collection instrument. Statistical analysis was performed to test the hypothesis of the research that has possibility of positive influence and significant correlation between Islamic spirituality to business performance of micro-enterprises. The results of this study, based on of data processing shows that the spirituality of Islam has a positive correlation to the performance of entrepreneurs, and the effect of Islamic spirituality on the performance of micro business is positive and significant. It needs more comprehensive and a broader scope of research ahead on Islamic spirituality in entrepreneurship. It become indispensable considering Indonesia is the country with the largest numbers of Muslim in the world.

1 INTRODUCTION

The quality of entrepreneurship can be seen from the high business performance that is proved by the company's ability to survive and compete in the midst of increasingly fierce competition climate, including in the group of Micro, Small and Medium Enterprises (MSME) which is very much in number compared to big business. An entrepreneur is a complete person, who possess managerial skills, entrepreneurial behavior with good attitude, best service oriented to customer, ability to manage and assess the company's position in the market to choose suitable competing strategy. The success of an entrepreneur is more influenced by the internal factors that exist within the entrepreneur. Owners and managers of SMEs should be aware that the factors within the entrepreneur themselves that most affect business performance (Gürol and Atsan, 2006).

The conceptual approach as the basis of this study is an indication that the entrepreneur's value system and philosophy are internal factors of the company, apart from strategic factors and external factors that can influence the firm's attitude to produce business performance (Zahra, 1993). The value system of an entrepreneur is inseparable from his religion and beliefs, so it needs to be done in-depth study through

research on the influence of religion and belief of a person on the performance of his business.

The literature study from Balog et al. (2013), found a strong influence between a value system and an entrepreneur's confidence with business decisions, culture, mission and other important organizational outcomes including performance business. These factors become more interesting and important to learn more because in fact there are relative conditions in the Indonesian society that majority are Muslims and especially in West Java that is known by the behavior of Islamic society, means a strong community with teachings and behaviors that are based on Islamic values which is probably also practiced in running a business.

On the other hand, research on Islam and entrepreneurship is also growing rapidly, the Islamic viewpoint is based on a belief in Islam as a complete and comprehensive religion (Qur'an 5: 3), including how the community lives as an entrepreneur. Islam as shown in the Qur'an and Hadith of Prophet Muhammad having a view that Islam as a life guide pays clear attention to entrepreneurship and business, and Islam is a religion that encourages entrepreneurship (Ramadani et al., 2015; Gümüşay, 2015).

The the purpose of this empirical study is to measure the influence of the spirituality of Islam on the performance of the business, in the province of West Java.

2 LITERATURE REVIEW

2.1 Entrepreneurship in Islamic Perspective

The basic conception of entrepreneurship is inseparable from the entrepreneurial conception of Francis scientists such as Richard Cantillon, which stated that entrepreneurship is the process of starting a business enterprise to produce a product and selling it at an uncertain price level for financial gain (Hoque et al., 2014). Other conception stated that entrepreneurship is an innovative person's activity to exploit business opportunities, and entrepreneur is someone who creates a new organization (Shane and Venkataraman, 2000).

The Islamic perspective on entrepreneurship is very clear, Islam as a religion gives great attention to entrepreneurship and business, and places this professional choice in a special place (Ramadani et al., 2015). Islam strongly encourages its followers to become entrepreneurs (Kayed and Hasan, 2011), this can be seen from the argumentation that puts a person's choice to become an entrepreneur or businessman as a choice of life and to seek livelihood in an extraordinary position, Hadith of Rasulullah which narrated by At-Thirmidhi reveals that 9 out of 10 sources of income come from business activities (Salwa et al., 2013), in another hadith narrated by At-Thirmidhi Rasulullah expresses a virtue for a Muslim who becomes entrepreneur and runs business honestly and sincerely in the afterlife will later be placed with the group of Prophets, the devout (As-sidiqien) and the *shuhada* (Hamid and Sa'ari, 2011).

Islam sees entrepreneurship not solely business affairs that must be profitable, entrepreneurship and business activity should be viewed as an Islamic ritual (worship) to Allah, Enterprises must be run with honesty and accepted (*ridho*) by Allah (Hamid and Sa'ari, 2011) or in other words, running the business of a successful Muslim entrepreneur must be obtained without abandoning of faith (belief) to Allah and to the Prophet Muhammad (*taqwa*) (Faizal et al., 2013).

2.2 Islamic Spirituality in Entrepreneurship

Based on previous research is indeed there is relationship or pattern between entrepreneurship and religiosity. Audretsch et al. (2007) stated in the results of their research about religious person in carrying out entrepreneurial activity. In a different study, the meaning of a person to religion has a positive impact on his entrepreneurial activities divided in three aspects, by influencing a person to become an entrepreneur, how to run the company and how to interact in internal and external relations of the company (Dodd and Seaman, 1999).

There are two different terms that are used as a value system that underlies entrepreneurial behavior that is religiosity and spirituality. Religiosity is understood as a set of codified of beliefs, which is defined as the different ways in which people perform special rituals, doctrines and emphasis on formal structures (Kauanui et al., 2010). In the context of entrepreneurship religiosity described as a set of values, beliefs, norms, ethics and behaviors that are owned and manifested in business activities (Arief, 2013). Religiosity has almost the same meaning as spirituality, which is interpreted as a transcendent pattern of relationship between the creature and the Creator, a relationship that is not only *ruhiah* (spirit) in the form of formal and regular rituals, so that the meaning of spirituality is wider than religiosity. Spirituality reproduces the "feeling" of an immaterial reality which one believes to be the Almighty, spirituality is also understood as an inner path that enables one to discover the essence of his existence. The religiosity and spirituality of entrepreneurship or the done by a person in the conduct of a business activity are not separated; one can view his work and activities as part of the practicing religion which is seen as an opportunity to increase one's contribution to society through a right path, Neil (1997) in (Balog et al., 2013). In the context of this research, religiosity and spirituality are not interpreted separately, the term that is considered capable to accommodate the above definitions is spirituality in the perspective of Islamic Religion.

2.3 Spirituality in Islamic Perspective

The essence of Islamic spirituality is to realizing the demands of the Qur'an by looking at the Prophet as a model and in accordance with the His instructions, or in other words realizing *tauhid* and awareness of the existence of Allah (Nasr, 1987; Kahn, 2009) in (Suhaimi et al., 2013). Islam encourages Muslims to

be perfect in carrying out life, as servants of Allah. In routine worships, also has the value of benefits for the environment where the servant lives (Grine et al., 2015).

The basic concept of spirituality in Islam is the implementation of *taqwa* and the characteristics of the *taqwa* can be seen from the Qur'an; Surah 2: 3-4; Surah 2: 177; Surah 2: 183; Surah 3: 133-136; Surah 5: 8-9; Surah 23: 1-11 and Surah 25: 63-76. For a Muslim to be an entrepreneur must be based on faith to Allah and His Messenger, as affirmed in the Word of Allah in the Qur'an 61: 10-11 (Faizal et al., 2013). With the foundation of faith there is a real limitation between may or may not be done in business because Muslims in carrying out entrepreneurial activities should be in the way of honesty and hoping *ridho* of Allah (Hamid and Sa'ari, 2011). Where based on those verses the characteristic of a person who has *taqwa* implements the Spiritual life as the pattern of relationship between the Creator and the human, and realizes the social responsibility in the pattern of relations between humans with fellow human beings, nature and other God's creations.

The characteristics of a Muslim entrepreneur based on previous research is someone who has obedience in ritual (worship) by performing prayers, fasting, *zakat* and going *Hajj* to Mecca; have an attitude of mutual forgiveness, have faith in God; and one who always remembers Allah (*Dhikrullah*) (Kamil et al., 2012). Din, Yaacob and Azmi in Ramadani et al. (2015) stated another important character that has to be possessed by a Muslim entrepreneur is having knowledge and wisdom, referring to the Holy Qur'an for daily life; performing five daily prayers a day; carrying out *zakat*; helping the poor and the needy; performing evening prayers and *dhuha*; and gratefulis a wise, strong, and intelligent entrepreneur, possessing a strong memory, knowledgeable, experienced, simple, honest, wise, fair and has a strong desire.

From Khaliq in Adamu et al. (2011) which stated that spirituality is identical with the purity of the heart, which is used to control all parts of the human body, then spirituality is purifying the heart, and for that it takes the divine qualities in a person such as "*taqwa*" (piety), *tawakkal* (trust in Allah), "*qonaah*" (contentment), "*saber*" (patience), "*ikhlas*" (purity of intention), "*risalah*" (prophethood) and "*akhira*" (the life hereafter).

Islamic spirituality basically can be measured by seeing the implementation and expression of someone in practicing the teachings of Islam, the indicator of a person who underlies his daily life with the Islamic teachings is someone who has self-

discipline, measured from the level of proximity to Allah, the level of Islamic knowledge he has, level of faith, high morality, responsibility and practice (worship) of Islam (Dasti and Sitwat, 2014).

2.4 Business Performance

Corporate Performance Assessment becomes an important part of scientific research in the field of business policy (Dess et al., 1984). The company's orientation in doing business is to achieve sustainable competitive advantage by creating high efficiency and effectiveness with its competitors, effectiveness is measured by the compatibility between customer expectations and what is provided by the company, and efficiency measured by the use of the firm's economic value of resources results in a high level of customers' trust (Neely et al., 2005).

Snow and Hrebiniak (1980) stated that the company's business performance assessment conceptually and practically can be viewed from different angles, such as the point of view of the usefulness of the stakeholders, they are capital owners and workers, from the time period of assessment, and performance criteria. Business performance can be seen with viewpoints of organizational quantity and capacity, such as performance assessment of SMEs (Hudson et al., 2001; Taticchi et al., 2010).

The characteristics of a company can be distinguished by the size and type of company, in the study of business performance included in the category of SMEs revealed 6 (six) dimensions of performance measurement of time, quality and flexibility, the most widely used, financial dimensions, consumer confidence and human resources. These six dimensions have not generally been able to comprehensively measure business performance, however the dimensional approach can support the achievement of corporate strategy measurement (Hudson et al., 2001).

3 METHODOLOGY

The research method using descriptive quantitative approach with a simple linear regression analysis by using sample of 100 owners and managers of micro enterprises, the data obtained by survey method and using questionnaire as data collection instrument. Statistical analysis was performed to test the hypothesis of the research that has possibility of positive influence and significant correlation between Islamic spirituality to business performance of micro-

enterprises. The results of this study are expected to be able to provide enrichment to previous studies which stated the existence of the influence between Islamic spirituality and business performance.

4 FINDING

Based on the results of a survey conducted on 100 respondents whose are owners, and owners and managers in the same time of micro businesses with various types of businesses, respondents with age between 25 - 73 years, with an average age of 35 years indicating that they are still at productive age to develop the business. Characteristics of respondents based on educational level also showed 53% more with senior high school education, although some of them has Elementary and Secondary School as their last education.

Answering the research hypothesis about the indication of a relationship between a person's religious value system and one's spirituality in life as an entrepreneur with the success of his business (Balog et al., 2013) can be proved in this study. Statistically based on the results of data processing shows that the spirituality of Islam has a positive correlation to the performance of entrepreneurs with 0.43 points or are in enough category, and the influence of spirituality on the performance of micro business is positive and significant with a value of 19.2%.

Survey results show that the average respondents understand the basic concepts of spirituality in the perspective of Islam is the implementation of worship or the manifestation of servitude to God, included in running business activities. A Muslim who chooses the way of life as an entrepreneur is encouraged to optimize effort as part of seeking *Ridho* of Allah, they are motivated not just to seek profit in the world but also hope for the good of the afterlife (heaven) (Adamu et al., 2011). Respondents have a high level of pride which can be interpreted that as an entrepreneur they do not leave their personal attributes as a Muslim. They have a great tendency to harmonize the teachings of Islam with their behavior while running a business and always trying to understand the teachings of Islam both from the source of Islamic teachings.

The performance micro business of their business surveyed is in good level, especially of the punctuality of customer order completion and they have high effort to continue the business. The financial and production performance not much

change and / or tend to increase between 0 - 10% in the last period.

5 CONCLUSIONS

An entrepreneurial study based on one's value system becomes a very interesting phenomenon. This study is limited to the quantitative proof of the spirituality phenomenon that is always visible in the daily life of people in West Java in various daily activities with the assumption that other factors are considered fixed. The future of more comprehensive research and a broader scope of research on Islamic spirituality in entrepreneurship is indispensable considering Indonesia is the country with the largest Muslim population but still only few people choose to be entrepreneurs, whereas on the other hand Islam strongly encourages Muslims to become entrepreneurs (Gümüşay, 2015).

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