

Islamic Network-Based Business Model: Theory and Practice

Yuli Nurhasanah
Widiyanto bin Mislan Cokrohadisumarto
Yuli Indah Sari
Faculty of Economic
UNISSULA Semarang

ABSTRACT

Islamic business has taken an important part in supporting the existence of the halal industry in Indonesia. Also, businesses that implement Islamic values are preaching (dakwah) efforts to introduce Islamic economics to the public. Therefore, it is important to help the development of this business going forward. One of the factors that helped the development of the business was a network based on Islamic values. This study aims to find a network-based Islamic business performance model in achieving business success. This study uses a qualitative approach by taking a sample of 11 Muslim entrepreneurs from the Non-Riba Community (MTR) in the City of Semarang, Indonesia with the snowball method. The study results show that the Islamic network can strengthen the performance of Islamic business in achieving success, especially in supporting the acquisition of capital without debt (non-usury) and strengthening Islamic business ethics in the members of the community. Islamic values-based networks have become more effective with the presence of pioneers (the most successful community members) who play an active role as mentors or motivators and movers in the business community.

Keyword: Islamic Business, Networks, Pioneer

INTRODUCTION

The presence of Islamic business is a form of public awareness in developing the Islamic economy. Islamic economic thinking is known for its concern for human and social welfare, including legitimate forms of consumption, wealth (distribution and management), monetary policy, debt, market exchange, taxation, social security, investment and capital, business and trade, trade and industry, and transaction law (Shinkafi and Ali 2018). The impact of this is related to the rapid growth of the halal-free usury industry. Islamic business is an attractive cultural and economic contribution to the field of entrepreneurship and small business development (Ramadani et al. 2015). This awareness phenomenon also encourages Muslim entrepreneurs to form a community (network) that can accommodate and help the success of their business. The ability of entrepreneurial networks forms the foundation for entrepreneurial success (Zacca, Dayan, and Ahrens 2015). Lake and Erwee (2003) found that the network has provided various positive benefits both tangible and intangible benefits to members who join.

In the general concept Saleh and Harvie (2006) explain that the network consists of sharing knowledge, information, and resources among business people. Network capabilities can positively enhance the ability to create information, aggressiveness and entrepreneur innovation to achieve established business performance (Zacca, Dayan, and Ahrens 2015). Whereas Pearson and Richardson (2001) argue that networks based on religious or ethical identity are often thought to be stimulated by relatively high levels of risk avoidance, and are limited by moral, behavioral, theological rules that are externally imposed by religious institutions that belong to all members of the network. From the discussion, then the question arises about "whether Islamic values will offer a better and unique network concept?" remembering that Islam is Rahmatan Lil Alamin. As we know, Islam exists for the good of all mankind and not only offers worldly business benefits but also profits in the hereafter, especially in the context of achieving the pleasure of Allah Al-Mighty. Islam as a religion invites all Muslims to be active and work hard, which is characteristic of entrepreneurs and business owners. Islam encourages prosperity through the proper use of resources given by Allah Al-Mighty (Ramadani et al. 2015).

Based on the discussion above, this study exists to fill and complete the gaps in previous research, and to find a network-based Islamic business performance model in achieving business success. The results of this study are expected to contribute theoretically and practically new knowledge about Islamic business that can be implemented by the wider community.

LITERATURE REVIEW

Islamic Business

Business can be defined as legal activities carried out for the purpose of obtaining profit (Hashim 2012). Business is an integral part of a system that is socially composed of community, business, and microbusiness, government, economy, and finance, all of which are assigned to the production, organization, and marketing of valuable results (Almoharby 2011). Business is an entrepreneur that combines creative ideas with profit-seeking behavior. Ramadani et al. (2015) revealed that Muslims as entrepreneurs are progressively seeking to establish businesses that are consistent with the principles of Islamic life, known as Sharia law, each of which establishes companies whose activities are halal (halal), not haram (breaking the law). Islam clearly regulates the problems of the human economy in terms of intelligence seeking wealth and intelligence to utilize these assets in the right way. Allah Al-Mighty said:

"And when the prayer is ended, then disperse in the land and seek of Allah's bounty, and remember Allah much, that ye may be successful." (Q.S. 62: 10).

"It is no sin for you that ye seek the bounty of your Lord (by trading). But, when ye press on in the multitude from 'Arafat, remember Allah by the sacred monument. Remember Him as He hath guided you, although before ye were of those astray.." (Q.S. 2: 198).

"Those who swallow usury cannot rise up save as he ariseth whom the devil hath prostrated by (his) touch. That is because they say: Trade is just like usury; whereas Allah permitted trading and forbiddeth usury. He unto whom an admonition from his Lord cometh, and (he) refraineth (in obedience thereto), he shall keep (the profits of) that which is past, and his affair (henceforth) is with Allah. As for him who returneth (to usury) – Such are rightful owners of the Fire. They will abide therein." (Q.S. 2: 275).

Alam Choudhury and Harahap (2009) explained that in Islam there is the concept of Tawhid which must be implemented in human life, which is to make God the only worshiped with all its specialties. He explained that Tawhid's characteristics in business practices have two main strengths, namely prevail market forces and sharia compliance. Where the two forces are based on human moral awareness itself (Alam Choudhury and Harahap 2009). Business in Islam is usually based on the following principles: business is an integral part of this religion; success is not only measured by the result but also by achieving it; Islam encourages people to explore business; business activities are part of worship or 'good deeds'; business guiding principles are based only on Al-Qur'an and the Hadith of the Prophet (teachings and traditions); ethics and social responsibility are based on Muhammad S.A.W's exemplary behavior (Ramadani et al. 2015). Business performance is generally measured by organizational results, and results that measure progress towards achieving organizational goals and objectives (Kariv et al. 2009). Business activities are not only carried out by fellow human beings but also between humans and Allah Al-Mighty. From an Islamic perspective, the goal of business performance is not just to achieve worldly results such as income, annual sales, etc., but also business that is ethical and beneficial to others (the community and other Muslim entrepreneurs). Thus it can be concluded that the objectives of Islamic business include benefits (material and non-material), growth, sustainability, and gifts from Allah Al-Mighty.

Networking In Islamic Business

Networks are defined as "groups or chains of businesses or organizations that are interconnected. Most organizations strive to build long-term relationships with [stakeholders] and quickly become part of a stable network" (Huovinen 2019). Lake and Erwee (2003) explained that a formal group was formed to facilitate the network of independent members so that the development and maintenance of relations could be carried out to provide mutually beneficial results between the community and business through cooperation. Entrepreneurial network theory

starts with the relationship between certain entrepreneurs and other individuals where there is a group of entrepreneurs in the network who want to share the intention to develop business by contributing information and other resources towards business development (Fadahuni, Smallbone, and Supri 2000). According to Lake and Erwee (2003), there are three intangible advantages when an entrepreneur joins a network that is a sense of community and legitimacy, communicating with like-minded people and accessing knowledge, information, and learning. Business networks (defined as consisting of sharing knowledge, information, and resources with fellow businesses) are generally believed to have added value that impacts on export promotion, internationalization, and business performance (defined as consisting of profitability, sales growth, exports, and return on assets) (Saleh and Harvie 2006).

In connection with the role of the network, Islam teaches its people to mutually encourage one another in goodness and advise in ugliness and develop the concept of togetherness and help. Allah Al-Mighty said:

"And those who believed and do righteous deeds, they will surely be included in the group of righteous people." (QS. 29; 9)

"By the time. Indeed, Mankind is in the loss. Except for those who believed and done the righteous deed and advised each other to the truth and advised each other to patience." (QS. 103; 1-3)

"And the believers, men, and women are protecting friends one of another; they enjoy the right and forbid the wrong, and they establish worship and they pay the poor-due, and they obey Allah and His messenger. As for these, Allah will have mercy on them. Lo! Allah is Mighty, Wise." (QS. 9; 71)

Holmlund and Törnroos (1997) networks cannot be separated from the concept of relationships (consisting of togetherness, long-term character, nature of processes, the context of dependency) and marketing models (consisting of business people, resources, and human beings who are interconnected in business). Farooqi (2006) explains that evidence of formal network strengthening is obtained from technological, financial, and human capital inputs from various sectors while informally obtained from the implications of Islamic values or ethics to help resolve network problems and obstacles. Networks in Islam are based on human faith in Allah Al-Mighty to always develop businesses that are compliant and compliant with the provisions of sharia. Efforts to always compete and invite in kindness, intention to improve themselves, and help in business development become important guidelines in the network. Therefore, when Muslim entrepreneurs who gather have the same orientation, the results achieved are not only mutual success in terms of business but also benefit (religion, reason, soul, descent, maal) and the pleasure of Allah Al-Mighty.

RESEARCH METHOD

This research is a qualitative approach based on interviews with 11 Muslim entrepreneurs who are members of the Non-Riba Community (MTR) obtained through snowball methods. This study confirmed that respondents of various characteristics were not limited to the type of business, the location from where they did business. This research method was chosen by researchers to obtain more objective research results and also to express opinions or responses from informants about business without usury based on networks in Indonesia. The results of this study have been confirmed by the informants to validate the answers.

RESULT AND DISCUSSION

Demography of Responden

The informants of this study were predominantly male Muslim entrepreneurs. The types of businesses developed include restaurants, property and retail, Islamic laundry, veener factories, tofu factories, optical glasses, screen printing and embroidery, and furniture. Each business has developed and succeeded after joining the Non-Riba Community (MTR) (leaving usury practice).

The Reason to Join MTR

More than 90 percent of the speakers chose to join the MTR community because they did not want to experience the destruction as before. Before joining the MTR, the business was run using capital from bank loans (usury-denominated debt). In the beginning business activities, company conditions start to develop, profits are high, turnover of hundreds of millions and can open branches in several regions. However, when business activities are at the peak of success, problems arise that cause loss and business damage. Increasing business losses made entrepreneurs uneasy so they decided to join the MTR. After joining the MTR and getting education and motivation, entrepreneurs realize that the mistake lies in loan capital containing usury. Then the entrepreneurs began to commit to getting out of usury by paying off all debts they had. The majority of businesses that are built without using debt (non-usury) have very rapid developments such as the scope of business branches which is increasingly broad and growing to a national scale. After leaving usury, the turnover obtained increased to 100 percent from before and has increasingly loyal HR to the company. MTR member business is growing rapidly because today the business is run without using usury-based debt so that it becomes a blessing and provides overall benefits. Some businesses have been run nationwide and have become exporters of goods abroad. Almost all businesses already have their production sites, such as the furniture business, screen printing, veneer factory, tofu factory, and optical glasses. The business operates with quality and halal which is always maintained following Islamic regulations.

Networking and Islamic Business Performance

Each business activity has a variety of discussions that require the help of other more experienced entrepreneurs. Through the network, the discussion can be resolved by joint discussions and sharing of knowledge. Based on interviews, it was found that MTR always conducts spiritual studies (strengthening monotheism) and regular muamalah studies. The study was provided by business motivators or pioneers in the network (members of MTR entrepreneurs who are more successful and more experienced) who support to provide moral support and solutions to business problems that happen. The most successful entrepreneur members will be role models and provide insight into other members' knowledge. MTR has committed to applying the principle of mutual support, open attitude, honest, trusting and caring with other members in developing business following Islamic provisions. Therefore, community networks that are built can support the fabric of cooperation between members and achieve business success together.

Networking Support Non-Riba Capital

Capital is an important aspect of starting a business. The presence of the MTR has encouraged each member to have non-riba capital. Now, Muslim entrepreneurs are aware that capital that contains elements of usury-based debt will bring destruction to the businesses that are operated. As Allah Al-Mighty said:

“Allah hath blighted usury and made almsgiving fruitful. Allah loveth not the impious and guilty. (Q.S. 2; 276)

The MTR network seeks to eliminate the element of usury in all its business activities to achieve the blessing of Allah Al-Mighty. These commitments and goals not only bring material success to the businesses they develop but also the peace of mind of all MTR members (closer to Allah Al-Mighty). The principle will be carried out through committed to selling assets owned to repay loans that are usury. In conducting business according to Islamic law, entrepreneurs not only make business as a main target for profit (profit and loss interests) but also the business is run-oriented to pursue heaven and away from hell so that what is done will give a blessing.

Networking Support Implementation of Islamic Business Ethics

In the development and competition of global business, ethics is often linked to the main function of the business. Some entrepreneurs argue that a business is run only for profit and does not need to apply ethics in running the business. Islam has another view on this matter. The essence of human beings as caliphs on Allah earth is about how they can know with their relationship with their Lord, relationships with fellow humans, and human relationships with the other creatures of Allah. As a form of implementation of Islamic values, MTR builds ethical behaviors of members through routine discussions and studies and seminars to discuss strengthening the creed and learning muamalah fiqh towards members. The community prioritizes the attitude of trust and individual responsibility as a Muslim entrepreneur.

Business networks are defined as business relationships that are interconnected between members (Prekert and Hallén 2006). This means that to establish good connections requires

honesty, high cooperation, and a sense of care for the problems being faced by other members. Good behavior and morals in establishing relationships with other entrepreneurs are created because of mutual trust and honesty. Entrepreneurs with the same orientation will give birth to a positive atmosphere that will have an impact on business performance, collaboration, and foster good ethical patterns. Hashim (2012) explains that Muslim entrepreneurs must follow the rules and regulations for business matters (a set of business ethics) stated in Islamic law so that business can maintain their sustainability.

Final Model Framework

The pattern of networks based on Islamic values has proven that Islam is capable of contributing unique and new strategies for building sustainable Islamic business performance. Through the MTR it can be concluded that the impact of the network not only plays a role in spreading knowledge and resources but also includes strengthening the creed, faith, and morality of each member. The following are the findings of the validated model in the study which will be explained through Figure 1.

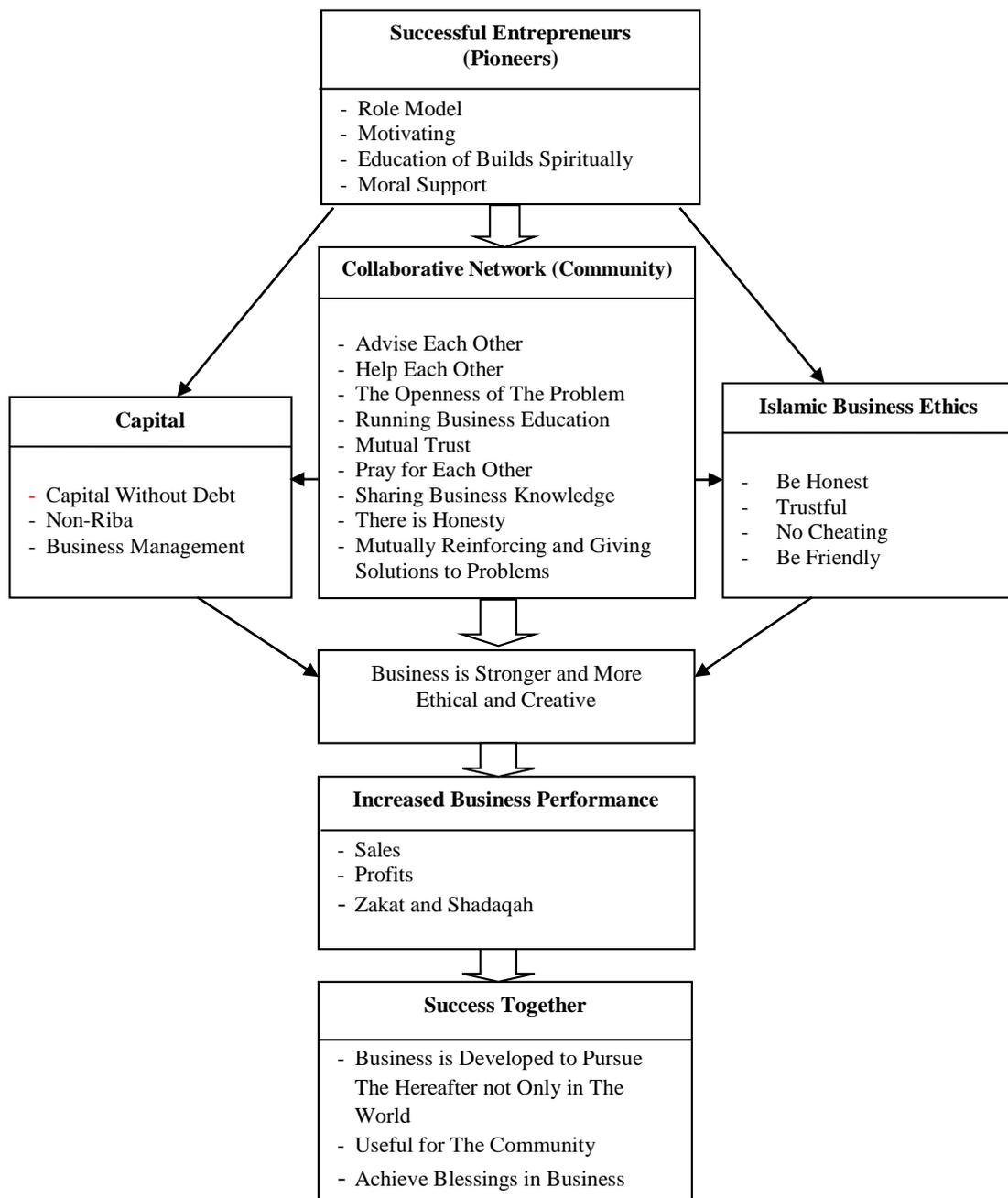


Figure 1: Model of Islamic Network-Based Business Performance

CONCLUSION

This study has provided concrete evidence of the influence of Islam on human life, including on business activities. Through strengthening Islamic values, this study has provided new knowledge about the development of Islamic networks both theoretically and practically to the public. Islamic network-based business as a bridge to establish relationships with other entrepreneurs has a positive impact on business development in achieving success. The pioneers have a very important role in the network to help the development of Islamic business with the results of the overall goal or *Falah* (world and the hereafter). Besides, the presence of the network can help strengthen business ethics among members and keep usury away from doing business. So that it can encourage sustainable business success. This study requires further study in other areas that have different business potential in depth.

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APPENDIX 1.

Table 1.
Description of Respondent Answers about Networks

Questions	Summary	Respondent
How is the role of networks or groups in running a business based on: ○ Relationship between employers and coworkers	The openness of the problem to find a solution	N1, N6
	Trust and mutual benefits	N3, N4, N5, N6, N11
	Product quality oriented	N2
○ Businessman relations with employees	Educate employees to avoid usury	All of the Respondent
	Gathering (silahturahmi) with employees to strengthen relationships	All of the Respondent
○ Relationship of entrepreneurs with other entrepreneurs	Study of fiqh and business sharing	All of the Respondent
	Helping each other and strengthening and providing solutions, making other entrepreneurs as a reference in developing business	All of the Respondent
○ Relationship between entrepreneurs and consultants in decision making	Mentors from community friends to remind one another	N9
	Friend as a business consultant and advisor	N5
	Mentors, namely successful business people (pioneers) become role models in running a business	N3, N5, N6, N7, N8, N9
What kind of collaboration pattern causes a business to be successful?	Advise each other in kindness. Give and receive advice, criticism, opinions from friends, coworkers, and others	N1, N2, N4, N6, N7, N9, N10,
	Build trust and honesty	All of the Respondent
	Pray for one another and give moral support	N1, N2, N5, N6, N7, N9, N10
	Sharia business studies and seminars	All of the Respondent
How do business people establish relationships with their employees to create a character and good Akhlaq in work?	Provide enthusiasm and affirmation about the Islamic business	All of the Respondent
	Share information and provide support	All of the Respondent
	Build spiritual in religion	All of the Respondent
	Prioritizing learning in the form of studies and education	N7

APPENDIX 2.

Table 2.
Description of Respondent Answers about Capital

Question	Summary	Respondent
What is the role of capital in business so that you can avoid debt and usury?	Business orientation towards blessing is not just a profit and loss	All of the Respondent
	Alms and helps others	All of the Respondent
	Distinguish business and personal results	N6
	Business management	All of the Respondent

Tabel 3.
Description of Respondent Answers about Islamic Business Ethics

Question	Summary	Respondent
How is the application of Islamic ethics in groups and networks based on the principles of Islamic law?	Islamic studies and dakwah about the dangers of usury	All of the Respondent
	Spiritually based and moral with honesty	All of the Respondent