

INTERNALIZATION OF ISLAMIC EDUCATIONAL VALUES IN SHARIA BUSINESS ETHICS AMONG MSMEs

Muhammad Ichsan

Ar-Raniry State Islamic University, Banda Aceh
muhammad.ichsan@ar-raniry.ac.id

Abstract

This study examines the internalization of Islamic educational values in shaping Sharia business ethics among Micro, Small, and Medium Enterprises (MSMEs) from the perspective of Islamic economics. The main issue addressed in this research is the persistent gap between the normative understanding of Islamic values and their practical implementation in MSME business activities, resulting in Sharia business ethics that are not yet fully institutionalized as a sustainable business culture. The objective of this study is to analyze how the internalization process of Islamic educational values contributes to the formation of sustainable Sharia business ethics within MSMEs. This research adopts a qualitative research design utilizing a library research (literature based) methodology with a descriptive analytical approach. The study systematically collects secondary data from a wide range of scholarly sources, including peer-reviewed journal articles, academic books, and authoritative publications related to Islamic education, Sharia business ethics, and Islamic economics. The data analysis is conducted through a content analysis technique, involving systematic reading, coding, categorization, and interpretation of key concepts and theoretical constructs found within the selected literature. This process enables the synthesis of relevant ideas and the identification of conceptual patterns, relationships, and scholarly perspectives. The findings reveal that the internalization of Islamic educational values—such as *tawhid* (monotheism), *amanah* (trustworthiness), *adl* (justice), and *ihsan* (excellence) serves as the fundamental foundation in shaping ethical, honest, and responsible business behavior. The internalization process occurs through three stages, namely value transformation, value transaction, and value transinternalization, which determine the extent to which these values become embedded in the character of MSME actors. However, in practice, the dominance of profit-oriented behavior often hinders the full implementation of these values consistently in business activities. The study concludes that value internalization is a key determinant in the development of Sharia business ethics among MSMEs. Therefore, strengthening value based Islamic education is strategically essential in building MSMEs that are ethical, sustainable, and oriented toward *barakah* (divine blessing) and social welfare.

Keywords: Islamic educational values, sharia business ethics, MSME, Islamic economics

Abstrak

Penelitian ini membahas internalisasi nilai-nilai pendidikan Islam dalam pembentukan etika bisnis syariah pada UMKM dalam perspektif ekonomi Islam. Permasalahan utama dalam kajian ini adalah masih adanya kesenjangan antara pemahaman normatif nilai-nilai Islam dengan implementasinya dalam praktik bisnis UMKM, sehingga etika bisnis syariah belum sepenuhnya menjadi budaya yang mengakar. Penelitian ini bertujuan untuk menganalisis bagaimana proses internalisasi nilai-nilai pendidikan Islam dapat membentuk etika bisnis syariah yang berkelanjutan pada UMKM. Penelitian ini menggunakan desain penelitian kualitatif dengan pendekatan studi kepustakaan (*library research*) serta metode deskriptif-analitis. Penelitian ini secara sistematis mengumpulkan data sekunder dari berbagai sumber ilmiah, termasuk artikel jurnal yang telah melalui proses *peer-review*, buku akademik, dan publikasi terpercaya yang berkaitan dengan pendidikan Islam, etika bisnis Syariah, dan ekonomi Islam. Analisis data dilakukan melalui teknik analisis isi (*content analysis*), yang mencakup proses pembacaan secara sistematis, pengodean, pengelompokan, serta interpretasi terhadap konsep-konsep utama dan konstruksi teoritis yang terdapat dalam literatur yang dipilih. Proses ini memungkinkan dilakukannya sintesis terhadap gagasan-gagasan yang relevan serta identifikasi pola konsep, hubungan, dan perspektif akademik yang ada. Hasil penelitian menunjukkan bahwa internalisasi nilai-nilai pendidikan Islam seperti *tauhid*, *amanah*, *keadilan (adl)*, dan *ihsan* berperan sebagai fondasi utama dalam membentuk perilaku bisnis yang etis, jujur, dan bertanggung jawab. Proses internalisasi berlangsung melalui tahapan transformasi, transaksi, hingga transinternalisasi nilai, yang menentukan sejauh mana nilai-nilai tersebut melekat dalam kepribadian pelaku UMKM. Namun demikian, dalam praktiknya masih ditemukan dominasi orientasi profit yang menyebabkan nilai-nilai Islam belum sepenuhnya terimplementasi secara konsisten. Penelitian ini menyimpulkan bahwa internalisasi nilai merupakan faktor kunci dalam pembentukan etika bisnis syariah pada UMKM, sehingga penguatan pendidikan Islam berbasis nilai menjadi kebutuhan strategis dalam mewujudkan UMKM yang beretika, berkelanjutan, dan berorientasi pada keberkahan.

Kata kunci: Nilai-nilai pendidikan Islam, etika bisnis syariah, UMKM, ekonomi Islam

INTRODUCTION

The development of the Micro, Small, and Medium Enterprises (MSMEs) sector in Indonesia over the past few decades has demonstrated a highly strategic role in sustaining the national economy. MSMEs not only serve as the backbone in creating employment opportunities, but also function as an instrument for income distribution and poverty alleviation. In times of economic crisis, MSMEs have proven to be more resilient than large-scale enterprises due to their high flexibility and adaptability. However, despite these significant contributions, there remain fundamental challenges, particularly in the implementation of business ethics that do not yet fully reflect moral and spiritual values (Ministry of Cooperatives and Small and Medium Enterprises, 2022).

Ethical issues in MSME business practices are often reflected in behaviors that deviate from the principles of honesty, such as reducing product quality, manipulating weights and measurements, lack of transparency in providing information, and violating transaction agreements. These practices not only harm consumers but also damage market trust, which is an important factor for business sustainability. According to Keraf, business ethics emphasizes moral principles such as honesty, responsibility, and fairness, which must serve as the foundation of every business activity in order to create trust and ensure business sustainability (Keraf, 2018; Muslim, 2019). Therefore, an approach that is not only regulatory but also normative and educational is needed to build ethical awareness among business actors.

From the perspective of Islamic economics, business activities cannot be separated from moral and spiritual values. Islam views business as a form of worship that must be grounded in Sharia principles. The concept of

tawhid emphasizes that all human activities, including economic ones, are under the supervision of Allah SWT, thereby encouraging business actors to act honestly and responsibly. The principle of 'adl (justice) requires balance in transactions, ensuring that no party is disadvantaged. Meanwhile, the values of amanah (trustworthiness) and ihsan (excellence) emphasize integrity and the pursuit of excellence in every business activity (Chapra, 2016; Dusuki, 2019). Thus, Sharia business ethics are not solely oriented toward material profit but also toward blessings (*barakah*) and collective welfare.

The importance of business ethics in Islam is also reflected in the example of the Prophet Muhammad (peace be upon him), who was known as an honest and trustworthy trader (*al-amin*). His success in trade was determined not only by business skills but also by high moral integrity. This demonstrates that the application of good ethics is a key factor in building trust and customer loyalty. In the modern context, these values remain relevant and have even become increasingly essential amid growing business competition and complexity.

In this regard, Islamic education plays a crucial role. It functions not only as a means of knowledge transfer but also as a process of character building that emphasizes the internalization of moral values (*akhlaq*). According to Nata (2021), Islamic education aims to develop individuals who are faithful, pious, and possess noble character, which is reflected in all aspects of life, including economic activities. The process of internalizing Islamic values in education does not only focus on cognitive understanding, but also includes deep appreciation and consistent practice of these values, so that they become a guiding principle in attitudes and behavior, including in developing business ethics in accordance with Sharia principles.

However, the current challenge lies in ensuring that Islamic educational values are truly internalized in business practices, particularly among MSME actors. In reality, many business practitioners still separate religious values from economic activities, resulting in the neglect of business ethics in pursuit of short-term profits. Factors such as limited knowledge, weak guidance, and competitive market pressures are the main causes of this phenomenon (Hassan, 2020; Kayed & Hassan, 2021). Additionally, globalization and modernization have introduced materialistic values that tend to shift business orientation away from spiritual principles.

Furthermore, according to Antonio (2011), the implementation of Islamic economics will not run optimally without the support of human resources who possess both understanding and commitment to Sharia values. This indicates that the internalization of Islamic educational values is a fundamental prerequisite for building a just and sustainable economic system. In the context of MSMEs, such internalization can be carried out through various approaches, including training, mentoring, and the integration of Islamic values into entrepreneurship education curricula.

Therefore, the study of the internalization of Islamic educational values in shaping Sharia business ethics among MSMEs is highly relevant and important. This study not only provides conceptual understanding but also offers practical solutions for developing ethical business behavior in accordance with Sharia principles. It is expected that through effective internalization, MSME actors will be able to run businesses that are not only oriented toward economic profit but also toward justice, blessings, and collective welfare.

Based on the background described above, the research problem in this study aims to

analyze the process of internalizing Islamic educational values in shaping Sharia business ethics among MSME actors. This study is expected to contribute to the development of knowledge, particularly in the fields of Islamic economics and Islamic education, especially regarding the integration of moral values (*akhlaq*) into economic activities. Practical Significance, for MSME actors, as a guideline for implementing Sharia business ethics. For the government or relevant institutions, as a consideration in formulating policies for Sharia-based MSME development.

Several previous studies relevant to this topic include: Research by Antonio (2011) emphasizes that the success of Islamic economics largely depends on the comprehensive application of Sharia values in economic activities, including in the MSME sector. This study shows that business ethics is a key element in creating a just and sustainable economic system. Furthermore, research by Rivai (2012) explains that Islamic business ethics encompasses principles such as honesty, justice, and social responsibility that must be applied in every business activity. The findings indicate that companies implementing Islamic business ethics tend to have higher levels of consumer trust. Meanwhile, Hafidhuddin emphasizes that Islamic values such as trustworthiness (*amanah*) and professionalism significantly influence business performance, particularly in the context of Sharia-based business practices (Hafidhuddin, 2004; Antonio, 2019; Hassan, 2020).

Unlike previous studies, this research places greater emphasis on the internalization of Islamic educational values as a process of shaping business ethics, rather than merely on the implementation of ethics itself. Therefore, this study offers novelty by examining the relationship between Islamic education and economic practices in a more in depth manner.

THEORETICAL REVIEW

The Concept of Value Internalization in Islamic Education

a. The Nature of Value Internalization in Islamic Education

Value internalization in Islamic education is a fundamental process that is not only oriented toward the transfer of knowledge but also toward the formation of a holistic personality with Islamic character. In the perspective of Islamic education, values are not sufficient to be understood intellectually; they must be internalized, believed in, and manifested in daily actions.

Etymologically, internalization refers to the process of “embedding” or “deeply absorbing something until it becomes part of an individual.” In the context of Islamic education, value internalization means the process of instilling Islamic teachings into the soul of learners so that they become guidelines for thinking, attitudes, and behavior.

Islamic education is a conscious effort to guide and develop human potential in order to form a balanced Muslim personality encompassing spiritual, intellectual, and moral aspects. Thus, value internalization is the core of Islamic education, as its ultimate goal is the formation of noble character (*al-akhlaq al-karimah*) (Nata, 2018; Arifin, 2020).

b. Value Internalization as a Process of Personality Formation

From the perspective of Islamic educational psychology, value internalization is a process of transforming external values into internal values embedded within the individual. Values that initially originate from outside (the Qur'an, Hadith, teachers, and the social environment) gradually become personal beliefs that influence behavior. Islamic education emphasizes the formation of moral character derived from revealed values; therefore, the process of value internalization cannot be

separated from the moral and spiritual development of learners (Arifin, 2017; Rahman, 2020).

This process involves fundamental changes in the structure of personality from merely “knowing” to “believing,” and ultimately to “practicing.” This transformation indicates that value internalization is a complex and gradual psychological process. In modern life, many individuals experience a gap between knowledge and behavior. They understand the value of honesty but fail to practice it in business. This condition reflects incomplete internalization and can be described as moral inconsistency in psychological terms.

c. Dimensions of Value Internalization in Islamic Education

Value internalization in Islamic education includes three interrelated dimensions:

1. Cognitive Dimension

This dimension relates to the understanding of Islamic values such as *tawhid*, honesty, justice, trust (*amanah*), and responsibility. At this stage, individuals rationally comprehend the normative foundations of Islamic teachings.

2. Affective Dimension

This dimension relates to attitudes and feelings toward these values. Values are not only understood but also appreciated, believed in, and valued. At this stage, moral and spiritual awareness emerges.

3. Psychomotor Dimension

This dimension relates to the implementation of values in real actions. Individuals not only understand and believe in values but also practice them in daily life.

The three dimensions of Islamic education cognitive, affective, and psychomotor must function integrally in order for value

internalization to lead to real behavioral change. Imbalances among these dimensions often cause failures in moral education. Many educational systems overemphasize cognitive learning while neglecting affective and psychomotor aspects, resulting in individuals who are intellectually capable but morally weak (Nata, 2018; Arifin, 2020).

d. Stages of Value Internalization

The process of value internalization in Islamic education does not occur instantly but through systematic and continuous stages. Muhaimin (2003) explains that value internalization in Islamic education occurs through three stages: transformation, transaction, and transinternalization. This view is still relevant and supported by contemporary Islamic education scholars (Nata, 2018; Arifin, 2020).

In the context of MSMEs, many business actors remain at the transformation stage. They know Islamic values but have not reached transinternalization, resulting in business behavior still being influenced by external factors such as market pressure and competition.

e. Methods of Value Internalization in Islamic Education

The internalization process is closely related to the educational methods used. In Islamic education, key methods include:

1. Role Modeling (*Uswah Hasanah*)

The most effective method, where individuals learn from real examples set by educators or role models. The primary role model in Islam is the Prophet Muhammad (peace be upon him), known for honesty, trustworthiness, and justice.

2. Habituation

Values are instilled through consistent repetition of behavior until they become habits.

3. Advice (*Mau'izhah*)

Delivering values through meaningful words that touch the heart and build moral awareness.

4. Supervision and Evaluation

Monitoring is necessary to ensure values are applied in real life.

Among these, role modeling has the strongest influence. In the MSME context, an unethical business environment can hinder internalization despite good formal education.

f. Factors Influencing Value Internalization

The success of value internalization is influenced by several factors:

1. Individual Factors

Including faith, moral awareness, and internal motivation.

2. Environmental Factors

Including family, community, education, and workplace environment.

3. Socio-Economic System Factors

Including regulations, business culture, and market systems.

According to M. Umer Chapra, an unsupportive social environment weakens the effectiveness of ethical education. In MSME practice, economic pressure often becomes the dominant factor that undermines moral values. When profit becomes the sole orientation, ethical values tend to be neglected. This perspective is consistent with contemporary Islamic economic studies that emphasize the role of social environment and material pressures in shaping ethical behavior in business practices (Chapra, 2008; Sadeq, 2020).

g. Relevance of Value Internalization in the Context of Economics and MSMEs

Value internalization in Islamic education is directly relevant to economic practices, particularly in MSMEs. Values such as honesty, trustworthiness, and justice serve as the foundation for building consumer trust.

According to Al-Qaradawi, ethics in Islam is an integral part of the economic system, not an additional element. In MSMEs, trust is the primary capital. Without value internalization, MSMEs risk losing market trust, which affects business sustainability. Therefore, value internalization is not only a moral necessity but also an economic necessity (Al-Qaradawi, 2001; Hassan, 2020; Chapra, 2020).

In conclusion, value internalization in Islamic education is a complex process involving cognitive, affective, and psychomotor dimensions, and progressing through stages of transformation, transaction, and transinternalization.

This process is influenced by individual, environmental, and social system factors. In the MSME context, value internalization serves as a crucial foundation for shaping Sharia business ethics oriented not only toward profit but also toward blessings and sustainability.

Islamic Educational Values

a. The Nature of Values in Islamic Education

Values in the perspective of Islamic education are a set of moral and spiritual principles derived from the Qur'an and Hadith that function as guidelines in shaping human behavior. These values are not only normative but also operational, as they underpin all aspects of life, including economics and business.

Islamic values originate from divine revelation, making them absolute and universal, and therefore relevant across all times and contexts. Thus, Islamic educational values regulate not only the relationship between humans and God but also social and economic relations among humans (Al-Attas, 2018; Shihab, 2020).

Unlike secular ethics, Islamic values are not relative but have fixed standards, making them more stable in shaping social behavior, including in business.

b. Sources of Islamic Educational Values

The main sources include:

1. The Qur'an as the primary source of law and values
2. The Hadith of Prophet Muhammad (peace be upon him) as explanation and implementation
3. *Ijtihad* (scholarly reasoning) for contextual development
4. Local wisdom that does not contradict Sharia

According to Al-Qaradawi (2001), Islamic values are dynamic in their application while still maintaining their fundamental principles. This flexibility ensures that Islamic principles remain relevant within the evolving context of modern MSMEs. The implementation of Sharia values in business functions not only as a moral guideline but also as an adaptive strategy for addressing contemporary economic and social changes (Rahman & Anwar, 2021; Huda et al., 2023).

c. Core Values in Islamic Education

Fundamental Islamic educational values include:

1. *Tauhid*
The belief in the oneness of God, forming the foundation that all human activities, including business, are acts of worship.
2. *Amanah* (Trustworthiness)
Reflects honesty, transparency, and professionalism in business.
3. *Adl* (Justice)
Requires fairness in economic transactions without harming others.
4. *Ihsan* (Excellence)
Encourages performing actions in the best possible way, beyond minimum standards.

According to Antonio (2011), these values form the foundation of Islamic business ethics: *tawhid* as the spiritual base, *amanah* as trust, *adl* as justice, and *ihsan* as quality.

Sharia Business Ethics in Islamic Perspective

a. The Concept of Sharia Business Ethics

Sharia business ethics is a set of moral principles that regulate economic behavior based on Islamic values, aiming to achieve *barakah* (blessing) and *falah* (well-being). This concept emphasizes that economic activities cannot be separated from the spiritual and moral values derived from Islamic teachings. Islamic business ethics represents the integration of moral values and economic activities that cannot be separated. In Islam, business is not merely a means of seeking profit but also a form of worship with both worldly and hereafter consequences (Rivai, 2012; Hassan, 2020; Kayed & Hassan, 2021).

In contrast to conventional business ethics, which tend to focus on profit maximization and compliance with positive law, Sharia business ethics incorporates the spiritual dimension as a key indicator of success. This dimension is reflected in intention (*niyyah*), the way profits are obtained, and the impact generated on society. Therefore, business success is not only measured by the amount of profit, but also by the extent to which the activities bring benefit and blessings to all parties involved.

From an Islamic perspective, human beings are regarded as *khalifah* (vicegerents) on earth who are responsible for managing resources justly and sustainably. Therefore, every economic activity must be carried out with full responsibility and awareness of Allah's supervision (*muraqabah*). This concept strengthens the function of Sharia business ethics as an internal control mechanism (*self-control*) that is more effective than mere external supervision.

Furthermore, Sharia business ethics emphasizes the principle of balance (*tawazun*) between individual and social interests. In practice, entrepreneurs are allowed to seek profit, but they must still uphold justice and

avoid harming others. This principle serves as the foundation for creating an inclusive and equitable economic system, in which wealth distribution is not concentrated in the hands of a particular group.

In addition, Sharia business ethics also contains elements of social responsibility. Business actors are not only responsible to consumers and business partners but also to society at large and the environment. This aligns with the main objective of Islamic economics, namely to achieve *maslahah* (public benefit) and prevent *mafsadah* (harm or damage).

Thus, Sharia business ethics is a comprehensive and holistic value system that integrates economic, moral, and spiritual aspects into a unified framework. Rivai (2012) emphasizes that without such integration, economic activities will lose direction and potentially lead to injustice. Therefore, the implementation of Sharia business ethics is essential in creating a sustainable, just, and blessed economic system.

b. Principles of Sharia Business Ethics

The principles of Sharia business ethics constitute the fundamental foundation in shaping the behavior of business actors in accordance with Islamic values. These principles include *shiddiq* (honesty), *amanah* (trustworthiness), *fathanah* (intelligence), and *tabligh* (effective communication), which are the core characteristics of Prophet Muhammad (peace be upon him) in conducting trade. These four principles not only serve as moral guidelines but also as the foundation for building a sustainable and highly ethical business system with strong integrity.

Shiddiq, or honesty, is the most fundamental principle. In a business context, honesty includes transparency in providing information regarding products, prices, quality, and transaction conditions. According to the

teachings of Prophet Muhammad (peace be upon him), honesty is the key to long-term business success. Honesty builds trust, which becomes the main capital in establishing long-term relationships between business actors and consumers.

Amanah refers to the ability to uphold the trust given by others. In business practice, *amanah* is reflected in the commitment to fulfill promises, maintain product quality, and avoid the misuse of authority. Business actors who demonstrate *amanah* will gain a good reputation, which ultimately enhances customer loyalty and ensures business sustainability.

Fathanah, or intelligence, indicates that business actors must possess intellectual ability and professionalism in managing their businesses. Intelligence is not limited to technical skills but also includes the ability to make wise and strategic decisions. In the context of the modern economy, *fathanah* is essential for facing global competition, while still operating within the framework of Sharia values.

Tabligh emphasizes the importance of effective, honest, and transparent communication. In the business world, good communication strengthens relationships with consumers and business partners. *Tabligh* also implies that business actors must convey information truthfully without misleading others or concealing facts.

Collectively, these four principles form the concept of ethical leadership in Islamic business. Business actors are not only responsible for seeking profit but also for serving as role models in ethical behavior. This aligns with the view that business success is determined not only by economic capability but also by moral integrity.

Thus, the implementation of Sharia business ethics principles is essential in creating a fair and sustainable business system. These principles provide benefits not only for business

actors but also for society as a whole. Through the application of *shiddiq*, *amanah*, *fathanah*, and *tabligh*, businesses can grow in a healthy manner and contribute positively to economic and social development.

c. Prohibitions in Sharia Business Ethics

In Sharia business ethics, there are several prohibitions aimed at maintaining justice, stability, and balance within the economic system. These prohibitions include *riba* (usury), *gharar* (uncertainty), *maisir* (gambling), as well as practices of fraud and manipulation.

According to M. Umer Chapra (1992), the prohibitions in Islamic economics are intended to create a fair and stable economic system. In other words, prohibitions in Islam are not merely restrictions, but rather a mechanism of social protection designed to prevent exploitation in economic activities (Haneef, 2020).

Riba refers to an unjust additional gain obtained in financial transactions, particularly in lending. The practice of *riba* can cause economic inequality because it guarantees profit for the lender without considering the condition of the borrower. In the long term, *riba* can widen social inequality and weaken the economic structure of society. Therefore, Islam prohibits *riba* and promotes a profit-and-loss sharing financial system that is more equitable.

Gharar refers to ambiguity or uncertainty in transactions. Transactions involving *gharar* may cause harm to one party due to incomplete or non-transparent information. In Sharia business ethics, every contract (*akad*) must be conducted clearly and transparently in order to avoid disputes in the future. Transparency is the key principle in avoiding *gharar*.

Maisir, or gambling, refers to speculative activities based on chance without productive effort. This practice is not only economically harmful but can also damage individual and societal morals. *Maisir* creates instability in the

economic system because the profits obtained are not based on productive value.

In addition, Islam also prohibits fraud and manipulation in business. Fraud may include concealing product defects, falsifying information, or price manipulation. Market manipulation, such as hoarding goods, can also harm society by causing scarcity and unjustified price increases.

According to M. Umer Chapra (2008), the prohibitions in Islamic economic practices are intended to establish a fair and sustainable economic system. By avoiding exploitative and unjust practices, economic activities can operate in a healthy manner and provide benefits for all parties. These principles are aligned with the objectives of Maqashid Sharia, particularly the protection of wealth and the promotion of social welfare (Febriyanti & Sapa, 2025).

Thus, prohibitions in Sharia business ethics play a very important role in maintaining economic balance. These prohibitions not only protect individuals but also safeguard the stability of the overall economic system. The consistent implementation of these prohibitions will create a business environment that is fair, transparent, and oriented toward collective welfare.

MSME In The Perspective Of Islamic Economics

a. Definition and Role of MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are an economic sector that plays a strategic role in creating employment opportunities and promoting economic equality. In developing countries, MSMEs often become the backbone of the economy due to their ability to absorb large numbers of workers and reach lower-income communities. In the perspective of Islamic economics, economic activities such as MSMEs are considered acts of worship when carried out in accordance with Sharia principles.

This shows that business activities have not only an economic dimension but also a spiritual dimension.

According to Hafidhuddin (2003), the development of MSMEs must be based on Sharia values in order to provide broader benefits to society. This perspective emphasizes that MSMEs in Islam are not solely oriented toward material profit but also toward social welfare (masalahah), positioning MSMEs as instruments for economic justice and collective prosperity (Antonio, 2019; Chapra, 2020).

In Islamic economics, MSMEs play a role as a means of wealth distribution. This aligns with the principle of justice (*adl*), which emphasizes equality in ownership and access to economic resources. Through MSMEs, individuals with limited capital can still participate in economic activities, thereby reducing social inequality. In addition, MSMEs promote economic self-reliance within society, which is one of the main objectives of Islamic economic development.

MSMEs also play a role in poverty alleviation. By creating business opportunities for the community, MSMEs help increase income and improve living standards. In Islam, efforts to reduce poverty are part of social responsibility that must be realized through productive and equitable economic activities. Therefore, MSMEs are important in achieving the objectives of *maqasid al-shariah*, particularly in preserving wealth (*hifz al-mal*) and ensuring social welfare.

Furthermore, MSMEs function as a means of empowering the Muslim economy. With the development of Sharia-based MSMEs, society can be protected from unjust economic practices such as *riba* and exploitation. This strengthens economic independence while creating a more humane and equitable economic system. MSMEs can also serve as a channel for distributing social

funds such as zakat, infaq, and sadaqah generated from business activities.

Thus, MSMEs in the perspective of Islamic economics have a broad role, not only as economic drivers but also as tools for achieving social justice and blessings. Hafidhuddin (2003) emphasizes that without a Sharia-based foundation, MSMEs risk losing their social function. Therefore, the integration of economic and spiritual values is key to sustainable MSME development (Chapra, 2020; Dusuki, 2019).

b. Challenges of MSMEs in Implementing Sharia Ethics

Although MSMEs play a strategic role in the economy, the implementation of Sharia ethics in practice faces several challenges. One of the main challenges is the low level of Islamic economic literacy among MSME actors. Many business owners do not fully understand fundamental concepts such as the prohibition of *riba*, *gharar*, and *maisir*, as well as the importance of values such as honesty and trustworthiness in business. As a result, the implementation of Sharia ethics is often suboptimal and merely formal.

Intense market competition is another factor influencing the application of Sharia ethics. In highly competitive conditions, MSME actors often face pressure to maintain their businesses. This pressure may lead some entrepreneurs to ignore ethical principles in order to gain short-term profits. Examples include reducing product quality, manipulating information, or unfair pricing strategies. This shows that external factors such as market conditions can influence ethical behavior.

Short-term profit orientation is another significant challenge. Many MSME actors focus on immediate results without considering the long-term impact of their business decisions. From an Islamic economic perspective, this orientation contradicts the principles of blessings

(*barakah*) and social responsibility. Profits gained without ethical consideration tend to be unsustainable and may harm others.

Weak ethical supervision is also a constraint in implementing Sharia ethics in MSMEs. Unlike large companies that have structured internal control systems, MSMEs often operate without clear monitoring mechanisms. As a result, ethical violations are difficult to detect and rarely receive strict sanctions. In such conditions, individual awareness becomes the key factor in maintaining business ethics.

According to Karim (2007), the success of Islamic economics greatly depends on the moral quality of economic actors. This statement emphasizes that the main challenge in implementing Sharia ethics is not merely structural, but also cultural. A business culture that does not fully embody Islamic values becomes an obstacle to the consistent application of ethical principles. Without cultural transformation and the strengthening of individual morality, the implementation of Islamic economic principles will be difficult to achieve optimally (Shafrani, 2020; Fadel et al., 2023).

Therefore, comprehensive efforts are needed to overcome these challenges. Improving Islamic economic literacy, strengthening moral values, and building a conducive business environment are important steps in promoting Sharia ethics in MSMEs. In this way, Sharia business ethics can move beyond theoretical concepts and be applied in real business practices.

c. The Relationship Between Value Internalization and MSMEs

The internalization of Islamic values is the process of embedding values into an individual so that they become part of their personality and influence daily behavior, including business

activities. In the context of MSMEs, value internalization is a key factor in shaping ethical business behavior in accordance with Sharia principles. Internalized values function as an internal control system that guides every business decision.

When Islamic values become part of an entrepreneur's personality, ethical compliance no longer depends on external supervision but rather on spiritual awareness. This creates a more effective and sustainable self-control system. Business actors will automatically avoid practices that contradict Sharia because they are aware that every action will be accountable before Allah SWT.

Islamic educational values serve as the main foundation in shaping Sharia business ethics. The principle of *tawhid* instills the belief that all human activities are under Allah's supervision, encouraging honest and responsible behavior. *Amanah* teaches the importance of maintaining trust in every transaction, while *adl* emphasizes fairness toward all parties. *Ihsan* encourages business actors to give their best in every activity.

In the MSME context, the internalization of these values becomes a determining factor for business success, not only in terms of profit but also in terms of blessings and social justice. MSMEs operated with Islamic values tend to gain higher public trust, which becomes an important competitive advantage in the long term. This trust serves as vital social capital for business development.

The process of value internalization does not occur instantly but through education, experience, and habituation. Therefore, the role of Islamic education, Sharia business training, and a supportive social environment is essential in shaping MSME entrepreneurs. With strong value internalization, business actors are not

only able to face business challenges but also maintain integrity in all conditions.

Furthermore, value internalization contributes to the creation of a more just and sustainable economic system. When MSME actors operate based on Islamic values, the positive impact is not only felt by individuals but also by society at large. This aligns with the objectives of Islamic economics, which emphasize the balance between individual and social interests.

Thus, Islamic value internalization is a crucial element in building ethical and competitive MSMEs. Without value internalization, the implementation of Sharia business ethics will be difficult to sustain consistently. Therefore, the integration of value education and business practice is key to realizing MSMEs that are not only economically successful but also beneficial to society as a whole.

METHODOLOGY

This study was conducted in 2025–2026 using a library research method, which involves collecting and analyzing various literature sources relevant to the research topic. The data sources include books, scientific journals, articles, and other documents related to Islamic education, Islamic business ethics, and Micro, Small, and Medium Enterprises (MSMEs) (Abdussamad, 2021).

The approach used in this study is a qualitative approach aimed at gaining an in-depth understanding of phenomena through descriptive analysis (Gunawan, 2021). The data analysis technique employed is descriptive-analytical, in which the collected data are systematically described and then analyzed to identify the relationship between the concepts of Islamic education and Islamic business ethics within the context of MSMEs. The analysis

process is carried out through the stages of data reduction, data display, and conclusion drawing in a systematic manner.

This research is conducted by reviewing various relevant literature to obtain data and concepts aligned with the development of Islamic business ethics in the MSME sector in the modern era. Through this method, the study is expected to provide a comprehensive understanding of the importance of internalizing Islamic educational values in shaping sustainable Islamic business ethics. The library research approach is chosen because it provides a strong theoretical foundation through the examination of relevant and up to date literature (Jaya, 2021).

FINDINGS AND DISCUSSION

The findings of this study demonstrate that the internalization of Islamic educational values constitutes the fundamental determinant in shaping Sharia-based business ethics among MSME actors. Rather than functioning as a mere transfer of religious knowledge, value internalization operates as a multidimensional transformation process that integrates cognitive understanding, affective commitment, and behavioral manifestation. In this sense, ethical behavior in MSMEs is not simply a matter of knowledge acquisition, but a reflection of the depth of moral embeddedness within the individual's worldview.

Based on Muhaimin's framework (Muhaimin, 2019:157–160), the internalization process takes place through three progressive stages: transformation, transaction, and transinternalization. At the transformation stage, Islamic ethical values such as *shiddiq* (honesty), *amanah* (trustworthiness), *adl* (justice), and *ihsan* (excellence) remain largely at the level of conceptual awareness. MSME actors generally recognize these values as religious imperatives; however, they are not yet structurally embedded

in decision making mechanisms. This stage reflects a condition in which ethics exist as external knowledge rather than internalized moral structure.

At the transaction stage, ethical values begin to interact with lived experience through social exchange, market engagement, and environmental influence. However, this interaction is characterized by conditional application, where ethical principles are activated selectively depending on situational advantage. This indicates that moral reasoning is still subordinated to instrumental rationality, meaning that ethical conduct is negotiated rather than fully committed. In this context, ethics function more as context-dependent adaptations rather than stable behavioral principles.

The highest stage, transinternalization, represents the full integration of Islamic values into the individual's moral identity, where ethical behavior becomes spontaneous, self-regulating, and independent of external enforcement. However, the empirical findings indicate that this stage remains largely unattained among MSME actors. The majority remain at the transformation stage, while only a limited number reach the transaction stage. This reveals a structural gap between normative understanding and behavioral embodiment, indicating that Islamic values have not yet evolved into a stable ethical habitus.

This condition reflects a deeper phenomenon known as the knowledge–behavior gap, which in Islamic ethical discourse can also be interpreted as a fragmentation between *ilm* (knowledge) and *'amal* (practice). Although MSME actors possess sufficient awareness of Islamic business ethics, this awareness does not consistently translate into ethical conduct. Consequently, ethical decision-making is frequently overridden by economic pragmatism,

particularly under conditions of competitive pressure and survival-oriented business logic.

The principle of tawhid, which should function as the ontological foundation of Islamic economic behavior, theoretically establishes a unified worldview in which all economic actions are embedded within divine accountability. However, the findings suggest that tawhid remains largely symbolic rather than operational. Profit maximization continues to dominate decision making structures, indicating that economic rationality is still decoupled from spiritual rationality. This separation produces what can be described as a dualistic moral economy, where religious awareness exists but does not fully regulate economic conduct.

From the perspective of Islamic economics, Chapra emphasizes that moral quality is the central pillar of economic stability and justice. In relation to the findings, this implies that the weakness of moral internalization directly contributes to the emergence of short-term, utility-driven decision-making patterns among MSME actors. Such patterns prioritize immediate economic gain while marginalizing long-term ethical consequences, thereby undermining the sustainability of both individual businesses and the broader economic ecosystem.

Furthermore, the values of amanah and shiddiq, although widely acknowledged, are frequently subjected to competitive distortion. Market pressure creates a rationalization mechanism in which ethical compromises—such as reduced product quality or incomplete disclosure of information—are justified as necessary survival strategies. This indicates that ethical values are not yet institutionalized as non-negotiable moral constraints, but rather treated as flexible considerations dependent on market conditions.

Similarly, the principle of justice (adl) exhibits a context-sensitive interpretation among MSME actors. Rather than functioning as an absolute ethical standard, justice is often redefined in accordance with economic feasibility and competitive positioning. This fluid interpretation weakens its normative authority, reducing justice from a principled obligation to a situational adjustment mechanism.

The value of ihsan, which represents the highest ethical aspiration in Islamic business conduct, also faces structural limitations in implementation. Ihsan requires a proactive orientation toward excellence beyond compliance; however, resource constraints, short-term financial orientation, and limited ethical reinforcement mechanisms hinder its realization. As a result, business practices tend to remain at the level of adequacy rather than excellence.

A critical synthesis of these findings suggests that the core issue does not lie in the absence of Islamic values, but in the failure of these values to undergo full internalization into behavioral identity. In other words, Islamic education has succeeded at the level of cognitive transmission but remains limited in facilitating affective and behavioral transformation. This confirms Nata's (2018) assertion that Islamic education must integrate knowledge, values, and practice in order to produce a holistic ethical formation.

Moreover, the social environment emerges as a significant determinant in shaping the trajectory of value internalization. MSME actors operating within ethically supportive ecosystems demonstrate stronger alignment between knowledge and practice, whereas those embedded in permissive or ethically weak environments tend to experience moral erosion. This indicates that internalization is not solely an individual psychological process, but also a

socially constructed moral formation influenced by normative external pressures.

From a broader systemic perspective, Chapra's framework reinforces the argument that individual morality constitutes the foundation of a just and stable economic order. Accordingly, weak moral internalization at the micro level (MSMEs) contributes cumulatively to macro-level ethical inefficiency, thereby undermining the sustainability of the Islamic economic system as a whole.

Finally, value internalization functions as an internal governance mechanism that is more effective and sustainable than external regulatory systems. While formal regulation remains necessary, it is inherently limited in scope, particularly within informal economic sectors. Internal moral control, once fully developed, enables self-regulating ethical behavior that reduces dependency on external enforcement and strengthens long-term economic integrity.

CONCLUSION

The study concludes that the internalization of Islamic educational values plays a decisive role in shaping Sharia business ethics among MSME actors. This internalization process represents a gradual transformation from cognitive awareness to behavioral embodiment, yet remains incomplete in most cases.

Although core Islamic values such as tawhid, amanah, adl, and ihsan are widely recognized, their transition into fully internalized moral structures is still limited. Consequently, a persistent gap exists between ethical knowledge and ethical practice, indicating that Sharia business ethics have not yet evolved into a stable and self-regulating business culture.

Therefore, the effectiveness of ethical development in MSMEs depends not only on increasing knowledge, but more importantly on

strengthening deep value internalization through integrated Islamic education, ethical reinforcement mechanisms, and supportive socio-economic environments.

RECOMMENDATIONS

Based on the findings, several recommendations can be proposed: First, further field-based research is needed to empirically measure the level of value internalization among MSME actors, making the findings more comprehensive and applicable.

Second, Islamic educational institutions and MSME development agencies should integrate value-based education into entrepreneurship training programs, focusing not only on technical skills but also on moral and spiritual aspects.

Third, the government and Islamic financial institutions are expected to support the development of Sharia-based MSMEs through continuous guidance that emphasizes the formation of honest, just, and trustworthy business character.

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