

Strategic Analysis of Home Industry Development based on Islamic Business Ethics Perspective: Case Study at Kaos Hasby, Ponorogo, East Java 2018

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Abstract: Industry is one of human economic activities that has a strategic and future role as a source of income for the community to meet their daily needs. Islam supports business in the form of trading, as well as buying and selling, as long as there is no element of untrust in it. Islamic business ethics is a set of principles for business management based on the Qur'an, hadith, and jurisprudential laws. However, there are a lot of entrepreneurs who do not know about this. This study suggested to determine the home industry development strategy in "Kaos Hasby" Ponorogo. Also to find out the ethical application of Islamic business in the "Kaos Hasby" home industry. The descriptive qualitative research methods are used in this study method. Data collection techniques are carried out by triangulation. The type of interview used a structured interview by preparing the needed. The results showed that the home industry development strategy in "Kaos Hasby" are focused on business transaction, business cooperation, business capital, and business responsibility. As for the ethical application of Islamic business in the "Kaos Hasby" home industry, it still has not been fully implemented. Among other things: the salary of employee that is not accordance with the regional minimum wages and has gharar element in the production process, that is the use of pirated software.

1 INTRODUCTION

Industry is one of human economic activities that has a strategic position and potential as a source of income of the community in an effort to produce daily needs (Mariani, 2013). Small industries and households have three important reasons underlying their existence in Indonesia. First, it is because the performance of small industries and households tends to be better at producing productive labor. Second, some of the dynamics, small industries and households often achieve increased productivity through investment and technological change. Third, because it is often believed that small household industries have advantages in terms of flexibility rather than large businesses (Joesyiana, 2017).

Home industry or business at home is a place to live that is also a place of business, whether in the form of business services, offices, to trade and all types of economic activities that are centered at home.

Business ethics in Islam are a number of ethical business behaviors which are wrapped in sharia values that promote halal and haram. So ethical behavior is behavior that follows God's commands and kee away from the prohibition. In Islam, this business ethic has been widely discussed in various literatures and its main source is Al-Quran and Hadits. Business people are expected to act ethically in various activities. Trust, fairness and honesty are the main elements in achieving a successful business in the future (Amalia, 2013).

According to Islamic business ethics, every business person in trading should not merely aimed for maximazing profit, but the most important thing is to seek and achieve blessings for the sustenance provided by Allah SWT (Anindya, 2017).

Reviewing the total number of micro and small industries by province in 2013-2015, East Java province increased it reached to 771,185 micro business units. Islamic business ethics has become one of the issues that has great potential to advance and improve the welfare of a home industry. In this

case business people have the authority and power to regulate and plan all business activities of the business premises. All kinds of Islamic business ethics that exist, will have a positive impact on the continuity of business. The strategy of business people in improving their business must be on target in accordance with the rules of religion, so that employees, the surrounding community can enjoy the positive impact of implementing Islamic business ethics. Judging from the existing data in East Java province, has been shown to a large impact on business activities that are healthy and in accordance with Islamic law.

From the above explanation about home industry and Islamic business ethics, the author is interested in discussing how is the strategy of home industry strategy based on Islamic business ethics. Besides the cost or business capital that is not too much, the home industry that produces various results of human needs is in demand by the people of Indonesia. Which can be seen from the data of the statistic center, that the development of the number of home industries in Indonesia has increased. Moreover, the Indonesian people who are predominantly Muslim, still do not understand the concept of Islamic business ethics. Then research needs to be held to discuss this. With the main goal, can provide insight into Islamic business ethics and apply it in business.

2 LITERATURE REVIEW

Home Industry is a productive business owned by individuals or individual business entities that meet the criteria of micro-enterprises. According to Husein, home industry is a home industry that has a workforce between 4 which coming from a family environment or surrounding neighbors. According to Haymans, Home Industry is a small-scale, traditional and informal people's economic activity, in the sense that it has not been registered, has not been registered, and has no legal entity (Astutik & Dewi, 2013).

According to Muliawan a small household industry is a business unit or company on a small scale engaged in certain industrial fields. Usually this company only uses one or two houses as a center for administrative and marketing production simultaneously. When viewed in terms of business capital and the amount of labor is certainly less than large companies in general. This home industry business can involve all family members in the management, production and marketing. According

to M. Tohar the characteristics of industrial home include (Warsitaningsih, 2003): a. Production equipment is generally simple. b. The business is still traditional. c. The business structure is traditional. d. Serving the local market. e. Still need entrepreneurial guidance. f. Still need procurement and marketing assistance.

The size of the business in question can be determined by looking at the size of the business capital used. Small company if: a. The trading / service business carried out has a capital of no more than Rp. 40 million (forty million rupiahs). b. Production / industrial businesses or construction services that have a capital of no more than Rp. 100 million (one hundred million rupiah).

Industry can also be classified based on the number of workers, the amount of investment and the type of commodity produced. Based on the number of workers, the industry can be categorized into 4 groups, namely (Haslinda, 2018): a. The number of workers is 1-4 people for the home industry, b. The number of workers is 5-19 people for small industries, c. The number of workers is 20-99 people for the middle industry, d. The number of workers is more or equal to 100 people for large industries.

When viewed from some of the above characteristics, it can be concluded that the home industry is very different from the company. Which is where the company has very many employees. But if the home industry, the maximum number of workers is only 100 people. The existence of this home industry has a very positive impact on the workforce of the surrounding community by helping the economy of the surrounding community. Even better if the home industry is sheltered by the local government, which can reduce the number of unemployed. And if we review the laws of the Republic of Indonesia, it must belong to Indonesian citizens themselves. In essence the characteristics of a home industry are limited by the number of workers, business assets and income. If it exceeds the predetermined limit, it is called a bear company, not a home industry anymore.

Islamic Business Ethics. Etymologically, ethics comes from the Greek "ethos language" which means attitude, way of thinking, habits, customs, morals, feelings and character of morality. The term ethics has been used by Aristotle, the Greek philosopher, to show moral philosophy. So ethics means principles, norms, and standards of behavior that govern individuals and groups that distinguish what is right and what is wrong. Business ethics (ethic business) seeks to prohibit business behavior,

company managers and workers that should not be done (Nawatmi, 2010). Where as in Islam business can be understood as a series of business activities in various forms that are not limited in the amount (quantity) of property ownership (goods / services) including profits, but are limited in the way of acquiring and using assets (there are halal and haram rules) according to (Norvadewi, 2015).

The Qur'an and Hadith as a source of all values and guidelines in every life, including in business. These two references can be the controller of actions that are not commendable in business practices, by holding fast to these two sources, everyone will be encouraged to do good deeds (Anindya, 2017). Business ethics in Islam are a number of ethical business behaviors (*akhlaq al Islamiyah*) which are wrapped in sharia values that promote halal and haram. In Islam this business ethic has been widely discussed in various literature and its main source is the Al-Qur'an and Hadits. Business people are expected to act ethically in various activities. Trust, fairness and honesty are the main elements in achieving a successful business in the future.

Ethics and integrity are pure desires in helping others. The occurrence of unhealthy business ethics in the business world does not seem to show a tendency but on the contrary, increasingly days are increasing. Extreme honesty, the ability to analyze the limits of one's competition, the ability to admit mistakes and learn from failure. This competition must be heated up lately (Jusmani, et. al, 2008).

According to Umer Chapra explains that Islamic economic development is built on ethical and moral values and refers to the goal of Shari'a (*maqashid al-shari'ah*), which is to maintain faith, life, reason, descent and wealth. This concept explains that the economic system should be built starting from a belief and ending with wealth. In turn, there will not be economic inequality or economic behavior that conflicts with the principles of Shari'a (Baidowi, 2011).

The basic principles of Islamic ethics and practice in business are five principles that underlie Islamic ethics, namely (Nawatmi, 2010); Tauhid, Balance, Free Will, Responsibility, Benevolence.

From the explanation above, it can be concluded that the concept of Islamic business ethics is a very strong concept and covers all aspects of business activities. Economic activities, especially in business, must be built on ethical and moral values and refer to the objectives of the Shari'a (*maqashid al-shari'ah*), which is to maintain faith, life, reason, descent and wealth. This concept explains that the economic system should be built starting from a

belief and ending with wealth. This wealth is also used not only for worldly pleasures, but also for savings in the hereafter. By way of allocating a portion of funds to Muslims who are more in need. By giving sustenance to those who are more in need, the sustenance we have will never run out. Because sustenance will be given by Allah SWT if humans carry out what they are commanded and stay away from His prohibitions and want to help fellow Muslims.

3 METHODOLOGY

This study uses a qualitative method. The definition of qualitative research is a type of research that seeks to dig deep information, and is open to all responses and not just yes or no answers. This research tries to ask people to express their thoughts about a topic without giving them much direction or guidance on what to say.

This method was chosen because the author wanted to discuss and analyze the home industry model based on Islamic business ethics. In order to obtain valid and reliable data, the researcher also examined some literatures relating to the research title. The location of the study was conducted at Kaos Hasby Ponorogo East Java, was chosen because the home industry was a home industry whose initial capital did not use usury or loans from banks.

Another factor is that home industry management is based on the concept of Islamic sharia. The researcher wants to analyze the home industry model based on the perspective of Islamic business ethics applied by "Kaos Hasby".

The technique of data collection is done by triangulation. Triangulation is defined as a technique that combines several different data collection techniques from the same source (Sugiyono, 2010).

This technique was chosen so that researchers get valid and credible data, and so that researchers can understand all the problems in depth. The data used in this study are primary data and secondary data. Primary data is taken from the results of observations, interviews (interviews), and documentation and archives of Kaos Hasby. Secondary data is taken from several literatures and journals that are related to this paper. This study uses inductive analysis techniques in processing the data obtained. Inductive analysis is testing the problem in the data that has been collected, the inductive thinking process begins by drawing

conclusions from the collected data, which is then taken in general conclusions.

4 ANALYSIS AND RESULT

The provisions of Islamic law regarding capital, some provisions of Islamic law regarding capital are stated A. Muhsin Sulaiman, as quoted by Rustam Effendi, are as follows: a. Islam prohibits stockpiling of capital, b. Capital may not be borrowed and lent by usury, c. Capital must be in the same way as obtaining ownership rights (in a lawful way, for example, see), d. Capital that reaches Nisab, zakat must be issued (85 grams of gold, pen), e. Capital must not be used to produce wastefully, f. Payment of salaries of workers / workers must be in accordance with the provisions of salary in Islam.

However, the Kaos Hasby home industry has not run as a whole, among others, there are employee salaries below the Ponorogo UMR, which amounts to Rp 1,763,267.65. Whereas there are employees of the Hasby T-shirt as the operator, which is only Rp. 1,500,000.00. So this is not in accordance with the concept of Islamic business ethics. Then the shirt Hasby had borrowed money from a bank which had ribawi elements from 2007 to 2016. The last designer Kaos Hasby still operates software on paid non-original pirated computers. This is not in accordance with the concept of Islamic business ethics that contains elements of gharar or not clear from where the software is obtained, not the original (Hasby 2019).

The concept of freedom in Islam is more directed at cooperation, not competition, let alone to kill each other's businesses. Even if there is competition in the business, it means competition in doing good or *fastabiq al-khairat* (competing in virtue) (Hasby, 2019). Kaos Hasby home industry has implemented this concept. *"In the Islamic business concept, there is no such thing as competitors or competitors. But work partners can be invited to work together in business. Competing in goodness in a good way too."* (Hasby, 2019).

In business transactions in Kaos Hasby has applied the concept of Islamic business ethics. By setting aside company profits to zakat which are then allocated to the poor, orphans and *lasiswaf* institutions which are carried out once a month (Hasby, 2019). The business responsibilities carried out by the home industry of Hasby are in line with Islamic business ethics, including in the distribution of production. Which must reach the customer's hands.

5 CONCLUSION

Home industry or home industry is a productive type of business. Which is owned by individuals and or individual business entities that meet the criteria for small and medium micro enterprises (UMKM). Of course in the types or types of home industries are very diverse. Starting from clothing, food and board production. Some are engaged in convection, some are in the food sector and some are in the building field. When viewed from an Islamic perspective, the home industry relies heavily on human reason in all its sub-sectors, which is a fundamental thing that distinguishes between humans and other creatures. Allah SWT has given reason to humans so that they think, it is often referred to in the Holy Qur'an, so that humans always remember that the mind given by Allah SWT must be used, to improve and maintain the welfare of mankind in life in the world and the day after.

In Islamic business ethics, it requires every Muslim, especially those who have dependents to work. Working is one of the main reasons that allows humans to have wealth. To enable humans to try to make a living, Allah SWT enlarged the earth and provided various facilities that could be used to seek fortune. Islam places business as the best way to get wealth. Therefore, all business activities must be carried out in the best ways by not committing fraud, usury, fraud, and other acts of injustice. Awareness of the importance of ethics in business is an awareness of oneself in seeing himself when dealing with good and bad things, which are lawful and *haram*.

From the explanation and analysis of the above discussion regarding the development of home industry in Kaos Hasby Ponorogo, it can be concluded that: a. The home industry of Kaos Hasby, that its development has increased and decreased. Where the initial phase starts from zero and continues to crawl until it is known by the community. And in the decline phase occurred in 2007-2016, which borrowed funds from banks that had a religious element. So God is destined not to bring this business to life. But since mid 2017 until now, this home industry has experienced a significant development. Plus the factor of system renewal and the application of Islamic concepts in business. b. Then regarding the presentation of the Kaos Hasby business development model based on the perspective of Islamic business ethics in a number of factors including: business transactions, business cooperation, business capital, responsibility. Which is not yet fully realized, only a

few have been implemented. However, this can be taught because the pesantren cultural system that is undertaken by the Kaos Hasby is still a new system.

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