

Islamic Entrepreneurship Theology as an Accelerating of MSME Growth in the City of Surabaya

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Abstract -- Islamic theology offers a framework that combines economic and social aspects, encouraging more ethical and sustainable business practices. The formulation of this research problem: 1) How are the principles of Islamic theology applied in entrepreneurial practice by MSME actors in the city of Surabaya? 2) What are the obstacles and challenges faced by MSME actors in integrating the principles of Islamic theology in their entrepreneurial practices? This research uses a qualitative approach to explore the understanding of the application of Islamic theology and Islamic economic principles. The technique for determining informants uses purposive sampling, data collection is carried out through in-depth interviews and data analysis in this study using the data triangulation technique. The findings of this study can provide a strong basis for policymakers to formulate programs that support the development of MSMEs based on Islamic values. The results show that lack of understanding and awareness, difficulty balancing spiritual and material values, unsupportive regulations, limited resources and infrastructure, and lack of community support are some of the main obstacles that need to be overcome. This research explores the application of Islamic entrepreneurship theology as an accelerator for the growth of MSMEs in the city of Surabaya. Islamic theological principles such as monotheism, fairness, trust, courtesy, and social responsibility play an important role in shaping more ethical and sustainable business practices. The government needs to make fiscal incentive policies and ease of access to sharia financing.

Keyword: Islamic Entrepreneurship, MSME, Economic Growth

1. INTRODUCTION

Islamic economics has developed into one of the most important economic sectors and has a significant influence on the global economic scene. In recent decades, Islamic economic principles have been widely adopted not only in Muslim-majority countries but also in non-Muslim countries that see great potential in an economic system based on the values of justice, transparency, and social welfare. The Islamic finance industry has shown very rapid growth. According to a report from the Islamic Financial Services Board (IFSB), global Islamic financial assets are estimated to reach more than USD 2.5 trillion by 2023 (Samsudin et al., 2024). This growth covers various sectors, including banking, insurance (takaful), capital markets, and investment. Islamic banks and Islamic financial products are now found not only in Muslim-majority countries, but also in international financial centers such as London, Hong Kong, and Singapore.

Islamic economic principles such as the prohibition of riba (interest), the prohibition of gharar (excessive uncertainty), and the emphasis on ethical and sustainable investment have attracted interest from various circles. These principles are considered potential solutions to a variety of problems faced by the conventional financial system, including financial crises, market instability, and socio-economic disparities. Islamic economics also contributes significantly to economic and social development (Abidin, 2012; Agustira et al., 2024). Through instruments such as zakat, alms, and waqf, Islamic economics encourages wealth redistribution and poverty alleviation. Islamic financial institutions also support the financing of small and medium enterprises (MSMEs), which are the backbone of the economy in many developing countries. This is in line with the sustainable development goals (SDGs) carried out by the United Nations.

Indonesia has seen significant growth in the Islamic finance industry over the past few decades. Islamic banking, Islamic capital markets, and Islamic insurance (takaful) have grown rapidly. According to the Financial Services Authority (OJK), Islamic banking assets in Indonesia will reach more than IDR 500 trillion in 2023 (Rysaldi & Santoso, 2022). This growth reflects the increasing awareness and demand of the public for financial products that are in accordance with Islamic principles. MSMEs are

the backbone of Indonesia's economy and have great potential in the application of Islamic economic principles. More than 60 million MSMEs contribute to national GDP, empowering MSMEs through sharia financing and sharia-based training programs can increase the competitiveness and sustainability of their businesses (Musliyana et al., 2024). Various initiatives such as the establishment of micro waqf banks and mosque-based economic empowerment programs are concrete examples of the application of Islamic economics in supporting MSMEs.

One of the main problems in Islamic entrepreneurship is the lack of adequate understanding and education about the principles of Islamic entrepreneurship among the public and business actors (Setiadi & Asri, 2024; Sutarsih, 2023). Many entrepreneurs have not fully understood basic concepts such as the prohibition of usury, gharar, and the principle of fairness in business. As a result, the application of Islamic values in business practices is often inconsistent and less than optimal. More structured and extensive education and training are needed to improve this understanding. Access to sharia financing is still a big challenge for many Muslim entrepreneurs, especially MSMEs. Although there have been various Islamic financial institutions, strict procedures and requirements are often an obstacle for MSMEs to get the capital they need. In addition, the uneven geographical distribution of Islamic financial institutions makes it difficult for many entrepreneurs in remote areas to access this service.

Operating a business in accordance with sharia principles can be challenging, especially in a highly competitive and dynamic business environment. Entrepreneurs are often faced with a dilemma between maintaining sharia compliance and achieving maximum profits (Sauri, 2023). Examples of cases that often occur are difficulties in avoiding the practice of *riba* in financial transactions, or facing uncertainty (*gharar*) in business contracts. Practical guidance and support from sharia experts are needed to help entrepreneurs face these challenges. The limitations of infrastructure and technology are also a significant problem in developing Islamic entrepreneurship. Many Muslim entrepreneurs still rely on traditional business methods and have not made optimal use of digital technology.

One of the main pillars of the Surabaya economy is Micro, Small, and Medium Enterprises (MSMEs). MSMEs in Surabaya not only contribute significantly to the gross regional domestic product (GDP) but also become the main driving force in creating jobs and reducing poverty levels. Some of the leading sectors of MSMEs in the city of Surabaya are: 1) Trade and Services; 2) Manufacturing; 3) Creative Industries; and 4) Agriculture and Fisheries (Setiawan, 2020). The following will present data on MSMEs in the city of Surabaya:

Table 1. Small and Medium Enterprises and Trade Fostered Market Data

No	Market	Market Capacity	Number of Traders Filled
1	Raci Economic Center	40 Traders	26 Traders
2	Sememi Market	284 Traders	252 Traders
3	Penjaringansari Market	110 Traders	81 Traders
4	Nambangan Market	424 Traders	346 Traders
5	Kutisari Market	0 Traders	0 Traders
6	Keputih Market	14 Traders	0 Traders
7	Jambangan Market	190 Traders	43 Traders
8	Gunug Anyar Market	87 Traders	76 Traders
9	Gembong Asih Market	405 Traders	373 Traders
10	Dupak Market	154 Traders	154 Traders
11	Dukuh Menanggal Market	160 Traders	86 Traders
Total		1868 Traders	1437 Traders

Source: Small and Medium Enterprises Cooperatives and Trade Office (2021)

Entrepreneurship plays an important role in economic growth and job creation, especially through Micro, Small, and Medium Enterprises (MSMEs). MSMEs have become the backbone of the local economy, contributing significantly to the region's gross domestic product (GDP) and providing many job opportunities for the community. However, many MSMEs in Surabaya still face various challenges such as limited access to capital, lack of training and skill development, and fierce competition. Islamic theology offers a unique perspective and the potential to address some of these challenges. Islamic theology teaches values such as honesty, justice, hard work, and social responsibility that can be a strong foundation for sustainable and ethical entrepreneurial practices (Alfian, 2024). The application of Islamic theology in entrepreneurship not only has the potential to improve business performance, but also supports more inclusive and equitable social and economic development. The application of Islamic theology in entrepreneurship is expected to improve integrity and business ethics among MSME actors, which can strengthen the trust of consumers and business partners. In addition, it can encourage MSME actors to adopt more responsible and sustainable

business practices, which in turn can improve business performance and competitiveness. This also facilitates more inclusive and equitable economic development through a more equitable distribution of wealth and improved social welfare.

The research combines the disciplines of economics, business, and religious studies, creating a holistic and comprehensive insight into understanding how religious values can influence business practices and economic growth. By adopting the principles of Islamic theology, MSME actors not only have the potential to improve their business performance but also have a positive impact on social development. This includes the creation of more jobs, a more equitable distribution of wealth, and improved public welfare. This research is not only theoretical but also offers practical solutions for MSME actors and policy makers. The recommendations provided can be immediately implemented to address the challenges faced by MSMEs, accelerate their growth, and ensure long-term business sustainability. Providing a basis for policy-making that supports the integration of Islamic theology in MSME development, this research can influence public policy and economic development programs, creating a more conducive environment for the sustainable growth of MSMEs.

Traditional entrepreneurship, which often focuses only on financial gain, needs to be balanced with a more holistic approach (Fauzi et al., 2023). Islamic theology offers a framework that combines economic and social aspects, encouraging more ethical and sustainable business practices. The application of these values can increase the trust of customers and business partners, which is crucial in maintaining and expanding the market. This not only improves the performance of individual businesses but also strengthens the local economy as a whole. The findings of this study can provide a strong basis for policymakers to formulate programs that support the development of MSMEs based on Islamic values. Based on the background that has been explained, the formulation of this research problem is as follows: 1) How are the principles of Islamic theology applied in entrepreneurial practice by MSME actors in the city of Surabaya? 2) What are the obstacles and challenges faced by MSME actors in integrating the principles of Islamic theology in their entrepreneurial practices?

Dedi's research (2023) examines the concept of Islamic entrepreneurship which focuses on spiritual and ethical values in business. Islamic entrepreneurship is based on the principles of honesty, fairness, and social responsibility that can increase customer trust and loyalty. Islamic values can provide a solid foundation for business sustainability and competitive advantage. Reza Research (2022) found that business actors who applied Islamic religious values in their business practices tended to be more successful than those who did not. Factors such as trust in God, commitment to business ethics, and concern for social welfare are key to their success. The integration of religious values in entrepreneurship can improve business performance and strengthen relationships with customers and communities.

Putro's study (2018) examines the impact of Islamic work ethics on organizational performance. The results show that Islamic work ethics contribute positively to job satisfaction, organizational commitment, and overall performance. The application of Islamic work ethics can create a harmonious and productive work environment, as well as increase employee loyalty. Elpisah & Hasan Research (2019) comparing Islamic entrepreneurial practices in several developing countries. The authors found that despite differences in application, basic principles such as zakat, honesty, and social responsibility were applied consistently. The principles of Islamic entrepreneurship can be applied in a variety of cultural and economic contexts, providing a universal framework for ethical business.

Some experts argue that Islamic entrepreneurship should encompass all aspects of business life governed by sharia, including in terms of production, distribution, and consumption (Sholiha, 2019). Instead, some argue that the main focus of Islamic entrepreneurship should be on ethical and spiritual aspects only, without paying attention to the operational details of the business. The principles of Islamic entrepreneurship can be applied effectively in the context of modern and global business. Some experts such as Ningsih & Zalisman (2024) doubt the adaptability of traditional Islamic principles in the context of a dynamic and competitive global market. Islamic work ethics can improve social welfare and organizational performance (Filatrovi et al., 2021).

Research by Carina et al., (2022) found that digitalization contributes significantly to the acceleration of MSME growth in various countries. The use of digital technology improves operational efficiency, market access, and product innovation. The adoption of digital technology is a key factor in the growth strategy of MSMEs. Yanti's study (2019) shows that financial inclusion, especially access to microcredit and banking services, positively affects the growth of MSMEs. MSMEs that have access to adequate financial resources tend to grow faster. The development of inclusive financial services is very important to support the growth of MSMEs. Research by Rukmana et al., (2023) examine how the entrepreneurial ecosystem, including government support related to access to capital and business networks, affects the growth of MSMEs. The results show that an environment that supports

entrepreneurship significantly increases the growth of MSMEs. Policies that support the creation of a conducive entrepreneurial ecosystem can accelerate the growth of MSMEs.

Juminawati Study et al., (2024) highlighting the importance of innovation in encouraging the growth of MSMEs in emerging markets. Product, process, and business model innovations are proving to be key drivers of sustainable growth. Investment in research and development and innovation training is key to the growth of MSMEs. Maharani & Jaeni Research (2021) evaluate the impact of government policies, such as subsidies, tax breaks, and financial assistance, on the growth of MSMEs during the COVID-19 pandemic. The right policies have proven to be effective in maintaining and even increasing the growth of MSMEs in times of crisis. Responsive and adaptive policies are essential to support MSMEs in emergency and crisis situations. Members such as Priandika & Setiawansyah (2023) emphasized that digitalization is the main driver of MSME growth by providing wider market access and higher operational efficiency. According to Rukmana et al., (2023) shows that a strong entrepreneurial ecosystem strongly supports the growth of MSMEs. However, some experts argue that too much reliance on external ecosystems can reduce the independence and resilience of MSMEs (Mulyono et al., 2024).

Principles of Islamic Economics

Islamic theology is a discipline that studies the basic principles of belief in Islam, including the attributes of God, prophecy, revelation, and eschatology. Islamic theology aims to understand and explain Islamic doctrines in a rational and systematic manner (Muarif & Yunus, 2019). Some of the key concepts in Islamic theology according to Mardani (2019) that are relevant to entrepreneurship include: First, Tawhid is the concept of the oneness of Allah which is the basis of all Islamic teachings. In the context of entrepreneurship, monotheism emphasizes that all business actions must be carried out with the awareness that Allah is the only creator and ruler. Muslim entrepreneurs are expected to always keep in mind the oneness of Allah in their business decisions, avoiding practices that violate sharia principles. Second, Justice is a fundamental principle in Islam that must be applied in all aspects of life, including in business. Muslim entrepreneurs are expected to be fair in their transactions, both towards employees, business partners, and customers. Fairness in business includes practices such as fair wage payments, fair prices, and equal treatment.

Third, Amanah means trust or responsibility. In Islam, each individual is considered a caliph (representative) on earth who has the responsibility to maintain the mandate given by Allah. In the context of entrepreneurship, trust means running a business with integrity, honesty, and responsibility. Muslim entrepreneurs must maintain the trust given by customers, partners, and society. Fourth, Ihsan is a concept that refers to doing everything in the best way and full of awareness that Allah is always watching. In business, courtesy means striving to achieve excellence in products and services, as well as treating others with kindness and respect. Fifth, Islamic theology emphasizes the importance of social responsibility. Every Muslim is responsible not only to himself but also to the community and the environment. In the context of entrepreneurship, this means that businesses must contribute to social welfare, through activities such as zakat, alms, and corporate social responsibility (CSR) programs.

Islamic economic principles are based on Islamic teachings and principles derived from the Qur'an and Hadith (Helmi & Setiawan, 2022). Islamic economics aims to achieve equitable and sustainable social and economic welfare. According to Madjid (2018) The main principles in Islamic economics include: First, the prohibition of riba which is an addition taken on top of the borrowed capital and is prohibited in Islam. The prohibition of usury aims to prevent exploitation and injustice in financial transactions. In the context of business, this means that Muslim entrepreneurs should avoid practices involving unfair interest and seek out sharia-compliant financing alternatives. Second, Zakat is the obligation for every Muslim to give a part of their wealth to those in need. Zakat serves as a wealth distribution mechanism that helps reduce poverty and inequality. In business, zakat is part of the company's social responsibility to contribute to the welfare of the community.

Third, the Maysir Prohibition is all forms of gambling that are prohibited in Islam. This principle avoids uncertainty and excessive speculation in business transactions. Muslim entrepreneurs should avoid speculative and high-risk investments and business practices. Fourth, the Gharar Prohibition is uncertainty or ambiguity in contracts or transactions. Islam prohibits transactions that contain gharar because it can cause injustice. In business, this means that all contracts and agreements must be clear and transparent, with all parties understanding their rights and obligations. Fifth, Joint Ownership and Cooperation, which includes practices such as mudharabah (business partnership) and musharakah (capital participation). This concept emphasizes the importance of sharing risks and outcomes fairly among all parties involved. Sixth, the Balance Between Material and Spiritual is the main goal of business in Islam is not only to seek profit but also to achieve spiritual well-being and happiness. Muslim entrepreneurs are expected to integrate spiritual values in every aspect of their business. Seventh,

Halal and Thayyib Resources, which requires that all resources used and products produced must be halal and thayyib. This includes food, beverages, and all goods and services produced by the business.

Combining Islamic theology and Islamic economic principles in entrepreneurship results in a holistic and sustainable approach. Muslim entrepreneurs who adopt these values focus not only on financial gain but also on social responsibility and community well-being (Setiawan et al., 2023). Principles such as honesty, fairness, and social responsibility are the cornerstones of ethical and sustainable business practices. By integrating spiritual and ethical values in business strategies, Muslim entrepreneurs can create a fairer and more sustainable business environment, which will ultimately accelerate the growth of MSMEs and improve the overall well-being of society. Al-Kutsi (2024) argues that Islamic theology provides a strong moral framework for all economic activities, ensuring that business is conducted with fairness, honesty, and responsibility. They emphasized that the values of monotheism (the oneness of God), justice, and trust (trust) must be the basis for every economic decision. Meanwhile, Syamil et al., (2023) claims that overemphasizing theological aspects can limit flexibility and innovation in business. Dayu et al., (2023) support the prohibition of *riba* and encourage the adoption of the Islamic financial system as a fairer and ethical alternative. Rasyid et al., (2021) criticizing that many Islamic financial instruments are only replicas of conventional financial products without significant innovation. He highlighted that some Islamic financial products may not be fully compliant with sharia principles and may cause confusion among practitioners and consumers.

The theory of Islamic Theology emphasizes that all economic activities must be in accordance with the basic principles of Islam such as monotheism (the oneness of God), justice, and *amanah* (trust). Putri & Syakur (2023) argues that this framework provides a strong moral guide, ensuring that economic activity seeks not only material gain but also spiritual well-being. Maintaining halal and thayyib practices in business ensures that products and services are sharia compliant and of high quality. This can be a major obstacle for MSMEs looking to compete in the international market due to the additional cost and complexity.

Islamic theological principles such as honesty (*sidq*) and justice (*adl*) provide a strong ethical framework for economic actors (Usman, 2022). The application of these values can avoid unethical practices such as fraud, corruption, and injustice in economic transactions. The concept of trust emphasizes individual responsibility to Allah and society. In a business context, this means maintaining the trust of customers and business partners, which can improve customer reputation and loyalty. Islamic economics teaches a balance between material and spiritual interests which means that businesses are not only focused on profits but also on the well-being of employees, customers, and society at large. Hendro & Pranogyo Research (2023) shows that socially responsible businesses tend to be more sustainable and have better long-term performance. The principle of *zakat* and alms encourages the redistribution of wealth and the reduction of inequality. By implementing these practices, businesses can contribute to more inclusive social and economic development.

2.METHOD

This research uses a qualitative approach to explore a deep understanding of the application of Islamic theology and Islamic economic principles in accelerating the growth of MSMEs in the city of Surabaya. This method was chosen because of its exploratory nature and ability to capture the complexity of the phenomenon being studied. Qualitative research focuses on an in-depth understanding of social phenomena from the perspective of participants (Mappasere & Suyuti, 2019). This method allows researchers to explore the meaning, experience, and views of research subjects in a rich and detailed context.

The technique of determining informants using purposive sampling (Wasiaturrahma et al., 2024). Purposive sampling is a non-probability technique in which informants are selected based on certain criteria that are relevant to the research objectives. The usefulness of purposive sampling is to ensure that the selected informants are relevant and can provide rich and informative data related to the phenomenon being studied. Data collection was carried out through in-depth-interviews (Sary et al., 2021). This technique involves direct interaction between researchers and informants with the aim of digging up information in detail and depth. In-depth interviews allow researchers to gain insight into the informant's views, experiences, and interpretations of the phenomenon being studied. Furthermore, the following research informants will be presented:

Table 2. Research Informant

No	Informant's Name	Position
1	Aditya Surya Nanda	Lecturer in Islamic Economics
2	Khubby Abdillah	Lecturer in Islamic Economics
3	Allen Pranata Putra	Public Policy Observer
4	Dani Achmad	MSME I
5	Ahamd Syaifullah	MSME II
6	Siti Nurhaliza	MSME III
7	Dewi Ayu Lestari	MSME IV
8	Fajar Maulana	MSME V
9	Aisyah Rahma	MSME VI
10	Hadi Setiawan	MSME VII

The selection of these informants has a high accuracy to answer research questions because the informants are direct actors and several experts who can interpret the phenomenon more complexly. The data analysis in this study uses a data triangulation technique. Triangulation is a method used to ensure the validity and reliability of data by using various sources or analysis methods (Azizah, 2021). In the context of this study, data triangulation involves: 1) Triangulation of sources; 2) Method triangulation; and 3) Triangulation of theories. The usefulness of data triangulation is to ensure that the findings of the study are valid and trustworthy. By combining various sources, methods, theories, and researchers, triangulation helps confirm data consistency and provides a richer and deeper understanding of the phenomenon being studied.

3.RESULT

Interpretation of Islamic Economic Principles for MSMEs

One of the main principles in Islamic economics is the prohibition of usury which is defined as interest or additional profits earned from borrowing money (Budiantoro et al., 2018). This prohibition is based on the teachings of the Qur'an and Hadith, as well as the interpretation of Islamic scholars who emphasize justice and social welfare in economic activities. The prohibition of usury is affirmed in several verses of the Qur'an, including Surah Al-Baqarah (2:275-279) which states that Allah legalizes buying and selling and prohibits usury. This verse emphasizes the fundamental difference between the profits from legitimate trade and the profits from *riba* which is considered exploitative and unfair. Surah Ali Imran (3:130) also warns believers not to eat *riba* in a multiplied way, underlining the negative impact of *riba* on individuals and society.

The Prophet Muhammad PBUH also warned of the dangers of usury in various hadiths. One of them is a hadith narrated by Jabir:

"The Prophet cursed the person who eats *riba*, the one who gives usury, the author, and the two witnesses. They are all the same." (HR. Muslim)

This hadith shows that the prohibition of *riba* does not only apply to the recipient of interest, but also to all parties involved in usury transactions. Furthermore, the interview with the informant Mr. Aditya as a Lecturer in Economics explained:

"The theological basis of the prohibition of usury is very strong in Islam. This prohibition is affirmed in several verses of the Qur'an, such as in Surah Al-Baqarah (2:275-279) and Surah Ali Imran (3:130). These verses underline that *riba* is a form of exploitation and injustice that is forbidden by Allah. In addition, there are many hadiths of the Prophet Muhammad PBUH that prohibit usury and condemn its practice. One of the hadiths mentions that the Prophet cursed the person who took usury, the one who gave usury, the author, and the two witnesses, showing how serious this prohibition is." (Interview conducted on June 18, 2024 at 12.00 WIB)

This is considered detrimental because it causes injustice in the distribution of wealth. In usury transactions, lenders receive fixed profits without considering the risks faced by the borrower. This creates an unfair burden on borrowers, who may have difficulty repaying high-interest loans. The principle of justice in Islam requires that profits must be obtained through fair effort and risk, not through the exploitation of others. The next interview was conducted with the informant Mr. Khubby as a Lecturer in Islamic Economics as follows:

"The main challenge in the implementation of the prohibition of *riba* is the lack of understanding and awareness among the public and business people about sharia principles. Many are still familiar with the conventional financial system and feel hesitant to switch to the sharia system. In addition, government regulations and policies that support Islamic finance are still uneven in

many countries, including Indonesia. Another challenge is the innovation of Islamic financial products that are still limited, so they are less competitive than conventional financial products.” (Interview conducted on June 21 at 14.00 WIB)

The implementation of the ban on usury has a significant positive impact both in terms of social and economic aspects. Socially, it helps reduce economic inequality and promotes a more equitable redistribution of wealth. Principles such as zakat and alms in Islamic economics support social welfare and reduce poverty. Furthermore, the results of the interview conducted with Mr. Pranata as a Public Policy Observer are explained as follows:

“The prohibition of maysir or gambling is based on the principles of justice and ethics in Islam. Maysir is prohibited because it is considered to damage morality and business ethics. In the Qur'an, Surah Al-Ma'idah (5:90) states that gambling is an act of Satan and is forbidden because it causes loss and injustice. Maysir creates unnecessary uncertainty and risk, and can cause great losses to individuals and society. The ban on maysir aims to prevent unfair practices and damage social welfare.” (Interview conducted on June 25, 2024)

Furthermore, the research will review the results of interviews conducted with Mr. Ahmad as an MSME activist as follows:

“Shared ownership or musharakah is one of the main concepts in Islamic economics that encourages collaboration and risk sharing. In the musharakah contract, all parties involved provide capital and share profits and losses according to their respective contributions. This creates a sense of justice and shared responsibility. Co-ownership applies not only in the context of business but also in the management of natural resources and public assets, where communities have the right to participate and get their fair share of benefits from those resources.” (The interview was conducted on June 26, 2024 at 13.00 WIB)

A similar statement was stated by Mrs. Siti as an MSME III actor who explained as follows:

“The main goal of Islamic economics is to achieve a balance between material and spiritual needs. In Islam, economic activities are not only focused on achieving material gains but also on achieving spiritual well-being. Islamic companies apply these principles through ethical business practices, corporate social responsibility (CSR), and zakat. For example, companies can set aside a portion of their profits for social and charitable activities, as well as ensure that their products and services are in line with Islamic values. This not only improves the well-being of the community but also strengthens the spiritual relationship between the individual and God.” (The interview was conducted on July 1, 2024 at 11.00 WIB)

Another opinion was conveyed by Mr. Hadi as MSME VII who is more focused on the application of halal resources which is explained through the following interview:

“The use of halal resources is fundamental in Islamic economics. Halal means permissible or in accordance with sharia law, while thayyib means good and beneficial. The halal use of resources ensures that all aspects of production, distribution, and consumption are in accordance with Islamic values. For example, in the food and beverage industry, ensuring that the ingredients used are halal and processed in a clean and ethical manner is essential. It not only complies with sharia law but also builds customer trust and loyalty.” (Interview conducted on July 2, 2024 at 10.00 WIB)

In the context of MSMEs in Surabaya, the application of this principle encourages business actors to move away from speculative practices and focus on more stable and sustainable economic activities. This helps to create a healthier and fairer business environment, reducing the potential for major losses that can threaten the sustainability of MSMEs. MSMEs in Surabaya can ensure that all contracts and business agreements are carried out with maximum clarity, avoiding disputes and injustices. This creates trust among business partners and customers, which in turn can increase business loyalty and sustainability. The principle of joint ownership or musharakah encourages collaboration and risk sharing among business actors (Marlia & Hendra, 2024). In the context of MSMEs, the application of this principle can strengthen business partnerships and networks, which are important for business growth and expansion. By sharing capital and profits fairly, MSMEs can access greater resources and reduce individual financial risks.

The application of a balance between material and spiritual needs ensures that business activities focus not only on financial gain but also on social and spiritual well-being (Purnomo et al., 2023). MSMEs in the city of Surabaya that apply these principles tend to be more socially responsible, engage in charitable and community activities, and ensure that their business practices are ethical and sustainable. This not only strengthens relationships with local communities but also improves public reputation and trust. The halal use of resources ensures that all aspects of production and distribution are in accordance with Islamic values (Annisa, 2019). For MSMEs in the city of Surabaya, this means using allowed raw materials and complying with a clean and ethical production process. This principle

helps build consumer trust and increase customer loyalty, which is essential for long-term growth. Overall, the application of Islamic economic principles by MSMEs in Surabaya contributes to more equitable and sustainable growth. These principles foster transparent, ethical, and socially responsible business practices, which are essential in creating a business environment conducive to growth. In addition, the application of these principles also helps MSMEs to overcome economic and social challenges, strengthen their position in the market, and increase their contribution to the local economy.

Principles of Islamic Theology in Entrepreneurial Practice

Islamic theology provides a comprehensive ethical and moral framework for all life activities, including in the fields of economics and business (Khairani et al., 2024). In the city of Surabaya, the application of Islamic theological principles by MSME actors has become an important strategy in developing sustainable and ethical businesses. Tawhid emphasizes the oneness of Allah and teaches that all actions, including in business, must be done with an awareness of Allah's presence. MSME actors in the city of Surabaya apply this principle by ensuring that every business activity is carried out with integrity and responsibility, as well as avoiding all forms of fraud and corruption. Many MSME actors start and end their working day with prayer, as well as integrating the values of honesty and transparency in their business operations.

The principle of fairness demands fair and equal treatment of all parties involved in business (Pratama et al., 2023). MSME actors in Surabaya apply this principle by providing decent wages to employees, setting fair prices, and ensuring that all transactions are carried out transparently. Some MSMEs in Surabaya implement a fair wage policy that ensures employees receive compensation equivalent to their contributions, as well as offering reasonable prices to customers. MSME actors in Surabaya maintain their trust by ensuring that they fulfill their promises to customers, business partners, and employees. MSME entrepreneurs often use clear and detailed contracts to ensure that all parties understand their rights and obligations, as well as avoid any form of manipulation or fraud.

Islamic theology emphasizes the importance of social responsibility, which is to provide benefits to society and help those in need (Heriyanto & Taufiq, 2024). MSME actors in Surabaya apply this principle by participating in social activities, such as giving zakat, alms, and contributing to community programs. MSMEs in Surabaya set aside part of their profits to support charity and community activities, as well as run corporate social responsibility (CSR) programs. Member of Irawati (2024) argues that the application of Islamic theological principles in business improves business ethics and sustainability. Values such as honesty, fairness, and social responsibility create a healthier and more sustainable business environment. According to Nisa et al., (2024) shows that the application of Islamic theological principles, such as zakat and social responsibility, has a significant positive impact on wealth redistribution and poverty reduction. It supports more inclusive and equitable social development. The practice of managing and distributing zakat and social responsibility programs often faces bureaucratic constraints and a lack of transparency, which reduces their effectiveness. According to Hardiyanti (2024) argued that Islamic theological values encourage ethical and sustainable innovation, which is essential for the growth of MSMEs. Principles such as courtesy and mandate create an environment conducive to innovation. However, Suhara et al., (2023) argue that a focus on religious observance can limit flexibility and innovation. Business actors may feel limited by strict sharia regulations, which can hinder their ability to adapt to market changes.

Obstacles and Challenges in Integrating Islamic Theological Principles

Many entrepreneurs have limited knowledge of concepts such as maysir (gambling), gharar (uncertainty), and joint ownership. The lack of adequate education and training on Islamic economics hinders the ability of MSME actors to properly understand and implement these principles (Azmi, 2020). The pressure to achieve profit targets often leads them to neglect spiritual values. In the competitive business world, MSME actors may feel pressured to focus solely on financial results, so that principles such as justice and social responsibility (amanah) are not given much attention. Creating a healthy balance between material and spiritual goals requires a holistic management approach and the support of a strong business community (Effendi & Prayoga, 2024).

Lack of incentives for MSME actors who implement sharia business models and bureaucratic obstacles in accessing sharia financing. Government policies that are out of sync with Islamic economic principles can hinder the growth of MSMEs that seek to comply with sharia (Juhro & Ridwan, 2021). The government needs to develop more supportive policies, such as fiscal incentives and easy access to sharia financing for MSMEs.

Access to halal capital and distribution networks that are in accordance with Islamic principles is a significant obstacle for MSME actors (Akbar, 2020). Without access to adequate resources, such as Islamic banking and markets that support halal products, MSME actors find it difficult to apply Islamic economic principles effectively. Developing supporting infrastructure, such as more affordable Islamic banks and a wide halal market, is indispensable to support MSMEs.

The obstacles and challenges in integrating the principles of Islamic theology in entrepreneurial practices by MSME actors in the city of Surabaya reflect the complexity faced in implementing spiritual and ethical values in business. Lack of understanding and awareness, difficulty balancing spiritual and material values, unsupportive regulations, limited resources and infrastructure, and lack of community support are some of the main obstacles that need to be addressed. Addressing these challenges requires an integrated approach involving comprehensive education and training, supportive government policies, the development of supporting infrastructure, and the building of strong community networks. Thus, MSME actors in Surabaya can more effectively integrate the principles of Islamic theology in their entrepreneurial practices, which will ultimately support sustainable and ethical growth.

4.CONCLUSION

This research explores the application of Islamic entrepreneurship theology as an accelerator for the growth of MSMEs in the city of Surabaya. Islamic theological principles such as monotheism, fairness, trust, courtesy, and social responsibility play an important role in shaping more ethical and sustainable business practices. MSME actors who adopt these values tend to conduct business with integrity, fairness, and responsibility, which in turn increases customer trust and loyalty. The application of Islamic economic principles, such as zakat and social responsibility, helps distribute wealth more evenly and reduce economic inequality. This supports more inclusive and sustainable social development in Surabaya. The concept of joint ownership and sharia financing (such as *mudharabah* and *musyarakah*) encourages collaboration and risk sharing between business people. Islamic values encourage MSME actors to always improve the quality of their products and services. This research focuses on MSMEs in the city of Surabaya and may not fully describe the condition of MSMEs in other cities or regions in Indonesia. The results may not be generalized to a broader context without additional research. The use of in-depth interviews as the primary method of data collection can have limitations in terms of subjectivity.

Research suggestions for the government are to make policies that support the implementation of Islamic economic principles, such as fiscal incentives and easy access to sharia financing. Conducting education and training programs on Islamic economics for MSME actors to improve their understanding and skills. For the community, it is to support MSME businesses that apply Islamic principles by becoming loyal customers and promoting their products. In addition to being able to increase awareness of the importance of ethical and sustainable business practices, as well as actively participate in social activities organized by MSMEs. For the next researcher, they can conduct research on a wider scale covering various regions in Indonesia to get a more comprehensive picture. Furthermore, it can analyze the comparison between MSMEs that apply Islamic economic principles and those that do not, to identify the impact and benefits more clearly.

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