



Lived Experiences of SME Owners Implementing Sharia Principles in Business Practices

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ABSTRACT

The integration of Sharia principles into business practices has gained significant attention in Islamic economics, particularly in small and medium-sized enterprise (SMEs). While research provides insight into the operational aspects of Sharia-compliant businesses, less is known about the lived experiences of entrepreneurs applying these principles. This study uses a phenomenological approach to explore how SME owners implement Sharia principles in their operations. In-depth interviews with 12 SME owners reveal key challenges and rewards, including the lack of standardized guidance and a strong sense of ethical responsibility, influenced by personal and community expectations. These findings contribute to the literature by offering a nuanced understanding of Sharia-compliant business practices and highlight the need for clearer frameworks for entrepreneurs.



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INTRODUCTION

The implementation of Sharia principles in business operations has become a significant topic of discussion, particularly within Muslim-majority countries. Sharia law, which encompasses a set of ethical and moral guidelines derived from Islamic teachings, has an increasing influence on various sectors, including finance, retail, and service industries (Swartz dkk., 2022). While existing literature provides valuable insight into the theoretical and operational aspects of Sharia-compliant businesses, a gap remains in understanding how these principles are lived and experienced by entrepreneurs. This study seeks to address this gap by focusing on the personal, subjective experiences of small and medium-sized enterprise (SME) owners who apply Sharia principles in their business practices.

The relevance of this phenomenon is particularly pronounced in the social and cultural fabric of Muslim communities, where business owners are often seen as role models for ethical behavior and moral responsibility. The integration of Sharia principles into business is not merely an economic decision but a reflection of the cultural and religious values that shape the identity and actions of the entrepreneurs involved. Understanding how these principles are interpreted and applied by business owners is crucial to gaining a comprehensive understanding of the social dynamics and ethical considerations that guide their decisions. Furthermore, the experience of balancing religious obligations with business needs can have profound implications for the sustainability and success of these businesses.

There is a significant need for an in-depth exploration of the lived experiences of SME owners who apply Sharia principles to their businesses. While much has been written about the theoretical aspects of Sharia-compliant business practices, less is known about how these principles are experienced and implemented by business owners on a daily basis (Zeng dkk., 2023). A phenomenological approach is particularly suited to this need, as it provides a framework for capturing the subjective experiences of individuals, thus allowing for a deeper understanding of how

these entrepreneurs navigate the challenges, opportunities, and ethical dilemmas that arise in their pursuit of both business success and adherence to Islamic values. The exploration of these experiences is essential not only for theoretical advancements in the field of Islamic economics but also for practical guidance for SME owners seeking to align their business practices with Sharia principles.

Research into the subjective experiences of individuals within specific phenomena has gained significant traction in recent years, especially in fields such as psychology, sociology, and economics. The study of these lived experiences offers a deeper understanding of the complex, often nuanced ways in which individuals perceive and interact with the world around them. In the case of small and medium-sized enterprise (SME) owners who apply Sharia principles to their businesses, examining their personal experiences with this practice is essential to uncovering the broader implications of Sharia-compliant business models. However, exploring these experiences requires a methodological approach that can capture the richness and depth of individual perceptions—something that is often difficult to achieve with traditional quantitative methods.

The challenges of studying lived experiences are particularly evident when relying on quantitative research designs. These methods, while valuable for analyzing large datasets and establishing generalizable patterns, often fail to capture the subjective meanings that individuals attach to their actions and decisions (Gong dkk., 2020). For instance, a quantitative study on Sharia-compliant business practices may quantify the number of businesses adhering to specific principles or measure financial success, but it would not address the underlying reasons why entrepreneurs choose to incorporate these principles or how they experience the conflicts and rewards associated with their decisions. This gap in understanding highlights the limitations of quantitative approaches and underscores the need for qualitative methods, specifically phenomenology, which can delve into the deeper meanings behind the behaviors and attitudes of individuals.

Phenomenology, with its focus on the lived experience, offers a powerful tool to bridge this gap by exploring the essence of these experiences in detail. However, conducting phenomenological research in the context of Sharia-compliant business practices presents its own set of challenges. One significant challenge is the difficulty in accessing participants who are willing to openly discuss the personal, often sensitive aspects of their business practices and their religious motivations. Additionally, the subjective nature of the data, which is shaped by individual beliefs and cultural backgrounds, can make it challenging to draw general conclusions. Despite these challenges, phenomenology provides the most suitable approach for gaining a nuanced, in-depth understanding of how SME owners navigate the complexities of integrating religious principles into their businesses.

While existing research has made significant contributions to understanding the application of Sharia principles in business, much of it relies on practical frameworks or quantitative methodologies that provide broad, generalized insights into business practices. These approaches often focus on financial outcomes, compliance rates, or operational structures, which, while useful, fail to capture the deeper, subjective experiences of business owners navigating the complex terrain of Sharia-compliant entrepreneurship. The common solutions in this context are often based on a utilitarian approach that prioritizes measurable results and practical applications, leaving the personal and cultural dimensions of the experience largely unexplored.

The limitations of these practical frameworks become evident when examining the personal, often nuanced decisions that SME owners make when integrating Sharia principles into their businesses (Piao & Sheng, 2023). These decisions are not merely driven by external market forces but are deeply intertwined with the entrepreneurs' religious beliefs, personal values, and social contexts. As such, the existing literature, which focuses primarily on quantitative data or theoretical models, lacks the depth required to fully understand the lived experiences of individuals who are actively engaging with Sharia principles in their daily business practices.

The need for a more holistic understanding of these experiences highlights the value of adopting a phenomenological approach. Phenomenology, with its emphasis on capturing the essence of lived experiences, offers a unique opportunity to explore the subjective meanings behind entrepreneurs' actions and decisions. This approach allows for a richer, more nuanced understanding of how SME owners perceive and apply Sharia principles, not merely as an abstract set of rules, but as

lived experiences that shape their business practices. Therefore, the gap in the literature is clear: while we know much about the theoretical and practical aspects of Sharia-compliant business models, there is still a lack of insight into the deeply personal and culturally embedded experiences of those who implement these practices. Phenomenology provides the methodological lens necessary to address this gap, offering a deeper exploration of the essence of these experiences and their implications for business success and sustainability.

Research on the integration of Sharia principles into business practices has primarily focused on theoretical frameworks, regulatory compliance, and financial outcomes. While these studies have been instrumental in understanding the external factors affecting Sharia-compliant businesses, few have delved into the personal, lived experiences of business owners. Previous studies, such as those by Sharma, (2023), explored the broader impacts of Sharia compliance on business operations but did not capture the subjective meanings entrepreneurs attach to their adherence to religious principles. The existing literature also suggests that while Sharia-compliant practices contribute to a sense of ethical integrity, they often create personal and cultural tensions that have not been sufficiently addressed through quantitative or practical approaches.

To address this gap, a phenomenological approach is proposed for this study. This method was chosen due to its capacity to explore the lived experiences of individuals, focusing on how they interpret and make sense of their interactions with Sharia principles in their businesses. Phenomenology allows for an in-depth examination of the personal, cultural, and ethical dimensions of business decisions, which are often overlooked by traditional methodologies. By adopting this approach, the study seeks to uncover the meanings that entrepreneurs attribute to their Sharia-compliant practices, offering insights into how these principles influence their decision-making processes, challenges, and successes.

The structure of this article begins with an introduction to the phenomenon under investigation, followed by a detailed explanation of the phenomenological methodology used. The article then discusses the data collection process, including interviews with SME owners, and outlines the thematic analysis employed to identify key themes from their experiences (X. Wang & Duan, 2024). Following the results, the discussion section explores the implications of these findings in relation to existing literature, while the conclusion offers recommendations for future research and practical applications of Sharia-compliant business models.

RESEARCH METHODS

Study Design

This study utilized a phenomenological approach to explore the lived experiences of small and medium-sized enterprise (SME) owners who implement Sharia principles in their business practices. The phenomenological design was selected due to its focus on capturing the subjective experiences and perceptions of participants, which is essential for understanding the deeper meanings behind their actions and decisions in relation to Sharia-compliant business practices (Umoru dkk., 2024). Phenomenology is particularly suited for this study as it allows for a rich exploration of how individuals experience and interpret their involvement with Sharia principles in the context of their businesses. Specifically, a descriptive phenomenological approach was employed, which aims to describe and interpret the essence of participants' lived experiences without imposing any preconceived theories or assumptions.

Participants

Participants were selected using purposive sampling to ensure that they had direct experience with the phenomenon under investigation—applying Sharia principles in business. Inclusion criteria required that participants be SME owners operating businesses that incorporate Sharia-compliant practices. The study focused on individuals who had been actively involved in their businesses for at least two years to ensure they had adequate experience with the challenges and opportunities of implementing Sharia principles (Q. S. Wang dkk., 2021). A total of 12 participants were included in

the study, with an age range of 30 to 50 years. The sample consisted of 6 males and 6 females. Participants were drawn from various sectors, including retail, food, and services, all of which were based in a major urban area with a significant Muslim population.

Data Collection

Data were collected through semi-structured in-depth interviews, which allowed participants to express their experiences freely while ensuring that key topics related to the research question were addressed. Each interview lasted between 60 and 90 minutes and was conducted in a private setting to ensure participants felt comfortable sharing their experiences. The interviews were audio-recorded with the participants' consent and transcribed verbatim for analysis (Katz dkk., 2019). The interview guide was designed to explore participants' personal experiences, challenges, and reflections on integrating Sharia principles into their business practices. Modifications were made to the original guide to allow for deeper exploration of specific themes emerging from early interviews. The interviews were conducted in a quiet, comfortable location, either at the participant's business premises or in a neutral meeting space.

Data Analysis

The data were analyzed using thematic analysis, which is well-suited for phenomenological research due to its focus on identifying and interpreting key themes that represent the essence of participants' experiences. The analysis followed a systematic process beginning with familiarization with the data through repeated readings of the transcribed interviews. Key statements and phrases that captured the participants' lived experiences were then coded, and patterns across interviews were identified. The themes were organized into meaningful categories that reflected the central aspects of the experience of applying Sharia principles in business (Peng dkk., 2025). Data analysis was facilitated using NVivo software to assist in the organization and coding of themes. The results were then reviewed and refined through ongoing iterations of analysis to ensure that the identified themes accurately represented the core experiences of the participants.

Ethics

Ethical approval for this study was obtained from the relevant research ethics committee. All participants provided written informed consent before participating in the study, and they were assured of the confidentiality and anonymity of their responses. Data were anonymized during the transcription process, and no identifying information was included in the final reports (Sergi & Popkova, 2022). Participants were informed that their involvement was voluntary and that they could withdraw from the study at any time without consequence. The research adhered to international ethical standards and followed the ethical guidelines set forth by the institution conducting the study.

RESULTS AND DISCUSSION

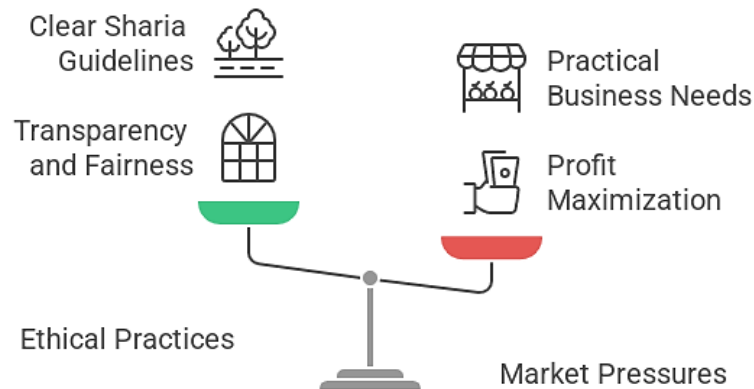
The Challenges of Implementing Sharia Principles in Business Operations

The first theme that emerged from the interviews was the significant challenges faced by the entrepreneurs in implementing Sharia principles in their businesses. Many participants shared that while they understood the importance of integrating Islamic values into their practices, the application of these principles in real business contexts proved difficult. One entrepreneur explained, "It is easy to talk about fairness and transparency in business, but when it comes to dealing with suppliers and customers, it becomes challenging to stay true to those ideals. Sometimes, profit-making demands can push us away from what is required in Sharia." This statement highlights the tension between the desire to maintain ethical business practices based on Islamic teachings and the pressures of market competition.

Another key challenge identified was the lack of clear guidelines for incorporating Sharia principles in certain business transactions. As one participant noted, "The concept of halal is very clear, but what about the practices we need to follow when dealing with non-Muslim customers or suppliers? There's no clear instruction on that, so we just follow what feels right, which sometimes creates uncertainty." The uncertainty around what is considered compliant in Sharia economics within

diverse business settings was a consistent concern among participants, revealing a gap in practical guidance for implementing Sharia-compliant business operations.

Balancing Ethical and Market Demands in Sharia-Compliant Business



The Role of Community and Social Expectations in Shaping Sharia Business Practices

The second major theme revealed the influence of community and social expectations on the application of Sharia principles in business. Participants frequently discussed how they were motivated to adhere to Islamic principles not only by personal beliefs but also by the expectations of their customers, employees, and the broader community. As one entrepreneur described, "People in my community expect me to not only provide quality products but to do so in a way that aligns with our faith. If I were to engage in practices that don't reflect our values, I believe it would damage my reputation and business." This statement underscores the role of social pressures and religious obligations in guiding business practices.

Moreover, some entrepreneurs expressed that community support could significantly impact their decision-making. One participant said, "When I know my customers appreciate that I am offering products that are ethically sourced and follow Islamic guidelines, it strengthens my resolve to keep following these principles, even if it might be less profitable." This suggests that social validation plays a crucial role in sustaining ethical practices in business, reinforcing the importance of community in maintaining Sharia compliance.

The Impact of Sharia Economic Principles on Business Growth and Sustainability

The third theme that emerged concerned the perceived long-term benefits of applying Sharia principles in business. Several participants shared that adhering to ethical and transparent practices had not only helped them build trust with their customers but also fostered long-term business sustainability. As one respondent stated, "At first, I wasn't sure if sticking to Sharia principles would be profitable, but now I see that my customers trust me more. They know I won't compromise on quality, and they are willing to pay a bit more for that." This view was echoed by others who felt that the integration of Sharia principles could lead to a more loyal customer base and greater stability in business operations.

However, some entrepreneurs mentioned the initial difficulties in seeing financial growth, with one participant stating, "It was hard in the beginning. We didn't see the profits we expected, but over time, the customer loyalty we gained was worth it. The financial gains have been steady, though they took longer to materialize." This reflection highlights the delayed financial rewards of implementing Sharia-compliant practices but suggests that the long-term benefits are real and impactful.

The results of this study indicate that while implementing Sharia principles in business operations poses several challenges, particularly in terms of clarity and guidance, the role of community expectations and the long-term benefits of ethical business practices play crucial roles in

sustaining these practices. Entrepreneurs expressed a strong commitment to maintaining Sharia compliance, despite the obstacles they faced, primarily because of the positive impact it had on customer trust and business sustainability. However, the research also points to the need for clearer frameworks and guidance on how to navigate Sharia-compliant business practices, especially in diverse market environments. These findings lay the foundation for further exploration of how Sharia principles can be better integrated into the business practices of small and medium enterprises (SMEs) within local contexts.

Summary of Key Findings

This study aimed to explore the lived experiences of SME owners applying Sharia principles in their business practices (Zhou dkk., 2023). The analysis revealed that while the application of these principles presents significant challenges, particularly around clarity and guidance, it also fosters a deep sense of ethical responsibility, shaped by both personal and community expectations. These experiences offer a unique understanding of how Sharia compliance is interpreted and integrated into business decisions, reflecting a complex interplay of religious obligation and entrepreneurial practice.

Contribution to the Research Question

The findings provide insightful answers to the research question of how SME owners experience and navigate the application of Sharia principles in their businesses. While existing literature often focuses on the theoretical or operational aspects of Sharia-compliant businesses, this study highlights the personal, lived experiences of entrepreneurs, revealing how they reconcile ethical business practices with market demands. The challenges of aligning business operations with religious values are compounded by a lack of clear guidance on Sharia-compliant practices, leading to a reliance on individual interpretation and community norms. This study contributes uniquely to the literature by offering a deeper, more nuanced perspective on how these principles are experienced, interpreted, and implemented at the individual level, offering new insights into the intersection of religion and business.

Relationship to Previous Literature and Theory

The study's findings are consistent with previous research on the challenges faced by entrepreneurs in applying religious principles to business practices. For example, studies by Kundu & Ramdas,(2022) noted that Sharia-compliant businesses often encounter difficulties in maintaining ethical practices amidst market competition. However, this study extends this understanding by emphasizing the role of community expectations in shaping business decisions, a factor less discussed in prior research. Furthermore, while earlier works have highlighted the importance of ethical integrity in business, this research underscores the personal struggles entrepreneurs face in upholding these values, especially when faced with external pressures. By linking these experiences with existing theories, this study adds a new layer to our understanding of the interplay between religion, ethics, and business practice.

Implications of Findings

The findings of this study have significant implications both academically and practically. From a scholarly perspective, the study contributes to the field of Islamic economics by highlighting the deeply personal and subjective experiences of SME owners in adhering to Sharia principles. It underscores the complexity of integrating religious beliefs with business practices, providing a richer understanding of how these principles shape decision-making beyond theoretical frameworks or financial outcomes. Practically, the study reveals that SME owners often struggle with the lack of clear, standardized guidance for Sharia-compliant business practices, suggesting a need for more structured frameworks or resources to support entrepreneurs in navigating these challenges. Furthermore, the study highlights the vital role of community expectations, which suggests that local norms and social pressures significantly influence how Sharia principles are applied in business contexts. This finding could lead to a more localized and contextual approach to Sharia business practices, taking into account cultural and social factors in addition to the legal and financial considerations.

Study Limitations

While the study offers valuable insights, it also has limitations that should be considered when interpreting the results. The research was conducted with a small sample of SME owners from a specific urban area, which may not be representative of all business owners who implement Sharia principles. Additionally, the qualitative nature of the study limits the ability to generalize the findings to broader populations or contexts. The use of in-depth interviews, while effective for capturing subjective experiences, also introduces the possibility of interviewer bias or limitations in the participants' ability to articulate their experiences fully (Sannajust & Groh, 2020). Moreover, the study's focus on SME owners in one geographical location may not capture the experiences of those in other regions or countries where cultural and economic contexts differ. These limitations point to the need for further research that explores Sharia-compliant business practices across diverse settings and larger, more varied samples to validate and expand upon the findings.

Future Research Directions

This study opens several avenues for future research. One potential direction is to explore the experiences of SME owners in different cultural or regional contexts to determine whether the challenges and experiences identified in this study are universally applicable or specific to particular socio-cultural environments. Additionally, further research could investigate the long-term effects of Sharia-compliant practices on business success and sustainability, as well as the role of religious values in shaping consumer behavior and market dynamics (Yu & Zheng, 2019). Finally, future studies could focus on developing practical frameworks or decision-making tools to help SME owners navigate the complexities of integrating Sharia principles with their business practices, offering practical guidance for entrepreneurs seeking to balance religious obligations with commercial success. Such research could contribute to the development of more effective models for Sharia-compliant businesses, benefiting both academic and professional communities.

CONCLUSION

This study explored the lived experiences of SME owners in applying Sharia principles to their business practices, focusing on how these entrepreneurs interpret and integrate religious values into their operations. The findings revealed that while Sharia-compliant businesses face significant challenges, particularly due to a lack of clear guidelines, they also foster a strong sense of ethical responsibility shaped by both personal and community expectations. This research contributes to existing literature by providing a deeper understanding of the subjective experiences of business owners, an area that had been overlooked in previous studies. The study also highlights the need for more structured frameworks to support entrepreneurs in navigating the complexities of Sharia compliance. Future research could expand this study by exploring diverse cultural contexts and examining the long-term impact of Sharia-compliant practices on business success. Ultimately, this research lays the groundwork for further exploration of how religious principles can be effectively integrated into business practices, offering valuable insights for both academics and practitioners.

CONFLICT OF INTEREST

The authors declare that there are no conflicts of interest regarding the publication of this paper. All financial support and other resources used in the research have been disclosed, and no competing interests have influenced the design, data collection, analysis, or interpretation of the results.

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