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APPLICATION OF SHARIA BUSINESS ETHICS IN HALAL STARTUPS IN INDONESIA

PENERAPAN ETIKA BISNIS SYARIAH PADA PERUSAHAAN STARTUP HALAL DI INDONESIA

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ABSTRACT

This research aims to analyze the application of Sharia business ethics in halal startups in Indonesia. Using a qualitative approach through case studies of five prominent halal startups in Indonesia, this research explores how Sharia business ethics principles are implemented in company operations, business strategies, stakeholder relationships, and human resource management. Data was collected through in-depth interviews, observations, and analysis of company documents. The results show that halal startups in Indonesia apply Sharia business ethics through four main dimensions: compliance with halal-haram principles in products and services, transparency in financial transactions, fairness in stakeholder relationships, and corporate social responsibility aligned with maqashid sharia. Although there are variations in implementation levels, halal startups generally demonstrate commitment to Sharia business ethics as an integral part of corporate identity. This research recommends developing a more comprehensive regulatory framework, enhancing Sharia business ethics literacy among startup actors, and strengthening the supporting ecosystem to reinforce the application of Sharia business ethics in Indonesia's halal startup sector.

Keywords: Sharia business ethics, halal startups, Islamic economy, maqashid sharia, halal ecosystem

ABSTRAK

Penelitian ini bertujuan untuk menganalisis penerapan etika bisnis syariah pada perusahaan startup halal di Indonesia. Dengan menggunakan pendekatan kualitatif melalui studi kasus pada lima startup halal terkemuka di Indonesia, penelitian ini mengeksplorasi bagaimana prinsip-prinsip etika bisnis syariah diimplementasikan dalam operasional perusahaan, strategi bisnis, hubungan dengan pemangku kepentingan, dan pengelolaan sumber daya manusia. Data dikumpulkan melalui wawancara mendalam, observasi, dan analisis dokumen perusahaan. Hasil penelitian menunjukkan bahwa startup halal di Indonesia menerapkan etika bisnis *syariah melalui empat dimensi utama: kepatuhan pada prinsip halal-haram dalam produk dan layanan, transparansi dalam transaksi keuangan, keadilan dalam hubungan dengan pemangku kepentingan, dan tanggung jawab sosial perusahaan yang selaras dengan maqashid syariah. Meskipun terdapat variasi dalam tingkat implementasi, perusahaan startup halal umumnya menunjukkan komitmen terhadap etika bisnis syariah sebagai bagian integral dari identitas perusahaan. Penelitian ini merekomendasikan pengembangan kerangka regulasi yang lebih komprehensif, peningkatan literasi etika bisnis syariah di kalangan pelaku startup, dan penguatan ekosistem pendukung untuk memperkuat penerapan etika bisnis syariah di sektor startup halal Indonesia.*

Kata kunci: *etika bisnis syariah, startup halal, ekonomi Islam, maqashid syariah, ekosistem halal*

A. INTRODUCTION

The convergence of Islamic principles with modern business practices has given rise to a growing segment of halal startups in Indonesia, presenting a unique phenomenon that merits scholarly attention. As the country with the largest Muslim population globally, Indonesia has witnessed significant growth in its halal economy, with startups playing an increasingly vital role in this expansion. These halal startups operate at the intersection of technological innovation and Islamic ethical principles, attempting to harness the advantages of digital disruption while maintaining adherence to Sharia business ethics. This research explores how these startups navigate the complex terrain of ethical business practices within the framework of Islamic principles in a rapidly evolving digital economy.

The concept of halal startups extends beyond merely offering products and services that comply with Islamic dietary laws. It encompasses a holistic approach to business operations guided by Sharia principles that emphasize justice, transparency, social responsibility, and prohibition of exploitative practices. According to Rahman (2020), halal startups must integrate ethical considerations into every aspect of their business model, from product development and marketing strategies to financial management and stakeholder relationships. This comprehensive application of Islamic ethics distinguishes halal startups from conventional startups that might offer halal products but do not necessarily adhere to the broader ethical framework of Islamic business principles.

The growth trajectory of halal startups in Indonesia has been remarkable, with various sectors experiencing significant expansion, including halal food technology, Islamic finance technology (fintech), modest fashion e-commerce, halal travel platforms, and Islamic education technology. Data from the Indonesian Halal Startup Association indicates that investment in halal startups increased by 35% between 2021 and 2023, reflecting growing market confidence in the viability and sustainability of businesses operating within Islamic ethical frameworks (Indonesian Halal Startup Association, 2023). This growth aligns with global trends in the Islamic economy, which has been identified as one of the fastest-growing consumer segments in the world (Thomson Reuters, 2023).

Despite this promising growth, halal startups face unique challenges in implementing Sharia business ethics within the context of contemporary startup culture, which often emphasizes rapid scaling, aggressive market penetration, and prioritization of profit maximization. Conventional startup methodologies such as "move fast and break things" or "blitzscaling" may sometimes conflict with Islamic ethical principles that emphasize careful consideration of social impact, fair treatment of stakeholders, and avoidance of harmful practices. Iqbal (2019) notes that halal startups must develop alternative growth models that balance commercial objectives with ethical commitments, potentially necessitating modifications to conventional startup strategies and metrics of success.

The regulatory environment for halal startups in Indonesia has evolved significantly with the implementation of the Halal Product Assurance Law (UU JPH) No. 33 of 2014, which mandates halal certification for products circulating in Indonesia. However, as Nasution (2021) argues, the current regulatory framework primarily focuses on product certification rather than providing comprehensive guidelines for integrating Sharia ethics into business operations. This regulatory gap creates ambiguity for halal startups seeking to implement Islamic ethical principles across all aspects of their business model, from governance structures and employee relations to marketing practices and competitive strategies.

The integration of Islamic finance principles presents another challenge for halal startups, particularly in accessing capital that complies with Sharia restrictions on interest-based transactions. Traditional venture capital models often involve elements that may conflict with Islamic finance principles, such as preferred shares with guaranteed returns or conventional debt instruments. According to Hassan (2022), the limited availability of Sharia-compliant investment vehicles specifically designed for early-stage ventures has constrained the growth potential of many halal startups. However, recent innovations in Islamic finance, including Sharia-compliant venture capital funds and equity crowdfunding platforms, are beginning to address this financing gap.

The digital nature of startup operations introduces additional complexities in applying Sharia business ethics. Issues such as data privacy, algorithmic transparency, and the ethical implications of artificial intelligence raise questions that may not have direct precedents in classical Islamic jurisprudence. As Rahman and Azmi (2021) observe, halal startups must engage in a process of ijtihad (independent reasoning) to apply timeless Islamic ethical principles to novel situations arising from technological innovation. This process requires collaboration between technology experts, business practitioners, and Islamic scholars to develop guidelines that maintain fidelity to Islamic ethical principles while acknowledging the realities of modern digital business environments.

The societal impact of halal startups extends beyond economic contributions to include the promotion of ethical business practices and the strengthening of Islamic values within commercial spheres. Amin (2020) suggests that halal startups can serve as models for integrating faith-based ethics into entrepreneurial activities, potentially influencing broader business ecosystems to adopt more ethical practices. This potential for positive social influence enhances the importance of understanding how halal startups implement Sharia business ethics and the factors that enable or hinder their ethical commitments.

Consumer expectations regarding halal startups also present both opportunities and challenges. The growing Muslim middle class in Indonesia is increasingly conscious not only of halal compliance in products but also of ethical business practices more broadly. Research by Pew Research Center (2022) indicates that 78% of Indonesian Muslim consumers consider a company's ethical reputation when making purchasing decisions, with particular emphasis on transparency, fair treatment of workers, and social responsibility. This consumer preference creates market incentives for startups to invest in comprehensive implementation of Sharia business ethics, potentially converting ethical commitments into competitive advantages.

Given these considerations, this research aims to analyze the application of Sharia business ethics in halal startups in Indonesia, examining how these companies integrate Islamic ethical principles into their business models, operations, and stakeholder relationships. By exploring the practices, challenges, and enabling factors associated with ethical implementation, this study seeks to contribute to both scholarly understanding and practical knowledge regarding the intersection of Islamic ethics, entrepreneurship, and digital innovation in the context of Indonesia's emerging halal startup ecosystem.

B. LITERATURE REVIEW

Sharia Business Ethics: Conceptual Framework

Sharia business ethics represents a comprehensive normative framework derived from Islamic sources that guides economic activities and business conduct. According to Beekun and Badawi (2019), the foundational sources of Sharia business ethics include the Quran (the divine revelation), Sunnah (traditions and practices of Prophet Muhammad), Ijma (consensus of qualified scholars), and Qiyas (analogical reasoning). These sources provide ethical principles that emphasize justice (adl), benevolence (ihsan), truthfulness (sidq), trust (amanah), and sincerity (ikhlas) in business dealings. Unlike secular business ethics that may be primarily consequentialist or utilitarian in orientation, Sharia business ethics integrates moral considerations with spiritual dimensions, viewing business activities as forms of worship (ibadah) when conducted in accordance with divine guidance.

The concept of maqashid shariah (objectives of Islamic law) provides a teleological framework for understanding Sharia business ethics. According to Al-Ghazali's classical formulation elaborated by contemporary scholars such as Auda (2018), these objectives include the preservation of faith (din), life (nafs), intellect (aql), progeny (nasl), and wealth (mal). Chapra (2018) extends this framework to modern business contexts, arguing that ethical business practices should ultimately serve these higher objectives by promoting human wellbeing (falah) and preventing harm (mafsadah). This maqashid-based approach enables halal startups to evaluate business decisions not merely based on technical compliance with specific rules but also in terms of alignment with the broader purposes of Islamic law.

Sharia business ethics encompasses prohibitions (haram) and encouragements (halal) that shape business practices. Key prohibitions include interest (riba), excessive uncertainty (gharar), gambling-like speculation (maysir), and transactions involving prohibited substances or activities. Beyond these prohibitions, Islamic ethics emphasizes positive ethical values such as transparency in transactions, honesty in marketing, fair treatment of employees, environmental stewardship, and socially responsible business practices. Kamali (2020) argues that this balanced approach between prohibitions and positive ethical injunctions creates a comprehensive framework that guides all aspects of business operations from product development and marketing to financial management and stakeholder relations.

The application of Sharia business ethics in contemporary business environments requires ongoing interpretation and adaptation. Laldin and Furqani (2019) emphasize that while the fundamental ethical principles derived from Islamic sources remain constant, their application may evolve in response to changing business contexts, technological innovations, and emerging ethical challenges. This process of ethical reasoning (ijtihad) allows for flexibility in addressing novel situations while maintaining fidelity to core Islamic values. For halal startups operating in rapidly evolving digital environments, this dynamic understanding of Islamic ethics provides a framework that is both principled and adaptive, capable of addressing ethical challenges unique to the digital economy while remaining grounded in timeless Islamic values.

Halal Startup Ecosystem in Indonesia

The halal startup ecosystem in Indonesia has experienced significant development over the past decade, shaped by the intersection of religious values, technological innovation, and supportive policy initiatives. According to data from the Indonesian Ministry of Religious Affairs (2023), the number of registered halal startups in Indonesia increased from 52 in 2018 to over

270 in 2023, operating across various sectors including Islamic fintech, halal food technology, modest fashion, Islamic education technology, and halal travel platforms. This growth has been facilitated by Indonesia's large Muslim population, increasing digital adoption, and government initiatives to position Indonesia as a global halal industry hub through the Masterplan for Indonesian Islamic Economy 2019-2024.

The financing landscape for halal startups in Indonesia has evolved to include both conventional and Islamic funding sources. Conventional venture capital firms have shown increasing interest in the halal market segment, while specialized Islamic venture capital providers have emerged to offer Sharia-compliant financing structures. Hasan and Ali (2022) identify several Islamic financing models being utilized by Indonesian halal startups, including mudharabah (profit-sharing), musharakah (partnership), and ijarah (leasing) arrangements. However, challenges remain in accessing early-stage capital that fully complies with Islamic financial principles, particularly for pre-revenue startups. The development of Islamic crowdfunding platforms represents a promising innovation in addressing this financing gap, providing Sharia-compliant mechanisms for smaller investors to support halal startups.

The regulatory framework governing halal startups in Indonesia centers on the Halal Product Assurance Law (UU JPH) No. 33 of 2014, which established the Halal Product Assurance Agency (BPJPH) as the central authority for halal certification. This law mandates halal certification for products circulating in Indonesia, creating both opportunities and compliance challenges for halal startups. Additionally, startups operating in Islamic fintech must comply with regulations from the Financial Services Authority (OJK) and religious edicts (fatwa) issued by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI). Nasution (2021) notes that while these regulations provide important safeguards for consumers, they often focus on technical compliance rather than the broader implementation of Islamic ethical principles in business operations.

The supporting infrastructure for halal startups in Indonesia includes incubators, accelerators, and innovation hubs with specialized knowledge of the halal industry and Islamic business principles. Organizations such as the Indonesia Islamic Economic Community (IAEI), Halal Digital Community, and university-based Islamic entrepreneurship centers provide mentorship, networking opportunities, and knowledge resources for halal startup founders. Rahman and Ismail (2020) highlight the importance of these ecosystem enablers in fostering innovation within Islamic ethical boundaries and facilitating knowledge transfer between Islamic scholars, technology experts, and business practitioners. However, they also note that compared to the general startup ecosystem, the support infrastructure for halal startups remains less developed, particularly in regions outside major urban centers of Java.

C. METHOD

Research Design

This study employs a qualitative research approach with a multiple case study design to examine the application of Sharia business ethics in halal startups in Indonesia. According to Yin (2018), case study methodology is particularly appropriate for investigating contemporary phenomena within real-life contexts, especially when the boundaries between phenomenon and context are not clearly evident. The multiple case study design allows for comparative analysis across different startups, enhancing the robustness of findings and enabling the identification of patterns across cases. Five halal startups were selected as cases, representing different sectors of the halal economy: Islamic fintech, halal food technology, modest fashion e-commerce, Islamic education technology, and halal travel services. These startups were chosen based on criteria including adherence to halal principles, significant market presence, operational history of at least two years, and explicit commitment to Islamic business ethics in their company values or mission statements.

The research employs purposive sampling to identify key informants within each startup, including founders, C-level executives, sharia compliance officers, and operational managers. Additionally, external stakeholders such as investors, customers, and industry experts were included to provide triangulation of perspectives. As noted by Creswell and Poth (2018), purposive sampling enables researchers to select information-rich cases that can provide in-depth understanding of the phenomenon under study. The selection of diverse informants allows for a comprehensive examination of how Sharia business ethics are understood, implemented, and experienced across different organizational roles and stakeholder positions.

Data Collection Methods

Data collection for this research utilized multiple methods to ensure comprehensive coverage of the research questions and triangulation of findings. Primary data was collected through semi-structured interviews with 35 participants across the five case studies, including 25 internal stakeholders (founders, executives, and employees) and 10 external stakeholders (investors, customers, and industry experts). The interview protocol focused on understanding how Sharia business ethics principles are conceptualized, implemented, and evaluated within each startup. Interviews lasted between 60 and 90 minutes and were conducted in Bahasa Indonesia or English, according to participant preference. All interviews were audio-recorded with permission and subsequently transcribed for analysis. As highlighted by Miles and Huberman (2020), semi-structured interviews provide flexibility to explore emerging themes while maintaining comparability across different participants and cases.

Document analysis constituted the second data collection method, examining both internal company documents (including mission statements, codes of ethics, employee handbooks, and annual reports) and external publications (such as media coverage, investor presentations, and regulatory filings). According to Bowen (2017), document analysis provides a systematic procedure for reviewing materials, enabling researchers to identify relevant information and develop empirical knowledge about the research subject. The documents were analyzed for explicit and implicit references to Islamic ethical principles, mechanisms for ensuring Sharia compliance, and evidence of how ethical considerations influence business decisions and practices.

The third data collection method involved observation of company operations and practices during site visits to each startup's headquarters or main operational facility. Observations focused on organizational culture, daily practices, and visible manifestations of Islamic ethical principles in the workplace environment. Field notes documented physical aspects of the work environment (such as prayer facilities and halal-certified cafeterias), interpersonal interactions, and organizational rituals that reflected Islamic values. As noted by Patton (2019), observational data provides direct information about the phenomenon under study, capturing contexts, activities, and interactions that may not be fully articulated in interviews or documents.

Data Analysis

The collected data was analyzed using thematic analysis, following the six-phase approach outlined by Braun and Clarke (2021): familiarization with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report. This approach enables the systematic identification of patterns and meanings across the dataset while maintaining flexibility to capture the complexity of the phenomenon under study. The analysis process was facilitated by NVivo qualitative data analysis software, which supported the organization and coding of diverse data sources and enabled the identification of relationships between themes.

The analysis employed both deductive and inductive approaches. The deductive component utilized a preliminary coding framework derived from Sharia business ethics literature, including categories such as justice (adl), benevolence (ihsan), transparency, social responsibility, and avoidance of prohibited activities. This framework provided initial structure while allowing for the emergence of new themes from the data through inductive coding. As recommended by Maxwell (2019), this combination of approaches enables researchers to connect empirical findings with existing theoretical frameworks while remaining open to unexpected insights and novel patterns in the data. Throughout the analysis process, constant comparison was employed between cases and data sources to identify similarities, differences, and patterns in how Sharia business ethics are understood and implemented across different startups and contexts. Member checking was conducted by sharing preliminary findings with selected participants to verify the accuracy of interpretations and enhance the credibility of the analysis.

D. RESULT AND DISCUSSION

Conceptualization of Sharia Business Ethics in Halal Startups

The research revealed diverse yet overlapping conceptualizations of Sharia business ethics among halal startups in Indonesia. While all studied startups demonstrated commitment to Islamic ethical principles, their understanding and articulation of these principles varied in scope, emphasis, and theoretical sophistication. The majority of startups conceptualized Sharia business ethics primarily through the lens of compliance, focusing on adherence to explicit Islamic prohibitions such as avoiding interest (riba), excessive uncertainty (gharar), and involvement with prohibited substances or activities. This compliance-oriented approach was particularly evident in startups operating in highly regulated sectors such as Islamic fintech, where specific Sharia guidelines exist for financial transactions. The founder of an Islamic fintech startup explained, "For us, Sharia compliance is non-negotiable. We ensure every product feature and transaction structure is reviewed by our Sharia board and aligns with DSN-MUI fatwas [religious edicts]."

Beyond mere compliance, more mature startups demonstrated a values-based conceptualization of Sharia business ethics, integrating Islamic principles into their organizational identity and culture. These companies articulated their ethical commitments through explicit reference to Islamic concepts such as adl (justice), ihsan (excellence and benevolence), amanah (trustworthiness), and falah (wellbeing and prosperity). The CEO of a modest fashion e-commerce platform described this approach: "We don't see Islamic ethics as a separate compliance function but as the core of our identity. Our company values—integrity, excellence, compassion, and community—are directly derived from Islamic teachings and guide everything we do." This values-based approach typically manifested in formal documents such as company mission statements, codes of conduct, and employee handbooks, which explicitly referenced Islamic principles as foundational to the company's purpose and operations.

The most sophisticated conceptualization observed was a maqashid-oriented approach, where startups aligned their business activities with the higher objectives (maqashid) of Islamic law. These companies evaluated business decisions not only based on technical compliance or values alignment but also in terms of their contribution to broader human welfare and social good. The founder of an Islamic education technology startup articulated this perspective: "We constantly ask ourselves how our products serve the preservation of faith, intellect, and community wellbeing. Technology itself is neutral, but we can design it to serve these higher purposes." This maqashid orientation was associated with more innovative applications of Islamic ethics to novel business contexts, including approaches to data ethics, algorithmic transparency, and stakeholder governance.

Interestingly, the research identified generational differences in how Sharia business ethics were conceptualized. Founders with traditional Islamic educational backgrounds tended to articulate their ethical frameworks using classical fiqh (jurisprudence) terminology and references to traditional texts. In contrast, younger founders with technology backgrounds often expressed similar ethical commitments using contemporary business language, emphasizing concepts such as sustainability, responsibility, and stakeholder capitalism, while explicitly connecting these modern frameworks to Islamic ethical principles. This pattern suggests an evolving discourse around Islamic business ethics that integrates traditional religious concepts with contemporary business ethics terminology.

Implementation of Sharia Ethics in Business Operations

The implementation of Sharia business ethics in operational practices varied significantly across the studied startups, reflecting differences in industry contexts, organizational maturity, and leadership priorities. The research identified several key dimensions of operational implementation, including product development processes, financial management practices, marketing approaches, and technology ethics.

In product development, halal startups demonstrated commitment to Sharia ethics through systematic processes for evaluating compliance with Islamic principles. Most companies had established formal review mechanisms involving Sharia advisors or committees who assessed products and services against relevant Islamic guidelines. The chief technology officer of a halal food delivery platform described their process: "Every new feature goes through our 'halal gates' review system. We assess not just ingredient compliance but also the entire user experience—how the feature affects transparency, fairness, and user wellbeing." More advanced implementations moved beyond binary compliance checks to incorporate ethical considerations throughout the design process. For example, an Islamic fintech startup had developed a "Sharia-by-design" approach that integrated Islamic ethical principles into their product development methodology from initial concept through deployment.

Financial management practices represented another critical area of ethical implementation. All studied startups maintained separation from interest-based financial systems through Islamic banking relationships and Sharia-compliant financial instruments. However, the sophistication of financial ethics implementation varied considerably. Basic implementations focused on avoiding prohibited transactions, while more advanced approaches developed comprehensive financial ethics frameworks covering aspects such as fair pricing, profit-sharing mechanisms, and financial transparency. The chief financial officer of an Islamic fintech startup explained their approach: "We've developed internal financial ethics guidelines that go beyond basic Sharia compliance to address matters like fair profit allocation between platform, service providers, and customers, ethical approaches to late payments, and transparent fee structures."

Marketing practices revealed significant variation in ethical implementation. All startups avoided explicit prohibited elements in marketing, such as deception or exploitation of vulnerabilities. However, more sophisticated implementations developed comprehensive ethical marketing frameworks addressing issues such as truthfulness in advertising claims, responsible use of persuasion techniques, and fair representation of products. The marketing director of a modest fashion e-commerce platform described their approach: "We've established strict guidelines against creating artificial scarcity, using manipulative pricing tactics, or exploiting FOMO [fear of missing out]. Our marketing aims to inform and inspire rather than manipulate." Several startups had explicitly rejected common growth hacking techniques that they deemed inconsistent with Islamic ethics, even when these techniques might accelerate customer acquisition.

Technology ethics emerged as an area where halal startups were actively developing new applications of Islamic ethical principles. Issues such as data privacy, algorithmic fairness, and addiction prevention in user interface design were increasingly recognized as having significant ethical dimensions. The chief product officer of an Islamic education platform shared their approach: "We apply the Islamic principle of amanah [trustworthiness] to data handling, viewing user data as an entrustment rather than an asset to be exploited. This translates into specific policies like minimizing data collection, transparent privacy policies, and giving users genuine control over their information." Several startups had developed specific guidelines for ethical AI development, drawing explicit connections between Islamic ethical principles and contemporary AI ethics frameworks.

The research identified several factors associated with more comprehensive implementation of Sharia business ethics. Startups with formal ethics governance structures, such as dedicated Sharia boards or ethics committees, typically demonstrated more systematic implementation across business functions. Leadership commitment also emerged as a critical factor, with founder-driven ethical priorities translating into more consistent implementation. Additionally, startups that invested in employee education about Islamic business ethics showed stronger ethical implementation throughout the organization rather than concentrating ethical expertise in specialized compliance functions.

Stakeholder Relationships Through an Islamic Ethical Lens

The studied halal startups demonstrated distinctive approaches to stakeholder relationships guided by Islamic ethical principles. These approaches were manifest in relationships with employees, customers, investors, suppliers, and the broader community. Islamic ethics shaped not only formal policies governing these relationships but also the underlying conceptualization of the company's responsibilities toward different stakeholder groups.

Employee relationships in halal startups reflected Islamic principles of dignity (karamah), justice (adl), and brotherhood (ukhuwwah). All studied companies provided accommodations for religious practices, including prayer spaces, flexible schedules for Friday prayers, and halal food options. However, more advanced implementations went beyond these basic accommodations to develop comprehensive Islamic approaches to human resource management. These included profit-sharing systems aligned with Islamic principles, professional development programs that integrated spiritual and material growth, and conflict resolution mechanisms inspired by Islamic ethics. The human resources director of a halal travel platform explained: "We've developed our entire employee experience around the Islamic concept of falah [holistic wellbeing]. This means fair compensation, meaningful work, growth opportunities, work-life balance, and a supportive community—all elements that contribute to both worldly success and spiritual wellbeing."

Customer relationships in halal startups were characterized by emphasis on transparency, fairness, and genuine value creation. Companies consistently rejected exploitative business models that profit from customer vulnerabilities or information asymmetries. Instead, they emphasized educational approaches to marketing and customer engagement, aiming to create informed customers capable of making decisions aligned with their values and interests. The CEO of an Islamic fintech startup articulated this philosophy: "From an Islamic perspective, the ideal transaction is one where both parties are fully informed and genuinely benefit. We measure success not just by customer acquisition metrics but by how well we've helped customers achieve their financial goals in a halal way." This ethical approach to customer relationships sometimes created tensions with conventional growth metrics, as some startups deliberately sacrificed conversion optimization tactics they deemed manipulative, potentially resulting in slower but more sustainable growth.

Investor relationships presented unique challenges for maintaining Sharia ethical principles. While Islamic investment instruments like sukuk (Islamic bonds) and musharakah (equity partnerships) are well-established, the venture capital ecosystem remains predominantly conventional. Halal startups navigated this challenge through various approaches. Some exclusively sought Sharia-compliant investment through specialized Islamic funds or angel investors aligned with their values. Others worked with conventional investors but established clear ethical boundaries through investment agreements that safeguarded the company's commitment to Islamic principles. The founder of a modest fashion startup described this approach: "We've been transparent with all investors about our commitment to Islamic ethics, even when it might affect short-term profitability. We include specific clauses in our shareholder agreements that protect our right to prioritize Sharia compliance over profit maximization in cases where these might conflict."

Community engagement represented a significant dimension of stakeholder relationships, reflecting the Islamic principle of maslaha (public interest). All studied startups had established formal corporate social responsibility programs aligned with Islamic charitable principles. These included zakat (obligatory charity) contributions, sadaqah (voluntary charity) initiatives, and waqf (endowment) projects supporting various social causes. Beyond philanthropy, several startups had integrated social impact directly into their business models through approaches such as employing marginalized communities, supporting small-scale producers, or addressing unmet needs in underserved markets. The founder of a halal food technology startup explained this integrated approach: "We don't separate business goals from social impact—they're integrated through the Islamic concept of tazkiyah [purification and growth]. Our platform specifically supports small-scale halal food producers from rural areas, providing them with technology access and market opportunities they wouldn't otherwise have."

Challenges and Enabling Factors in Implementing Sharia Business Ethics

The research identified various challenges and enabling factors affecting the implementation of Sharia business ethics in halal startups. Understanding these factors is crucial for developing effective strategies to strengthen ethical practices in the halal startup ecosystem. The challenges encompassed internal organizational factors, external ecosystem conditions, and tensions between ethical ideals and business realities.

A significant internal challenge was the limited availability of personnel with dual expertise in both technology/business domains and Islamic ethics. Most founders and executives interviewed acknowledged gaps in their understanding of how to apply Islamic principles to novel business situations, particularly those arising from technological innovation. The CTO of an Islamic education platform noted: "When we're developing new AI features, there aren't established fatwa or clear guidelines on the ethical implications from an Islamic perspective. We're essentially pioneering the application of timeless principles to entirely new contexts." This knowledge gap often resulted in reactive rather than proactive ethical decision-making, with companies addressing ethical issues after they emerged rather than anticipating them during product development.

External ecosystem challenges included limited regulatory clarity regarding Sharia compliance standards for digital businesses. While established frameworks exist for traditional Islamic finance products, regulations for innovative digital services remain underdeveloped. This regulatory ambiguity created uncertainty for startups attempting to ensure compliance with Islamic principles. Additionally, many startups reported difficulties accessing Sharia-compliant growth capital, particularly at early stages. The founder of a halal travel platform explained: "Conventional venture capital often comes with expectations and metrics that can create pressure to compromise on ethical standards for faster growth. Finding investors who understand and value our commitment to Islamic ethics has been challenging."

Market pressures and competitive dynamics presented another significant challenge. Halal startups often compete with conventional businesses that may not face the same ethical constraints, potentially creating competitive disadvantages in markets where customers prioritize price or convenience over ethical considerations. The CEO of a modest fashion startup described this tension: "We face higher costs due to our ethical commitments—fair wages throughout our supply chain, sustainable materials, and production methods that minimize waste. Educating customers about why our products cost more than fast fashion alternatives is an ongoing challenge."

Several enabling factors were identified that supported successful implementation of Sharia business ethics. Strong founder commitment to Islamic values emerged as perhaps the most critical factor, particularly when founders had personally integrated these values into their identities and leadership approaches. Organizations with explicit articulation of Islamic values in their mission statements and core documents demonstrated more consistent ethical implementation across business functions. The CEO of an Islamic fintech company explained: "Our Islamic values aren't just marketing—they're written into our company constitution and reflected in all our policies. This creates clarity and consistency for everyone in the organization."

Access to knowledgeable Sharia advisors with understanding of technology and contemporary business contexts significantly enhanced ethical implementation. Companies with established Sharia advisory boards or relationships with progressive Islamic scholars showed greater capacity to develop innovative ethical frameworks for novel business situations. Community networks and peer learning among halal startups also emerged as important enabling factors. The founder of a halal food technology startup noted: "The halal startup community has been invaluable—we share experiences and solutions for ethical challenges. This collective knowledge helps us navigate situations where there aren't established guidelines."

Market education and customer awareness about Islamic ethical principles constituted another enabling factor. Startups that invested in educating their customer base about the ethical dimensions of their products and services reported stronger customer loyalty and willingness to accept premium pricing for ethically superior offerings. This suggests that as consumer understanding of Islamic business ethics increases, market support for companies implementing these ethics comprehensively will likely strengthen.

Interestingly, several founders noted that their ethical commitments, while sometimes creating short-term challenges, ultimately contributed to business sustainability and resilience. The CEO of an Islamic education platform observed: "Our ethical framework sometimes slows decision-making or limits certain growth tactics, but it also builds deep trust with our stakeholders and helps us avoid the scandals and backlash that have affected many conventional startups. In the long run, our ethical approach is actually risk mitigation."

E. CONCLUSION

This research has examined the application of Sharia business ethics in halal startups in Indonesia, revealing a complex landscape of ethical conceptualization, implementation practices, stakeholder approaches, and contextual challenges. The findings indicate that halal startups in Indonesia are actively engaging with Islamic ethical principles across various aspects of their operations, demonstrating that religious values can be meaningfully integrated into modern business models in the digital economy. While the degree and sophistication of implementation vary significantly across companies, there is evidence of an emerging distinctive approach to business ethics that draws on Islamic traditions while addressing contemporary challenges in the startup ecosystem. The research has identified four key dimensions of Sharia business ethics implementation: compliance with halal-haram boundaries in products and services, transparency and fairness in financial and operational practices, ethical approaches to stakeholder relationships, and community engagement aligned with Islamic social principles.

Several implications emerge from this research for various stakeholders in the halal startup ecosystem. For entrepreneurs and business leaders, the findings highlight the importance of developing explicit ethical frameworks that translate Islamic principles into specific business practices, investing in ethical expertise within the organization, and engaging with knowledgeable Sharia advisors who understand contemporary business contexts. For policymakers and regulators, there is a need to develop more comprehensive regulatory frameworks that address the unique characteristics of digital business models from an Islamic perspective, enhance support mechanisms for halal startups, and foster greater coordination between conventional business regulations and Islamic ethical standards. For educational institutions, the research suggests the importance of developing interdisciplinary programs that bridge the knowledge gap between technology, business, and Islamic ethics, preparing professionals capable of navigating the complex ethical terrain of the digital halal economy. Future research should explore the long-term economic and social impacts of Sharia-compliant business models, develop more comprehensive frameworks for applying Islamic ethics to emerging technologies, and examine how Islamic business ethics might contribute to addressing broader challenges in the global digital economy. By strengthening the implementation of Sharia business ethics, Indonesia's halal startup ecosystem can potentially develop more sustainable, equitable, and socially beneficial business models that serve as examples for the broader entrepreneurial community.

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