

## **REINVIGORATING THE RELIGION OF ENTREPRENEURSHIP: EXAMINING THE INFLUENCE OF ISLAM ON BUSINESS DECISION-MAKING EXPERIENCE OF MICRO ENTREPRENEURS**

Hassan, I.S. & Salleh, A.  
University Putra , Serdang, Malaysia  
*Corresponding Author: ida\_saliny33@yahoo.com.my*

---

### **Abstract**

The inconsistency of empirical findings on the performance of microfinance continues to puzzle development experts and scholars. The burgeoning empirical studies in microfinance which tend to be outcome-centric have contributed little to the understanding of why some micro entrepreneurs succeed while others fail.

The underlying dynamics of doing business as a micro entrepreneur can be complex, exposing the entrepreneur to a myriad of critical decision-making events. The ramifications of bad business decisions could severely affect the micro entrepreneurs' livelihood and further entrap them in poverty, and is a reality that should not be ignored. While microfinance may be seen as one facilitating factor providing the financial needs of the business, it is the ability to face the daily business challenges to have an earnings stream to repay the loan that finally matters.

Thus, this interpretive phenomenology study attempts to examine and interpret the lived experiences of the micro entrepreneurs focusing on their business decision-making experience. The informants for this study were selected from Amanah Ikhtiar Malaysia (AIM), the pioneer microfinance institution in Malaysia. A total of seven informants were chosen for this study as the data saturation is reached at the seventh informant. The analysis of data revealed that Islamic faith played a pivotal role in influencing the business decision-making experience of the micro entrepreneurs. Last but not least, the findings of this study hope to offer a novel contribution to the fields of microfinance and entrepreneurship by addressing the lived experiences of entrepreneurs living in poverty settings

**Keywords:** Entrepreneurship, microfinance, micro entrepreneurs, decision-making, lived Experience.

---

## Introduction

Despite receiving international accolades, the effectiveness of microfinance as an instrument in poverty alleviation continues to be openly debated among the scholars and development experts. Yet, ironically, many countries today have implored to the Grameen-model of microfinance as means to alleviate poverty among their people. Today, some of the most established microfinance institutions (MFIs) in the world include Compartamos in Mexico (previously known as ACCION), Malawi Mudzi Fund in Malawi, Amanah Ikhtiar Malaysia (*Amanah Ikhtiar Malaysia/AIM*), Bank Rakyat Indonesia (BRI) and the Foundation for International Community Assistance (FINCA) in Costa Rica (Md Saad & Duasa, 2010).

Retrospectively, the AIM was established on the Malaysia shores in 1987 and is entrusted by the Government to promote self-employment among the poor and the extreme poor through entrepreneurship. Past empirical studies conducted on AIM revealed that the poor had indeed improved their level of income and livelihood (Al-Mamun, Malarvizhi, Hossain, & Tan, 2012; Hamdan, Othman, & Wan Hussin, 2012a; Chan & Abdul Ghani, 2011; Md Saad, 2009). Nevertheless, the findings from the sixth impact study of AIM indicated that only 20 percent of the micro entrepreneurs in AIM have achieved high-performance in their business (AIM, 2012). Presently, little is known on how and why some micro entrepreneurs have experienced high-performance in business in comparison to others, more so, in the context of business decision-making. How did the high-performance micro entrepreneurs make their business decisions? Did faith have any influence on their business decision-making experience? If so, how faith is conceptualized in their business decision-making experience?

At present, the burgeoning of outcome-centric studies in microfinance has resulted in little knowledge on the entrepreneurial process of micro entrepreneurs particularly in the context of business decision-making. The effectiveness of microfinance as an instrument in poverty alleviation needs a broader interpretation therefore more process-centric and human-centric (Salleh & Ahmad, 2008) studies need to be conducted. Thus, this study aspires to fill the gap by examining the business decision-making experience of the high-performance of micro entrepreneurs using Malaysia as the context of the study.

## Review of Relevant Literatures

### Decision-Making of the Entrepreneurs

Decision making is of paramount importance to every individual, leaders, organizations and policy makers. In business, decision-making process is viewed as highly crucial as the consequences of the decisions could further cause the business to thrive or damage the business entirely. In the context of micro enterprise, the consequences of bad decision-making could severely damage their livelihood and entrapped them in a debt spiral. Johnson and Rogaly (1997) cited in Midgley (2008) argued that failures in small businesses imposed damaging ramifications to the livelihood of the borrowers of microfinance. One of vulnerability aspects of the micro entrepreneurs is the nature of their micro enterprises which were often risky, characterized by short life-cycles and uncertain markets (Omri & Frikha, 2012). Dolan, Johnstone-Louis, & Scott (2012) in their empirical study revealed the “displacement effect” among the women micro entrepreneurs as most of them were engaged in an easily obsolete or low value-added activities. Evidently, the Andhra Pradesh microfinance crisis in India proved that business failures must be avoided at all costs by micro entrepreneurs to sustain their well-being and repay their weekly loan instalments (Bateman & Chang, 2012). Thus, business

decision-making in the context of micro entrepreneurs is viewed as critical to ensure their business longevity and livelihood.

### **The Influence of Faith on Human Behaviour**

The Enlightenment period in the 17<sup>th</sup> century marked the beginning of the removal of religion or God from the life of mankind. This period also witnessed the birth of positivism which further reduced the role of religion in human's life. Under the reign positivism, human beings are viewed as devoid of any qualities such as feelings, thoughts, spirituality, and so forth. Salleh and Ahmad (2010) espoused that "...positivism was intended as a human-based religion where the role of spirituality and consciousness was removed" (page 3). Likewise, Gerhard Lenski (1963) as cited in Iannaconne (1998), suggested that "...the positivist view that religion in the modern world is merely a survival from a man's primitive past and doomed to disappear in area of science and general enlightenment" (page 1468). The positivism movement soon paved the way for a new ideology, secularism which is regarded as ideal to the life of modern mankind. By the 20<sup>th</sup> century, religion is confined to homes and worship places (Chapra, 1992), the business world is somewhat "liberated" from the influence of religion. Yet, human beings are both spiritual and physical hence these secondary qualities are important to understand their behavior (Salleh and Ahmad, 2008). Likewise, Armstrong (1993) in her book, *A History of God* suggested that "...all human beings are naturally spiritual animals or *homo religious*" (page xix). Despite the entrenchment of secularism in the present times, scholars have begun to renew their interest on the role of religion or faith on human behaviour. Iannaconne (1998) suggested that the influence of faith on human behaviour has seemingly caught the interest of even non-theology scholars such as those in the realm of sociology, anthropology and economics. Barro (2004) revealed that religious convictions such as "heaven and hell", "reward and punishment" encouraged positive behaviours such being thrift, work ethics and honesty, which in turn, influenced the economic growth. Similarly, Haar and Ellis (2006) stressed on the importance of religious belief in providing guidance and motivation for people to make improvements in their lives. Miller and Ewest (2010) demonstrated how the religious values have impacted workplace hence concluded that people no longer desire to live in a bifurcated life where their religion identity is divorced from their workplace.

In the realm of entrepreneurship, Carswell and Rolland (2007) in their empirical study in New Zealand discovered that the existence of religion may help to propel the start-up of a business. Similarly, Judge and Douglas (2013) revealed that religion influenced the entrepreneurs' creativity, motivation and vision. Despite that a large and growing body of literature has explored the intricate connection between religion and entrepreneurship, many of these studies were grounded on Western-based or Christian-based faith (Judge and Douglas, 2013; Tracey; 2012; Carswell and Rolland, 2007) while Islamic-based studies remains sparse in the literatures (Judge & Douglas; Kayed & Hassan; 2010). Judge and Douglas (2006) in their study concluded that future entrepreneurship studies ought to consider that "...entrepreneurs need to be studied in other countries where Christianity does not predominate, to learn if these insights are unique to one religious context, or if they are relatively universal" (page 60).

### **The Influence of Faith on Decision-Making**

The influence of faith in business decision-making process has slowly gained the interest of scholars in the entrepreneurship field. Vallier (2013) revealed that the Buddhist Conceptions of the Right Livelihood strongly influenced the Nepalese entrepreneurs in exploiting new opportunities and to be engaged in business activities. Meanwhile, Larbani and Mohamed (2011) proposed a decision-making model based on Maqasid As-Shariah for firms to allocate

their resources according to the priorities as outlined in the Maqasid As-Shariah. However, the entrepreneurship field lacked the broader perspective in understanding how the decision-making process is constructed amongst of the entrepreneurs. Evidently, Vallier (2013) argued that the majority studies in entrepreneurship are narrowed towards opportunity recognition, evaluation and exploitation hence less focus are directed towards the business decision-making.

### Research Methodology

This research will be using the interpretive approach as it is applicable to the phenomena of interest. As this study is premised on the lived experiences of micro entrepreneurs, it infused the hermeneutic (interpretive) phenomenology philosophy by Heidegger (1976) in the study. Merriam (2009) and Lichthman (2013) argued that phenomenology has its roots in philosophy hence it could be applied as a philosophy and/or a type of qualitative research method.

This study used purposive sampling method where informants were selected from Amanah Ikhtiar Malaysia (AIM), the pioneer microfinance institution in Malaysia. The selection of the informants was based a set of criteria with the income level as one of the criterion. Initially, eleven informants were selected for in-depth interviews, however, three informants were deemed unfit as they did not meet the set of criteria thus only seven informants are chosen for this study. The decision to used only seven informants is based on the data saturation or redundancy point that is reached at the seventh informant. Table 1 below illustrates the demographic profile of the informants selected for this study.

Table 1: General Description of the Informants

Name	Age	Religion	State	Status	Main Business
Safiyah	48	Islam	Kedah	Married	Canopy & Catering
Siti Khadijah	45	Islam	Kedah	Married	Rubber Trading
Halimah	49	Islam	Selangor	Married	Traditional Snacks
Fatimah	48	Islam	Terengganu	Married	Hardware store
Rohani	53	Islam	Terengganu	Married	Bus Rental Service
Suraya	52	Islam	Kedah	Married	Traditional Snacks
Zuraidah	54	Islam	Kedah	Married	Rubber Trading

Note: All names are pseudonyms and some ages of the informants have been estimated.

All data collected from the informants were then transcribed and coded to distill the emergent categories and themes of the study. The coding process for this study involved two cycles of coding namely the first cycle-coding and second-cycle coding (Saldana, 2009). In each cycle, the study used a combination of coding techniques from a variety of techniques proposed by Saldana (2009). Saldana (2009) further argued that there is no single or universal method regarded as the best method in qualitative studies. All codes were then coded using Atlas.ti, computer software for qualitative researches, to distill the categories and themes of the study.

### Figure 1: The Cycles of the Coding Process

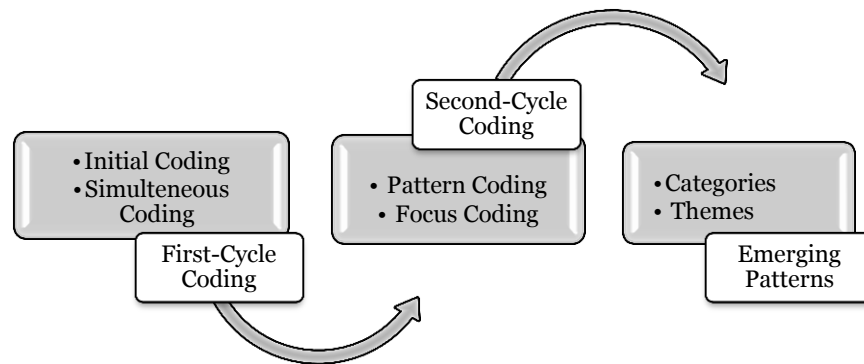


Figure 1: The Cycles of the Coding Process

Source: Adapted from Saldana (2009)

### Data Analysis

Generally, all of the informants suggested that Islam has a strong influence in their business decision-making hence encapsulated in their business decision-making experience. The conceptualization on the role of the Islamic faith in the informants' business decision-making experience is revealed in the following aspects of their business journey.

#### Embracing Business Challenges

The majority of the informants embrace their business challenges by turning to Islamic faith for solace and guidance when faced challenges in their business. For many of the informants, the Islamic faith is perceived beyond performing religious rituals or obligations but depicted in form of a personalized relationship between a humble servant and the Supreme Being, Allah SWT. Informant Safiyah explains that she always seeks comfort and guidance in her religion when dealing with challenges in her business. Similarly, another informant, Fatimah recalls how her husband had taught her to have confidence that Allah SWT will help her through the difficult phase in her business journey.

*Safiyah: Sometimes I feel so stressful because of my work. I would resort to a moment of self-reflection. Why did Allah gave me this... where could I have gone wrong? I would pray to Allah SWT to give me some guidance to solve the problem.*

*Fatimah: My husband taught me that "...if we have problems, don't complain...don't even ask why! Allah will help us". That is why when people ask me, I informed them that Allah SWT has always made easy for me .*

#### Managing Risk and Uncertainty

The informants stated that they have accepted the business risk and uncertainty as part and parcel of the business journey. Interestingly, the informants showed little fear in dealing with the risk and uncertainty of their business. For the majority of them, business risk and uncertainty are beyond their human effort to control thus perceived as best leave in the wills of Allah SWT. Thus, optimal decision-making here is viewed as and when one has done the best to one's ability and leaving it to the wills of Allah SWT.

*Halimah: If we always remember Allah, then insya-Allah (God willing) no matter how stuck we are in our problems, we will get through it..there will always be a solution”.*

*Safiyah : We have to placed our tawakkal (leave to the wills of Allah), we must work and pray that our business would be blessed. No matter how strong we are, if Allah decides not to give us, we will not get it. I hold on to that.*

This finding is somewhat similar to the Bounded Rationality theory by Simon (1957) which argued that humans make decisions based on their set of limitations. The Bounded Rationality theory (Simon, 1957) suggested that the decision-making of a human being is to “... satisfice rather than maximize in decision-making (Sadler-smith, Hodgkinson, & Sinclair, 2008).

### **Devising Business Strategies**

The informants also suggested that there exists a strong influence of Islamic faith in devising business strategies for their business. As such, their interpretation of a sound business strategy is predicated on being caring or benevolent towards others in order to get higher return for their businesses. Interestingly, the principle of “giving more to get even more” is imbibed as part of their experiential meanings.

*Fatimah: One of my drivers came and told me that “...my wife informed that my child has been warded at the local hospital”. I knew that he has little money left in his pocket so I gave him some money. But, Allah SWT has almost instantly doubled what I have given to him. In just a short while...then came (sales) RM 100, RM 200.*

*Zuraidah: It is like this...when we give to others, we will get even more. Madam, when you are done with this research and would like to start your own business, you must remember ( to do) all this.*

### **Conclusion**

The empirical findings of this study supporte that there is a strong influence of faith in the business journey of the micro entrepreneurs. In the context of business decision-making experience, the influence of faith is often depicted as a personalized relationship between the entrepreneur and their Supreme Creator, Allah SWT. The findings of this study have both, practical and theoretical significance. Theoretically, it is among the first efforts to focus and integrate three conceptual areas namely microfinance, entrepreneurship and religion. It is also among few attempts to add hermeneutic understanding in the realm of microfinance where presently there exists a burgeoning of statistical impact studies. Practically, the findings of this study serve as reminder to policy-makers, development experts as well as the entrepreneurs themselves on the importance of faith in the entrepreneurial process. Moreover, while there are many Western-based models on entrepreneurship, the values and standards derived from the West are often incompatible with the values manifested in the Eastern religions (Mueller & Thomas, 2001) hence the findings here may appeal to those seeking non-Western interpretation on the influence of religion in entrepreneurship. As a conclusion, human beings need both spiritual and physical elements to live their life in this profane world. The inclusion of faith is a step-forward in recognizing the human needs to balance their life.

## References

- [1] Al-Mamun, A., Malarvizhi, C. A., Hossain, S., & Tan, S. (2012). Examining the Effect of Microcredit on Poverty in Malaysia. *ASEAN Economic Bulletin*, 29(1), 15–28
- [2] Armstrong, K. (1993). *A History of God: The 4,000 Year Quests of Judaism, Christianity and Islam*. United States of America: The Random House Publishing Group.
- [3] Bateman, M. & Chang, H. (2012). Microfinance and the Illusion of Development : From Hubris to Nemesis in Thirty Years. *World Economic Review*, 1, 13–36
- [4] Barro, R. J. (2004). Spirit of capitalism: Religion and economic development. *Harvard International Review*, 25(4), 65–67.
- [5] Chan, S. H. & Abdul Ghani, M. (2011). The impact of microloans in vulnerable remote areas: evidence from Malaysia. *Asia Pacific Business Review*, 17(1), 45–66.
- [6] Chapra, M.U. (1992). *Towards a Just Monetary System*. London: The Islamic Foundation Publications.
- [7] Carswell, P., & Rolland, D. (2007). Religion and entrepreneurship in New Zealand. *Journal of Enterprising Communities: People and Places in the Global Economy*, 1(2), 162–174.
- [8] Dolan, C., Johnstone-Louis, M., & Scott, L. (2012). Shampoo, saris and SIM cards: seeking entrepreneurial futures at the bottom of the pyramid. *Gender and Development*, 20(1), 33–47.
- [9] Haar, G. Ter, & Ellis, S. (2006). The Role of Religion in Development: Towards a New Relationship between the European Union and Africa. *The European Journal of Development Research*, 18(3), 351–367.
- [10] Hamdan, H., Othman, P., & Wan Hussin, W. S. (2012a). Is Microfinance Program in Malaysia Really Effective in Helping the Poor? *World Review Of Business Research*, 2(1), 79–97.
- [11] Heidegger (1976). *Being and Time: A Translation of Sein and Zeit*. State University of New York: New York
- [12] Ianaconne, L. R. (1998). *Journal of Economic Literature*, 34, 1465–1596.
- [13] Judge, W. Q., & Douglas, T. J. (2013). Entrepreneurship as a leap of faith. *Journal of Management, Spirituality & Religion*, 10(1), 37–65.
- [14] Larbani, M., & Mohammed, M. O. (2011). Decision Making Tools for Resource Allocation Based on Maqasid Al-Shariah. *Islamic Economic Studies*, 19(2), 51–68.
- [15] Liethman, M. (2013). *Qualitative Research in Education: A User's Guide*. California: SAGE Publications Inc.
- [16] Md Saad, N. (2009). Achieving Human Development Objectives Through Microfinance Institution : The Case of Amanah Ikhtiar Malaysia. *Journal of Islamic Economics, Banking and Finance*, 6(2), 65–77
- [17] Md Saad, N., & Duasa, J. (2010). Determinants of Economic Performance of Micro-Credit Clients and Prospect of Islamic Microfinance in Malaysia. *ISRA International Journal Of Islamic Finance*, 2(1), 113–130.
- [18] Merriam, S.B. (2009). *Qualitative Research: A Guide to Design and Implementation*. San Francisco: Jossey-Bass
- [19] Midgley, J. (2008). Microenterprise, global poverty and social development. *International Social Work*, 51(4), 467–479.
- [20] Miller, D. W., & Ewest, T. (2010). Rethinking the Impact of Religion on Business Values: Understanding Its Emergence and Measuring Its Manifestations. *Journal of International Business Ethics*, 3(2), 49–57.
- [21] Mueller, S. L., & Thomas, A. S. (2001). Culture and Entrepreneurial Potential: a Nine Country Study of Locus of Control and Innovativeness. *Journal of Business Ethics*, 16(1), 51–75.

- [22] Omri, A., & Frikha, M. (2012). Failure Factors in Tunisian Micro- enterprises: Introspection through Cognitive Mapping. *Journal of Small Business & Entrepreneurship*, 24(4), 493–512.
- [23] Sadler-smith, E., Hodgkinson, G. P., & Sinclair, M. (2008). Chapter 2: *A matter of feeling? The role of intuition in entrepreneurial decision-making and behavior*.
- [24] Salleh, A. & Ahmad, A. (2008). *Human Governance: A Paradigm Shift in Governing Corporations*. MPH Group Publishing: Malaysia
- [25] Salleh, A. & Ahmad, A. (2010). *Human Governance: Bringing the Meaning of Integrity in the Life of Professional Accountants*. Articles of Merit. University Putra Malaysia.
- [26] The Sixth Impact Study (2012). *Sustainable Development of Poor Households Through Microfinance*. Amanah Ikhtiar Malaysia & Universiti Utara Malaysia. Kuala Lumpur Malaysia
- [27] Tracey, P. (2012). Religion and Organization: A Critical Review of Current Trends and Future Directions. *The Academy of Management Annals*, 6(1), 87–134.
- [28] Valliere, D. (2008). Exploring Buddhist influence on the entrepreneurial decision. *International Journal of Entrepreneurial Behaviour & Research*, 14(3), 172–191.