

**“Developing University Students Entrepreneurship Skills Based on BMT
(Islamic Microfinance): Case Study IAIN North Sumatera”**

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Paper presented in Indonesia Focus 2013 Pittsburgh-USA, 1-2 Nov 2013

Abstract

Microfinance has been implemented in the developing country including Indonesia to provide access to the poor and the needy in obtaining the fund to finance their business. In Indonesia, there is microfinance that operate based on Islamic teaching which is called Baitul Mal wa Tamwil (BMT). BMT discourage the practice of charging interest and operates based on Islamic permissible financial instruments. BMT emphasizes ethical, moral, social and religious factors to promote equality and fairness for the good of society as a whole. Therefore, BMT not only considers material profit, but also social, and religious benefit.

This paper argues that the BMT-University entrepreneurial internship program which is involving students actively in the process of developing and management of BMT had significantly built and developed their entrepreneurship competency and well developed Islamic moral teaching. This paper agrees with Peter F. Drucker, Schultz, and other researchers who stated that entrepreneurship competency can be acquired by a process of learning and training. As the uniqueness of this paper, it argues that there are some specific Islamic entrepreneurship mentalities and soft skills developed in the BMT internship program.

Keywords: human capital, process of learning, Islamic microfinance projects, entrepreneurship skills development.

Introduction

Generally, establishment microfinance institution will improve the access of the poor and middle income people to the financial services. There are plenty researches and papers that have been conducted and discussed with regard to the positive relationship between micro, small and medium enterprises and economic growth, its role in poverty alleviation as well as in reducing unemployment rate.¹ This shows that microfinance institution has not only economic mission, but also social mission. These missions are in accordance with Islamic teaching.

IAIN North Sumatera has been involved in developing BMT (shariah based cooperative microfinance) as student projects and students internship object since 1998. At this project, students play vital role in operating the BMT. BMT is unique microfinance that operates based on Islamic teaching. The student's involvement at this project is believed will improve students' entrepreneurship competency in general. Entrepreneurship competency offer significant opportunities for individuals to achieve financial independent and benefit the economy by contributing to job creation, innovation, and economic growth. It seems to be widespread recognition that entrepreneurship is one of the engine driving the economy and society of most nations.²

¹ D.F. Kuratko, "Entrepreneurship Education: Emerging Trends and Challenges for the 21st Century." *Coleman Foundation White Paper Series for the USASBE*. (2003).

² W. A. Brock, and D.S. Evans, "Small Business Economics." *Small business economics*, (1989) 1, 7-20. Z. J. Acs, "Small Business Economics: A Global Perspective." *Challenge*, (1992): 35,

According to the researcher, it is very important to study the students' active involvement in BMT operation with regard to the positive relationship between the learning process with entrepreneurship mental and skill development. This paper will study the impact of BMT active learning projects towards the improvement of student's entrepreneurship skills in general as well as in developing Islamic moral because BMT is operated based on Islamic teaching.

Methods

This research applied qualitative method as its main research method. The data of this research is collected by interviewing some selected alumni who had intensively joined the program in a Focus Group Discussion (FGD) class. This method is applied to get rich and valuable information directly from the informants who get involved with the internship activities in BMT programs. The final result of the data will be analyzed using qualitative approach by comparing it to the entrepreneurship and human capital empowerment theories as well as with Islamic economic teachings.

Results

As the results of focus group discussions with a number of alumni who have been involved with BMT internship program,³ researchers found a number of characters and entrepreneurial expertise that comes as a result of their involvement in these activities. Generally, the characters and entrepreneurial skills that they mentioned can be grouped into two categories. First, general entrepreneurial character and skills, and second Islamic teachings based entrepreneurial character and skills.

a. General entrepreneurial character and skills

The alumni mentioned that after the internship program at BMT, they stated that they have ability to make competent plan and to take prompt and sound decisions. This ability arises because during the internship program at BMT they actively involved in the BMT's management process. BMT management consist of planning, organizing, actuating, and project controlling. These four management processes are important foundation in any management of any project. These are certainly very important skills for any entrepreneur who wants to develop any kind of business.

The alumni also mentioned that that after the internship program at BMT, they stated that have ability to sense the sources of assistance and to mobilize the resources for attaining success in pursuits. This expertise arises because BMT's core business is to mobilize funds from the public and distribute it back to the community through various projects that generate profits. The alumni are actively involved in the process of mobilizing fund and channel the fund to BMT's members who need cash to fund their project. This experience also empowers their managerial ability to generate profit from BMT members' projects.

The alumni mentioned that after the internship program at BMT, they stated that they also have capability for initiating new ventures and to take calculated risk. Each BMT's member who will be funded must submit a business plan and explain clearly the use of the funds. Based on their experience in reviewing business plans

38-44. M. A. Carree, and A.R. Thurik, "The impact of entrepreneurship on economic growth in Audretsch." D.B. and Acs, Z.J. (eds.) *Handbook of Entrepreneurship* (Boston: Kluwer Academic Publishers, 2000).

³ The FGD was held on May 11th, 2013 in Faculty of Shariah and Islamic Economic classroom. The FGD participant numbers were 16 alumni who had joined the BMT internship program during their study.

and examining the use of funds, the alumni had learned a lot about various business and capability to take calculated risks and return of the business. They learned directly from the business owner about how to start a business and how to manage the business, and calculate the business risks and return. Their knowledge on diverse business model allows them to start a new business nowadays.

Their knowledge that enriched by direct experience in real business also boosts their ability to transform or translate innovating ideas into realities. During BMT internship program, they experience directly on how BMT's members realize their ideas into profitable business. This experience also enriched their innovativeness, imagination, initiative and knowledge how to drive a business. They stated that according to their observation on the BMT's member who opened new business or ran already active business, they learned that realizing profitable business took much creativity, hardworking ability, sincerity and preparedness to sacrifice. These are very important characters that must be owned by any entrepreneurs who are willing to success in any business.

b. Islamic teachings based entrepreneurial characters and (soft) skills

BMT is a cooperative micro finance institution which focuses to serve micro enterprises in its operation. BMT operates in accordance with Islamic jurisprudence (shariah Islam). This unique characteristic makes BMT become religious added value cooperative microfinance institutions. According to the alumni, there are a number of Islamic teachings based entrepreneurial characters and skills that they got in their experience.

First Islamic entrepreneurial characters and (soft) skills that the alumni had learned from the BMT internship project that in all decisions and business activities that they took must be guided by Islamic values. The alumni stressed that during the BMT internship project they were taught to manage the BMT in the boundary of Islamic teachings. This character comes from the basic principle that in Islam God is the creator and ultimate owner of all resources – human and material. This is well known as *tawhid* principle (God's unity and supreme sovereignty).⁴ Every property must be considered as a trust from God, because everything in the heavens and earth really belongs to God, and man being the vicegerent of God, enjoys the right of ownership only as a trust. Everybody must refer to the rules of God governing to the possession and disposal of property.⁵

Second Islamic entrepreneurial characters and (soft) skills that the alumni had learned from the BMT internship project were about dual accountability. During the BMT internship project they were taught that everyone is accountable for his or her actions. They were taught that in doing business or manage the BMT operations they cannot behave irresponsibly with anything entrusted to them because they will held to account for what they had done in a wider meaning. This character comes from the basic principle that in Islam everybody is responsible for his or her actions not only in this worldly life but also later in the Judgment Day. Everybody will be responsible to Allah the Almighty and to various interest groups of the enterprise.⁶

⁴ See Q.s. al-Hadid/57: 4.

⁵ See M. Umer Chapra, "Objectives of the Islamic Economic Oder." In *An Introduction to Islamic Economics and Finance*, Sheikh Ghazali Sheik Abod, et.al. eds. (Kuala Lumpur: CERT Publications Sdn, 2005), 20.

⁶ Trevor Gambling and Rifaat Ahmed Abdel Karim, *Business and Accounting Ethics in Islam* (London dan New York: Mansell Publishing Limited, 1991), 32-33.

Third Islamic entrepreneurial characters and (soft) skills that the alumni had learned from the BMT internship project were about totally committed to meet the obligations towards various interest groups of enterprise. The core business of BMT is mobilizing fund from surplus spending units and channeling fund to deficit spending units. In mobilizing fund from surplus spending units, BMT applied several Islamic contracts mainly profit sharing mechanism. According to the alumni, they were taught to always attempt to provide quality goods or services to the customers at reasonable price and suitable contract terms, and fulfil their promise as a religious obligation. These soft skills are very important to keep business in the right track into greater success. Business is not only generating profit for the short term, but also to maintain and develop the business in the long term. Keeping the trust is one of the main key for long lasting business.

Fourth Islamic entrepreneurial characters and (soft) skills that the alumni had learned from the BMT internship project were about practicing lawful business. In Islam, basically everything is lawful unless what have been prohibited in Islamic sources of law. What are prohibited in Islamic law among others are *riba* i.e. the prohibition of interest; *gharar* i.e. uncertainty or opacity. There must be a full and fair disclosure in the contract; *maysir* i.e. the prohibition of speculation or gambling; unethical investment in which Islam prohibits investing or dealing in certain products such as alcohol, pork, and in activities such as gambling, porn entertainment, and any destructive business activities.⁷

Fifth, the alumni also told that they were taught to avoid fraud or deceit in any transaction. This means that they were taught to uphold Islamic ethics in all BMT's business activities. Mutual consent is very necessary in Islamic contract law.⁸ Therefore, Islam prohibits any action that could harm the consent of the parties. Islam prohibits any violence in any transaction such as misappropriation, cheating, fraud, misrepresentation.⁹ Islamic contract calls for the performance of any transaction based on discipline, trust, and sincerity.¹⁰ This entrepreneurial character is important to make business not only as usual business, but also part of worship to God. This entrepreneurial character will be able to protect the interest of all parties involved in the business from inner strength of both parties.

Sixth Islamic entrepreneurial characters and (soft) skills that the alumni had learned from the BMT internship project were about collective decision-making at the appropriate level (*mushawarah*). BMT is a cooperative Islamic microfinance institution which is built on the basis of joint enterprise. All BMT activities should be agreed by all BMT's members before executed by BMT manager. The decisions were made in a collective decision making. This entrepreneurial character is important to introduce business model that promote group welfare rather than self interest.

Discussions

1. State of the Art of Islamic based Entrepreneurship

The FGD result showed that entrepreneurship skills that had been produced by students involvement in Islamic cooperative microfinance (BMT) is beyond business

⁷ Amjid Ali, "Shariah Law: Bringing a New Ethical Dimension to Banking," in *Islamic Finance: Instruments and Markets* (London: Bloomsbury Information Ltd, 2010), 3.

⁸ See Q.s. an-Nisa'4: 29.

⁹ See Q.s. 7:85.

¹⁰ Mohd. Ma'sum Billah, *Shariah Standard of Business Contract* (Kuala Lumpur: AS. Noordeen, 2006), 41-45.

skill in term of hard skill or managerial skills, but also in a wider term soft skills. In the literature, there is no single definition about entrepreneurship. There are varying opinions about what constitutes entrepreneurship, especially the distinction between entrepreneurship and small business. Entrepreneurs can be defined in economics perspective where entrepreneurs personify market forces; one might expect them to be the central figures in economics.¹¹ Entrepreneurs can also be defined in management perspective. In the academic management literature, entrepreneurship is often associated with boldness, daring, imagination, or creativity.¹² Another strand of literature, incorporating insights from economics, psychology, and sociology and leaning heavily on Max Weber, associates entrepreneurship with leadership.¹³

Kuratko and Hodggets wrote that Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to Marshall needed resources; and fundamental skill of building solid business plan; and finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion.¹⁴

Kauffman Centre wrote that entrepreneurship is the ability to amass the necessary resources to capitalize on new business opportunities. The term is frequently used to refer to the rapid growth of new and innovative businesses and is associated with individuals who create or seize business opportunities and pursue them without regard for resources under their control. They build something from practically nothing and usually reinvest earnings to expand their enterprise or to create new enterprises. Other words that characterize entrepreneurship include innovative, creative, dynamic, risk-tolerant, flexible and growth-oriented.¹⁵

Stevenson defined entrepreneurship as the pursuit of opportunities beyond the resources that someone currently controlled. Entrepreneurship is about growth, creativity and innovation. Innovative entrepreneurs come in all shapes and forms. They start companies; they spin out companies from universities or corporations; they restructure companies in need of refocusing; they innovate within larger organisations. Usually they share a primary objective - growth.¹⁶

¹¹ P. Milgrom, and J. Roberts. *Economics, Organization, and Management* (Englewood Cliffs, N.J.: Prentice-Hall, 1992).

¹² T. Begley, and D. Boyd. "Psychological Characteristics Associated with Performance in Entrepreneurial Firms and Smaller Businesses." *J. Bus. Venturing* 2 (1987): 79-93. G.N. Chandler and E. Jansen. "The Founder's Self-Assessed Competence and Venture Performance." *J. Bus. Venturing* 7 (1992): 223-36. G.T. Lumpkin, and G.G. Dess. "Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance." *Academy of Management Rev.* 21 (1996): 135-72.

¹³ U. Witt. "Imagination and Leadership: the Neglected Dimension of an Evolutionary Theory of the Firm." *J. Econ. Behav. and Org.* 35 (1988): 161-77.

¹⁴ D.F. Kuratko, and R.M. Hodggets, *Entrepreneurship: Theory, Process, Practice* (Mason, OH: South-Western Publishers, 2004), 30.

¹⁵ Jay Kayne. "State Entrepreneurship Policies and Programs." *Report*, Kauffman Center for Entrepreneurial Leadership, November (1999): 3.

¹⁶ H. Stevenson, "A Perspective On Entrepreneurship", *Harvard Business School Working Paper* 9 (1983): 384-131. H. Stevenson, "The Heart of Entrepreneurship", *Harvard Business Review*, March-April, (1985) 85-94. H. Stevenson, and J. Jarillo "A New Entrepreneurial Paradigm", in A. Etzioni and P. R. Lawrence (eds.), *Socioeconomics: Toward a New Synthesis*, M.E. Sharpe, Inc., New York (1991).

In popular literature, an entrepreneur, typically is inspired to start a business because the entrepreneur perceives a consumer need that is not being adequately filled. An entrepreneur is an innovator of business enterprise who recognizes opportunities to introduce a new product, a new process or an improved organization, and who raised the necessary money, assembles the factors for production and organizes an operation to exploit the opportunity. So we can say entrepreneur is a person who initiates, plans, guides and controls a new venture, arrange its capital and operates the same. The whole job of doing this initiating, planning, guiding and controlling are called organization or entrepreneurship.¹⁷

In the perspective of Islam, entrepreneurship as defined above is consistent with Islamic teaching. Entrepreneurship in Islam is neither forbidden nor illegal as is the case in ex communist countries.¹⁸ As a matter of fact, doing business or entrepreneurship is part of Islamic culture.¹⁹ In the Islamic point of view entrepreneurship warrants the performance of entrepreneurial activities within the framework of Islamic ideals and philosophical foundations. Islam views extrinsic aspects of work positively. It is clear that the Islamic work ethic argues that engagement in economic activities is an obligation. Work is thus the source of independence and the means to achieve a fulfilled life. The *Qur'an* speaks in favor of free trade and legitimate profit so long as it is consistent with Islamic ethics and does not exploit others. The pursuit of wealth in Islam must accompanied by intention, means, management and usage as stipulated by Islam.²⁰ Based on above explanation, it can be understood that entrepreneurship and entrepreneurs have a special place in Islam. The call for Muslim to be in business is complete.

Theoretically, Islamic entrepreneurship focus on eight principles of thoughts i.e. 1) entrepreneurship is an integral part of Islamic religion; 2) the muslim entrepreneurs are khalifah (vicegerent) and have the responsibilities to develop prosperity and sees business as part of ibadah (good deed); 3) Motivation - success in Islam is not merely measured by the end result but also the way and means of achieving them; 4) *Ibadah* - business activity is part of *ibadah* or "good deed"; 5) Position of Entrepreneurship and business in Islam – Islam encouraged its *ummah* to venture into business. Prophet Muhammad expounded that 9 out 10 source of rizque (income) can be found in business; 6. Islamic Economic System - Islamic Entrepreneurship should operate within the domain of Islamic Economic system and act as the vehicle towards global acceptance of Islamic Economic System; 7) Guiding

¹⁷ Peter Hupalo, *Thinking Like An Entrepreneur* (2007). Retrieved from <http://www.thinkinglike.com/AboutUs.html>. Internet Center for Management and Business Administration Inc, *Entrepreneurship: Quick MBA*, Retrieved from <http://www.quickmba.com/entre/>.

¹⁸ R. Aidis, "Entrepreneurship in Transition Countries: A Review." *Economics Working Papers 61*, Centre for the Study of Economic and Social Change in Europe, SSEES, UCL: London, UK. (2005). Retrieved from <http://discovery.ucl.ac.uk/17505/1/17505.pdf>.

¹⁹ J. G. Vargas-Hernandez, M. R. Noruzi, and N. Sariolghalam, "An Exploration of the Affects of Islamic Culture on Entrepreneurial Behaviors in Muslim Countries." *Asian Social Science*, 6, (2010): 120-127.

²⁰ D.A. Yousef, "Organizational Commitment as a Mediator of the Relationship between Islamic Work Ethic and Attitudes toward Organizational Change." *Human Relations*, 53 (2000): 513-37. D.A. Yousef, "Islamic Work Ethic – A Moderator between Organizational Commitment and Job Satisfaction in a Cross- cultural Context." *Personnel Review* 30 (2001): 152-64. T.M. Ludwig, *The Sacred Paths* (Upper Saddle River, NJ: Prentice Hall, 2001).

Principles of Islamic Entrepreneurship is by the al-Quran and al-Hadith; 8) Entrepreneurial Ethics based on exemplary conducts of Prophet Muhammad.²¹

From the above point of view, it can be understood that Islamic entrepreneurship concept rooted from Islamic moral teaching. It distinguishes Islamic entrepreneurs to capitalist based entrepreneurship. The strong influence of Islamic moral values enables the Islamic entrepreneurs to make ethical and sound decisions that aim at achieving long-term welfare of the society, and based their decisions according to Islamic teachings.

2. Positive Impact of Education and Training towards Entrepreneurship Competency Development

Researchers are continually striving to learn more about the entire entrepreneurial process to better understand the driving forces within entrepreneurs.²² Peter Drucker stated that entrepreneurship is not magic, is not mysterious, and it has nothing to do with genes. It is a discipline. Like any discipline, it can be learned.²³ Schultz also conceives entrepreneurial ability as a form of human capital. Like other forms of human capital, this ability can be increased through education, training, experience, health care, and so on.²⁴

Entrepreneurship education as a concept is considered as the structured formal conveyance of entrepreneurial competencies,²⁵ which in turn refer to the concepts, skills and mental awareness used by individuals during the process of starting and developing their growth-oriented ventures. Moreover, entrepreneurial learning refers to the active and cognitive processes individuals employ as they acquire, retain and use entrepreneurial competencies.²⁶

Drucker and Schultz's ideas are shared by many. There is a widespread idea that entrepreneurship education would generate more and better entrepreneurs than there have been in the past,²⁷ and that education would increase the chances of obtaining entrepreneurial success.²⁸

Nevertheless, very few studies have shown proof of these convictions. A recent review of the empirical studies into the impact of schooling on entrepreneurship selection (start-up) and performance (measured at personal level)

²¹ Radinuz, "Seeking Trust In Our Priority." (2007). Retrieved from <http://www.radinuz.com/blog/>.

²² W.D. Bygrave and C.W. Hofer, "Theorizing about Entrepreneurship." *Entrepreneurship Theory and Practice* (Winter: 1991): 12-22. I. Bull and G.E. Willard, "Towards a Theory of Entrepreneurship." *Journal of Business Venturing*, May, 8, (1993): 183-196. W.B. Gartner, "Is There an Elephant in Entrepreneurship? Blind Assumptions in Theory Development." *Entrepreneurship Theory and Practice*, 25, 4 (2001): 27-39.

²³ P. F. Drucker, *The Changing World Of The Executive* (New York: Times Books, 1985).

²⁴ T.W. Schultz, "The Value of the Ability to Deal with Disequilibria." *J. Econ. Lit.* 13, no. 3 (September 1975): 827-46. T.W. Schultz, "Concepts of Entrepreneurship and Agricultural Research." Kaldor Memorial Lecture, Iowa State University, October (1979): 6. T.W. Schultz, "Investment in Entrepreneurial Ability." *Scandinavian J. Econ.* 82, no. 4 (1982): 437-48.

²⁵ J. O. Fiet, The Pedagogical side of Entrepreneurship Theory. *Journal of Business Venturing*, 16, (2001): 101-117.

²⁶ J. E. Young, "Entrepreneurship Education and Learning for University Students and Practising Entrepreneurs." In Sexton, D. L. and Smilor, R. W. (eds.), *Entrepreneurship 2000* (For Atkinson: Upstart Publishing Company, 1997).

²⁷ R. Ronstadt, "The Educated Entrepreneurs: a New Era of Entrepreneurial Education is Beginning." *American Journal of Small Business* 10 (1) (1985): 7-23.

²⁸ D. A. Kirby, "Entrepreneurship Education: can Business Schools meet the Challenge?" *Paper presented at the ICSB World Conference*, San Juan, Puerto Rico, (2002).

has been carried out. It reveals that the impact of schooling on selection is mostly insignificant, whereas the impact on performance is significantly positive, despite differences across countries. Beside this study on general schooling, few studies have shown the positive impact of entrepreneurship education on the development of entrepreneurial skills and values. Storey underlines that so far there has been very little empirical proof of the positive impact of education on entrepreneurship and entrepreneurial success.²⁹

This debates show that it has been difficult to identify a clear effect of training and education on small firm performance, either at start-up or at some other stage in their development. However, this paper tends to side with Drucker and Schultz who stated that entrepreneurial competency could be acquired by a process of learning. The learning process of entrepreneurship is developed and refined in active learning through students' involvement in a specific project. In this paper is an Islamic cooperative microfinance project.

The learning process of entrepreneurship should not only confine just to the classroom discussions. Entrepreneurial competency can only be developed and refined if they are practised.³⁰ This is to enable students to gain hands-on experience by seeing, touching and feeling about the business world.³¹ For this reason, entrepreneurial internship is seen as a good mechanism to provide students with such a learning experience in a real business milieu. This means that having a good entrepreneurial internship programmes will have a great impact on more university students to have more developed entrepreneurship mental and skills.

3. *Islamic based Entrepreneurship as Important Human Capital*

Entrepreneurial ability as a form of human capital is very important to cope with the rapidly changing economic, political and administrative circumstances of human life. Many seminars, conferences and workshops are being organised that emphasised on the importance of entrepreneurship to country, society as well as individual development.³² Entrepreneurship has been regarded as one of the best economic development strategies to develop country's economic growth and sustain the country's competitiveness in facing the increasing trends of globalisation.³³ For most people, the popularity of entrepreneurship is largely due to the positive effects it

²⁹ W. E. McMullan, J.J. Chrisman, and K. H. Vesper, "Some problems in using subjective measures of effectiveness to evaluate entrepreneurial assistance programs." *Entrepreneurship Theory and Practice*, 26 (1), (2001): 37-54.

³⁰ J. C. Dilts, and S. M. Fowler, "Internships: Preparing students for an entrepreneurial career." *Journal of Business and Entrepreneurship*, 11 (1) (1999): 52.

³¹ S. Cooper, C. Bottomley, et al. "Stepping out of the classroom and up the ladder of learning: An experiential learning approach to entrepreneurship education." *Industry & Higher Education* 18(1) (2004): 11-22.

³² M. Schaper, and T. Volery, *Entrepreneurship and small business: A Pacific Rim Perspective* (Milton, Queensland: John Wiley and Sons Australia Ltd, 2004). H. Matlay, and P. Westhead, "Virtual teams and the rise of e-entrepreneurship in Europe." *International Small Business Journal* 12 (3) (2005): 353-365.

³³ M. Schaper, and T. Volery, *Entrepreneurship and small business: A Pacific Rim Perspective*. V. B. Venkatachalam, and A. A. Waqif, "Outlook on integrating entrepreneurship in management education in India." *Decision* 32(2) (2005): 57-71.

has on many countries as a catalyst that creates wealth and the generation of job opportunities.³⁴

Most studies have shown there is a positive relationship between entrepreneurship and economic growth in terms of job creation, firm survival and technological change.³⁵ There are also some studies that show that entrepreneurship has been perceived as bringing benefits at both the macro level of economic development,³⁶ and also at the micro level of personal satisfaction and achievement.³⁷

Entrepreneurs contribute to economic and social well-being by developing and commercializing innovative products and services that improve the quality of life and improve the position in the global economy, generating new industries and firms to replace those that have run their course, creating employment opportunities, creating wealth that is re-invested in new economic enterprises and, through philanthropy, in communities.³⁸

The most commonly cited objectives of entrepreneurship education are to acquire knowledge germane to entrepreneurship; to acquire skills in the use of techniques, in the analysis of business situations and in the synthesis of action plans; to identify and stimulate entrepreneurial drive, talent and skill; to undo the risk-averse bias of many analytical techniques; to develop empathy and support for the unique aspects of entrepreneurship; to revise attitudes towards change; to encourage new start-ups and other entrepreneurial ventures; to stimulate the affective socialization element.³⁹

Islam, as a religion, offers a complete and universal and eternal code of entrepreneurship as important human capital. Islamic entrepreneurship keeps a balance between materialized and spiritual goals of Muslims. This means that while admitting that reasonable personal and materialized aims are legitimate, seeking God's blessings in the hereafter is crucial. Notwithstanding, Islamic entrepreneurship is quite distinctive from western and other religions' entrepreneurship in that behaving and doing business in an Islamic way are specifically subject to the belief in the Unity of God, and that Prophet Mohammad as the last of all Messengers, sent with complete scriptures to reveal the final Holy instructions. In theory, the Islamic way of doing business and entrepreneurship should, accordingly, be free from all unethical or immoral intentions and actions, and hence from sins. Practice of that will then show

³⁴ S. Postigo, and F. Tamborini, "Entrepreneurship education in Argentina: The case of San Andres University." *International Entrepreneurship Education and Training Conference*, IntEnt02, Kuala Lumpur, Malaysia (2002).

³⁵ N. Karanassios and M. Pazarskis, et al., "EU strategies to encourage youth entrepreneurship: Evidence from higher education in Greece." *Industry & Higher Education* February, (2006): 43-50.

³⁶ D. Birch, *The Job Generating Process* (Cambridge: 1979).

³⁷ A. R. Anderson, Kirkwood, S. and Jack, S. L. "Teaching Entrepreneurship: A Mentoring Experience." *Paper presented at Babson Conference*, Belgium (1998).

³⁸ Paul D. Reynolds, Michael Hay, and S. Michael Camp, *Global Entrepreneurship Monitor*, Kauffman Center for Entrepreneurial Leadership at the Ewing Marion Kauffman Foundation (1999). This report can be accessed on the Internet at <http://www.entreworld.org/Bookstore/>.

³⁹ T. N. Garavan, and B. O'Cinneide, "Entrepreneurship Education and Training Programmes: A Review and Evaluation-Part 1." *Journal of European Industrial Training* 18(8) (1994): 3-12. J. Curran, and J. Stanworth, "Education and Training for Enterprise: Some Problems of Classification, Evaluation, Policy and Research." *International Small Business Journal* 7(2) (1989): 11-22. Z. Block, and S.A. Stumpf, "Entrepreneurship Education Research: Experience and Challenge." In Sexton D. L. and Kasarda J. D. (eds.), *The State of the Art of Entrepreneurship* (PWS-Kent Publishing Company, 1992).

or determine if a person or an entrepreneur is sincerely behaving in an Islamic way, and to what extent.⁴⁰

Islamic perspective of entrepreneurship has added a new dimension to the concept of entrepreneurship. Its roots are spread in the knowledge provided by the glorious religion of Islam. Allah has instructed mankind to be industrious and trustworthy to earn their livelihood. Entrepreneurs must also be grad working and persons of integrity to become successful in their operations. And insight into the teachings of Islam reveals the following characteristics of Islamic entrepreneurship: 1) Islamic entrepreneurship is a process in which entrepreneurs are guided by Islamic values in making entrepreneurial decisions and performing various organizational activities in a transparent way; 2) Islamic mode of entrepreneurship lays stress on practicing lawful business or economic activities for personal and societal benefits and thereby contributing to national economic development; 3) The enterprise objectives, policies, strategies and programs formulated by Islamic-oriented entrepreneurs are essentially based of the tenets of Islamic Knowledge accruing from the Holy Qu'ran, Al-Hadith and advice of reputed Islamic scholars and leaders; 4) Islamic entrepreneurship is developed among people through a process of education, specialized training and rigorous on the job practices. An organizational climate conducive to the enforcement of justice, uniformity, efficiency and proper accountability must be created for adherence to such entrepreneurship; 5) Islamic entrepreneurship becomes totally committed to meet the obligations towards various interest groups of an enterprise. It words to develop harmonious relationship with the stakeholders to facilitate the attainment of goals; 6) There exists dual accountability in Islamic entrepreneurship. In fact, such entrepreneurs are conscious about their accountability to the Almighty Allah for overall activities. Similarly, they are also accountable to various interest groups of the enterprise; 7) Islamic entrepreneurs attempt to provide quality goods or services to the customers at reasonable price and suitable selling terms. They always try to comply with the term of business contract in totality for overcoming various concerned risks; 8) Collective decision-making at the appropriate level is another notable feature of this type of entrepreneurship. This exerts positive impact on the employees working at various management levels and the execution of decisions becomes easy.⁴¹

Hernández wrote that there are some muslim specific entrepreneurship ethics which based on Islamic teaching i.e. 1) to prevent laziness – entrepreneurship requires hard work; 2) to eradicate fear – risk taking is necessary; 3) to search for legitimate ventures; 4) to avoid forbidden sources of income and property; 5) to show gratitude

⁴⁰ M. Said Oukil, "Entrepreneurship and Entrepreneurs in an Islamic Context." *Journal of Islamic and Human Advanced Research*, Vol. 3, Issue 3, Month 2013, 111-131. Beekun, R. I. *Islamic Business Ethics*. International Institute of Islamic Thought Malaysia(1996). M. A. Haneef, Can There Be an Economics Based on religion? The Case of Islamic Economics. *Post-autistic Economics Review*, (2005): 34, 41-52. T. Abeng, "Business ethics in Islamic context: Perspectives of a Muslim business leader." *Business Ethics Quarterly*, 7, (1997): 47-54. A. A. Hanafi, and H. Sallam, "Business ethics: An Islamic perspective." In F.R. Faridi. *Islamic Principles of Business Organization and Management*, Abdul Majeed & Co., Kuala Lumpur, Malaysia (1997). G. Rice, "Islamic Ethics and Implications for Business." *Journal of Business Ethics*, 18, (1999): 345-358. R. N. Kayed, and M. K. Hassan, *Islamic Entrepreneurship*, University Press, Routledge Publishing, Edinburgh. UK. (2011). M. Siddiqui, "Some Key Business Ethics Principles in Islam." *The Islamic Workplace* (2009). Retrieved from <http://makkah.wordpress.com/2009/03/03/some-key-business-ethics-principles-in-islam/>.

⁴¹ A. M. S. Imtiaz Bhuiyan, *Entrepreneurship in Islam*, International Islamic University Chittagong. Retrieved from www.greenbangladesh.com.

and thankfulness of whatever has been acquired; 6) to grow and develop capital and profit; 7) to diversify business ventures, and 8) to avoid greediness.⁴²

There are also some ethical behaviours of muslim entrepreneurship i.e. 1) to avoid malicious behaviour; 2) to avoid squandering; 3) to avoid stinginess; 4) to pay alms (*zakat*); 5) trustworthy; 6) to pray consistently; 7) *tawakkal*; 8) patience, and 9) *qana'ah*. Some exemplary for good muslim entrepreneurs in Islam among others 1) business is secondary when being called for other form of crusade; 2) avoid using influence for self interest; 3) afraid of accumulated wealth; 4) leadership qualities in all aspects; and 5) practice moderate way of life.⁴³

At this point I argue that educating and training entrepreneurship through Islamic institutions will not only develop basic qualities for general entrepreneurship in the sense of general entrepreneurship education and training but also will develop the qualities of Islamic entrepreneurship. This becomes the uniqueness of entrepreneurship education and training that had been done in IAIN North Sumatera through internship program in BMT (Islamic cooperative microfinance).

Closing Remark

Based on the result of FGD that I have explained above, I argue that the BMT internship project had succeeded to improve students' entrepreneurial qualities. The entrepreneurial BMT internship project outputs are not only common entrepreneurial qualities in general, but also some unique Islamic entrepreneurial qualities.

I argue that ethical based entrepreneurship is very important for long term business. To become successful, a business needs to be driven by strong ethical values. The mindset of entrepreneur creates a mindset of his/her business which in turn sets the work culture of the business organization. For a business to prosper and maintain its wealth, it ought to be founded on certain ethical principles. Any business that can maintain the trust of all parties involved in the business can run successfully for long years. Islamic business ethics not only encourage all entrepreneurs to gain material benefits, but also social benefits and spiritual religious benefits. These characters are fully taught in BMT internship project that had been held in IAIN North Sumatera.

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⁴² José G. Vargas-Hernández, et.al., "An Exploration of the Affects of Islamic Culture on Entrepreneurial Behaviors in Muslim Countries." *Asian Social Science*, Vol. 6, No. 5; May (2010): 124-125.

⁴³ José G. Vargas-Hernández, et.al., "An Exploration of the Affects of Islamic Culture on Entrepreneurial Behaviors in Muslim Countries." *Asian Social Science*, Vol. 6, No. 5; May (2010): 124-125.

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