

# Religiosity and entrepreneurial behavior: The role of religiosity factors in entrepreneurial behavior among Muslim entrepreneurs

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## Abstract

Currently, businesses with Islamic characteristics are increasingly prevalent in Indonesia. The personal or individual factors of entrepreneurs play an equally important role. A business can only achieve economic value if there is someone who acts to transform their entrepreneurial intentions and motivations. This study aims to explore the influence or role of religiosity factors on entrepreneurial behavior. The research was conducted using a case study method through in-depth interviews and observation. The study involved Muslim entrepreneurs. The findings indicate that religiosity factors influence entrepreneurial behavior, where belief in Allah SWT affects the values upheld in entrepreneurship, and impact the following aspects: 1) Problem Coping, 2) Business Management/Ethics, 3) Human Resource Management, 4) Customer Service, and 5) Concern for Others. Based on the results above, it is hoped that this research will serve as a foundational knowledge regarding the role of religiosity in entrepreneurship. In addition, it can be used as a reference for studies related to entrepreneurship, particularly concerning the factor of religiosity among Muslim entrepreneurs.

## Keywords

Behavior, Entrepreneurship, Religiosity, Entrepreneur, Muslim

## Introduction

Islamic-themed businesses are currently flourishing in Indonesia. Halal-labeled products aimed at attracting Muslim consumers are highly diverse, ranging from food, garments/clothing, cosmetics, detergents, to Sharia-compliant housing. These Islamic products have sparked debates among certain groups, as they are perceived to commodify religion for business purposes. Meanwhile, from an entrepreneurial perspective, this is entirely acceptable as a creative strategy to seize business opportunities in a predominantly Muslim country. Moreover, the influence of religion on products and services is inevitable, given that halal laws for Muslims and kosher laws for Jews dictate what is permissible and impermissible for consumption. Entrepreneurs

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are merely adapting to market demands. A rarely studied topic in Indonesia is whether the influence of religion is limited solely to the creation of products or services (thus validating the commodification of religion).

Entrepreneurship is a phenomenon with broad aspects, defined as the recognition and utilization of business opportunities in the relationship between individuals and opportunities [1]. Intentions are recognized as a critical factor in identifying sustainable entrepreneurial opportunities and ultimately driving entrepreneurial activities. This study highlights the potential to foster greater interest in entrepreneurial intentions across various levels and styles of entrepreneurship, particularly with a focus on sustainability [2]. Based on this, a product is considered Islamic if it is produced by an organization that implements an Islamic management system, supported by the presence of an entrepreneur who acts with Islamic intentions and motivations. In other words, religiosity must be reflected in Islamic entrepreneurial behavior.

Entrepreneurial behavior refers to the actions of entrepreneurs when starting a business, creating new offerings, identifying and generating opportunities, as well as addressing challenges in their ventures under similar or different circumstances [3]. There are several factors that influence entrepreneurial behavior, one of which is religiosity, including ethics in entrepreneurship and decision making in entrepreneurship [4]. Religiosity plays a unique role as a factor that neutralizes the damaging effects of materialism or reduces the materialism that accompanies the financial gains of entrepreneurial success [5]. A person's religiosity is reflected in the social-religious values they uphold. Indirectly, it can influence entrepreneurial behavior through the formation of intentions, motivation, and entrepreneurial cognition [6].

The results of previous studies on entrepreneurial intentions by interviewing Muslim entrepreneurs showed the influence of religion in their decisions to do business. Religious values are evident in entrepreneurial intentions, namely to carry out the Prophet's sunnah, seek blessings, make business a medium of da'wah, and help fellow Muslims. These findings are the beginning to further explore the influence of religiosity on entrepreneurial behavior. However, the findings on Islamic entrepreneurial intentions alone are not enough to explain the role of religion in entrepreneurship specifically on entrepreneurial behavior. Entrepreneurial behavior is the most immediate outcome of the dynamics of psychological or personal factors, including personality traits, emotions, and cognition, within entrepreneurs either as individuals or as part of a team [3]. Several previous studies have discussed religiosity and entrepreneurship.

The research includes a research using a sociological approach, found that, rather than religious belief, it was affiliation in religious institutions that played a role as a cultural driver of entrepreneurial activity [7]. Studies about Indonesian migrants in Taiwan found that there was a positive effect between business activities and the application of religious values (religiosity) in the formation of self-identity, a sense of solidarity, leadership, and the application of collective work of migrant communities. This means

that entrepreneurship and religiosity together have the potential to create collective social welfare [8]. Research on the reciprocal relationship between entrepreneurship and religiosity, particularly on the role of values in the interplay between religion and entrepreneurship, suggests intriguing dynamics. Based on the motivational goals of each value, researchers argue that the value priorities of religious individuals differ significantly from those of entrepreneurs. The study indicates that individuals who adhere to a religion tend to prioritize values related to conservation over those associated with openness to change, whereas the opposite is true for entrepreneurs [9]. Research about Drivers of religious entrepreneurial behavior among Pentecostal pastors: push-pull-mooring theory and theory of planned behavior, A qualitative study has been carried out utilizing the push–pull-mooring theory alongside the theory of planned behavior. The results reveal that push factors (such as dissatisfaction with previous denominations or employers, evangelism, and economic challenges), pull factors (including personal innovativeness, perceived opportunities, and better economic prospects), and mooring factors (encompassing spirituality, attitudes, subjective norms, self-efficacy, and social support) play a role in shaping the religious entrepreneurial behavior of Pentecostal pastors [10]. Based on the research above, there is still little research that discusses Religiosity and Entrepreneurial Behavior in Muslim entrepreneurs. So, this study examines this matter. Through this research, it is hoped that readers will know how religiosity impacts entrepreneurial behavior in Muslim entrepreneurs.

## Method

The subjects of this research are Muslim entrepreneurs in Magelang and Yogyakarta. The selection of subjects was conducted using purposive sampling, while convenience sampling was applied to choose samples based on the availability and ease of access for the researcher. The research method employed in this study is the Case Study method. This approach was chosen because the research examines how religiosity influences entrepreneurial behavior. Data analysis in this study used the “Relying on Theoretical Propositions” technique. The researchers reflected on the data obtained from the field, literature reviews, and insights to draw conclusions.

### *The role of the researcher*

In this study, the researchers act as the primary instrument in the research process. For a researcher, it is essential to build good rapport with the research subjects. This is done to facilitate easier data collection and to encourage subjects to be more open with the researcher. In this study, the researcher is directly involved in the data collection process, including observation, documentation, and data analysis.

### *Participant recruitment*

The participant/sample selection technique in this study utilized a non-probability sampling method with a convenience sampling approach. Convenience sampling is a

non-probability sampling technique in which samples are selected from the population based on their ease of access to the researcher (Table 1).

Table 1. Research Participant

| No | Name | Sex    | Age   |
|----|------|--------|-------|
| 1  | FM   | Male   | 29 yo |
| 2  | CC   | Female | 29 yo |
| 3  | HI   | Male   | 30 yo |
| 4  | KCC  | Male   | 45 yo |
| 5  | KFM  | Female | 25 yo |
| 6  | IHI  | Female | 30 yo |

### Research ethics

In order to maintain the code of research ethics with participant, the researcher carries out several components, including:

1. Informed Consent: Researchers make sure that participants have a clear understanding of the research's purpose, methods, and potential consequences, and must obtain their voluntary agreement prior to participation.
2. Confidentiality and Privacy: Researchers protect the privacy of participants by keeping their personal data confidential and ensuring that it is only used for research purposes.
3. Respect for Participants: Researchers should treat participants with respect, ensuring their autonomy and dignity are upheld throughout the research process.

### Data collection techniques

The data collection technique in this study utilized interviews. The interview method employed was semi-structured interviews. In this technique, the researcher used an interview guide; however, if certain data needed to be explored further, deeper probing could be conducted. This technique was chosen because it provides flexibility for the interviewer to adjust questions or delve deeper based on the respondent's answers. Observation was used as a complementary method of data collection.

### Data analysis

Data analysis in this study used the "Relying on Theoretical Propositions" technique. "Relying on Theoretical Propositions" technique, the primary and most favored approach is to adhere to the theoretical propositions that guided case studies. The initial goals and structure of the case study were likely grounded in these propositions, which in turn were informed by a set of research questions, literature reviews, and new hypotheses or propositions. These propositions would have influenced data collection plan and, as a result, directed the focus toward the appropriate analytical strategies.

### Research validity

To ensure research validity, the researchers employed expert judgment to validate the research questions and findings. Additionally, the researchers conducted method and data triangulation by interviewing individuals close to the research subjects. The

researchers also verified the data by confirming the analyzed findings with the research subjects.

## Results and Discussion

### Results

The results of the research on the factors of religiosity influencing entrepreneurial behavior can be described as follows:

#### 1. Concept of Religiosity

The concept of religiosity can vary from one individual to another. According to the findings of this research, religiosity is associated with faith, understanding of religious laws (sharia), and how an individual connects with the Almighty. This includes a sense of always being in the presence of Allah SWT and feeling constantly under His supervision. The degree of a person's religiosity cannot be measured with certainty, as only God truly knows the depth of one's religiosity. However, religiosity can be observed through acts of worship or religious behavior. In this context, humans can only strive, as religiosity is ultimately a personal relationship between God and His servants.

#### 2. Religiosity and Entrepreneurial Behavior

*First theme: In facing competition.* When competitors engage in unethical practices, the informants in this study respond in various ways. Informant FM tends to adopt a more positive mindset, viewing the challenges as opportunities for learning. FM reflects on how retaliating would only worsen the situation and resolves to focus on the shared pursuit of livelihood. On the other hand, informant CC considers imitation in business as something common but chooses instead to pray to Allah, believing that nothing in the heavens or on earth can harm them as long as they are under Allah's protection.

*Second Theme: Fulfilling Obligations.* In conducting their business activities, the subjects remain committed to performing their prayers. Prayer is considered a top priority, as all efforts are based on seeking Allah's approval, including safety and well-being. When it is time for prayer, business activities are paused. The subjects firmly believe that sustenance comes from Allah SWT and that taking time to worship will not lead to any loss.

*Third Theme : Performing Ritual Worship (Amaliyah Worship).* In entrepreneurship/business, the subject does not only prioritize personal interests. The subject does not focus solely on material gains. The subject believes that the wealth earned is also a right of others. The subject also believes that part of the wealth should be purified. Therefore, the subject performs ritual worship (*amaliyah*) such as giving charity and providing education to those around them.

*Fourth theme: Treatment of employees.* In treating employees, it is important to pay attention to their rights, such as providing timely wages without delay. In addition, the employer should offer training to employees to enhance their skills and continue to

provide opportunities for employees who wish to start their own business or work elsewhere. Employees' privacy should also be respected by implementing boundaries between male and female employees.

*Fifth Theme: Service to consumers.* In terms of customer service, the focus is on providing service according to standards to ensure customer satisfaction. Additionally, the subject does not charge excessively high prices. The subject prioritizes Muslim customers over non-Muslim customers, although non-Muslim customers are still welcomed.

*Sixth Theme: God's Involvement in Facing Problems.* When facing problems, the subject tends to always involve Allah, as the subject believes that everything happens by Allah's will. The subject also surrenders and trusts that when facing difficulties, it is Allah's will, and it will eventually pass. In terms of sharia ethics, the subject is very cautious about avoiding usury, making every effort to avoid banks, although this does not apply to the subject of CC. CC tends to focus more on how to survive and fulfill employee rights, and if one of the ways to do so is by borrowing from a bank, the subject believes that it is acceptable as long as the contract (*akad*) is clear.

*Seventh theme: Ethics in entrepreneurship.* In entrepreneurship, honesty is the most important. This was expressed by all subjects. That honesty is the most important thing, subjects tend to avoid cheating even though it will harm the subject, for example, it will reduce customers.

### Discussion

Entrepreneurial behavior refers to the actions of entrepreneurs, whether they are starting a business, creating new offerings, identifying and creating opportunities, or facing challenges within their business in similar or different situations [3]. Based on the results above, it can be discussed that as stated, entrepreneurial behavior includes 1) searching 2) planning 3) marshaling 4) implementing [11]. Therefore, this discussion will also explore entrepreneurial behavior from that perspective, particularly in terms of implementation. In relation to the impact of religiosity on entrepreneurial behavior, several theories will be examined.

The four dimensions provide a comprehensive framework for assessing an individual's religiosity: 1) Believing refers to the cognitive aspect of religion, encompassing the acceptance of specific religious principles or beliefs. It represents a universal dimension of religiosity characterized by faith in some form of external transcendence. 2) Behaving pertains to the behavioral aspect, focusing on moral reasoning that defines right and wrong from a religious standpoint. This dimension emphasizes actions aligned with religious values. 3) Belonging captures the sense of connection individuals feel by being part of a religious group or community. It reflects the social processes and shared norms deemed desirable within the group. 4) Bonding highlights the emotional component of religiosity, emphasizing the sense of unity and transcendence experienced through religious rituals and practices [12]. The concept of religiosity, as perceived by entrepreneurs in this study, primarily relates to individual beliefs. However, in its



implementation, the three dimensions are incorporated into entrepreneurial behavior. Formal behavior includes actions such as not attending the mosque, while informal involvement includes the obligation to perform the five daily prayers without fail. Additionally, personal religiosity, as reflected in entrepreneurial behavior, encompasses beliefs and other related aspects.

From the themes presented in the explanation of the results, it can be concluded that religiosity, particularly the belief that Allah blesses every endeavor and knows everything we do, is reflected in several aspects: 1) Problem coping, 2) Management in entrepreneurship/ethics, 3) Management in human resource management, 4) Customer service, and 5) Concern for others. The research findings indicate that when faced with challenges, these entrepreneurs believe that everything comes from Allah and that such challenges are a test. Consequently, they approach problem-solving by involving Allah, acknowledging His role in the process. This perspective, as explained, aligns with the concept of positive religious coping. Positive religious coping activities signify a close relationship with God, a belief in the existence of deeper meaning, and a sense of spiritual connectedness with others [13].

An interesting aspect that warrants further discussion is the subject's adherence to Sharia principles. In this study, the belief in Sharia is found to influence the implementation of entrepreneurial behavior in addressing challenges/problem solving. Religion influences entrepreneurship in various ways, such as emphasizing the importance of engaging in entrepreneurial activities, facilitating the formation of networks for labor, information, raw material supplies, and financial credit, as well as creating business opportunities through religious communities. Previous research discussed the influence of religion on the orientation of entrepreneurs, finding that religion influences the orientation of an entrepreneur in entrepreneurship [14]. The difference between this study and previous research is that previous research compared religions (Hinduism, Islam, Shi'ism, Jains), but in this study, both adherents of religion are Muslims. If we look at the above explanation, it is possible that there may be differences of opinion regarding religious law.

Ethics in entrepreneurship tend to focus on honesty and upholding Islamic values. According to the subject, honesty is considered the most important ethical principle. This honesty encompasses aspects such as being truthful about products, services, and other business-related matters. Additionally, implementing values in entrepreneurship in accordance with religious teachings is regarded as essential. This includes fulfilling obligations such as performing prayers, even while engaged in work. Competition should be approached positively, avoiding any form of dishonesty or unethical behavior in response. Management in human resource development is crucial. The results of this study indicate that entrepreneurs not only employ human resources or staff but also provide training and education for their employees. Human resource management is an important thing in developing a business. This processing includes how to provide skills

training to employees. Employee training can have an impact on business development [15].

Even the subjects are not afraid if the knowledge shared by their employees is used by them to establish a similar business. The subjects do not mind because they believe that sustenance comes from Allah. Religiosity serves as the primary motivator for entrepreneurship, as individuals are shaped by their religious principles. Different religions offer diverse perspectives on entrepreneurship. Religion seems to significantly influence the perceptions and business practices of managers and entrepreneurs [16]. Religiosity leads entrepreneurs to focus not only on goals of financial success, but also life satisfaction. religiosity plays a role in neutralizing the negative effects of materialism embraced by entrepreneurs [17]. Customer service in this study is an important aspect. Excellent service is the key to the success of a business. Customers are served as best as possible in accordance with established standards, including matters related to worship. The belief in the purpose of wealth and the command to sacrifice a portion of it emphasizes the importance of sharing on one hand, while also curbing the tendency to hoard wealth on the other. This includes allocating a portion of their income and assisting the surrounding community, particularly in matters of religious education. religion is seen as having a significant positive influence on Muslim entrepreneurs, particularly in their entrepreneurial activities, behavior, and responsibilities [18]. In this context, religiosity in entrepreneurship creates a belief that entrepreneurship is not solely about profit but also serves as a means of doing good deeds and devoting oneself to Allah SWT.

## Conclusion

The conclusion of the study highlights the role of religiosity in influencing entrepreneurial behavior across several aspects: 1) Problem Coping, 2) Business Management/Ethics, 3) Human Resource Management, 4) Customer Service, and 5) Social Concern. The findings demonstrate how these aspects are shaped by religiosity, particularly through the values and beliefs rooted in Islam. These values are effectively implemented within the aforementioned aspects.

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