

Harnessing The AAOIFI Transaction Standard for Halal Digital Entrepreneurship Engagement: Empirical Evidence from Indonesian Entrepreneurship

Afrad Arifin^{1*}, Henndy Ginting², Raden Aswin Rahadi³, and Sutan Emir Hidayat⁴

¹School of Business and Management, Institut Teknologi Bandung and Tazkia Islamic University College, Indonesia.

^{2,3}School of Business and Management, Institut Teknologi Bandung

⁴National Committee for Islamic Economy and Finance (KNEKS) of the Republic of Indonesia, and Gunadarma University

Abstract. Halal entrepreneurship is relevant for national economic growth, with the application of the AAOIFI transaction standard (ATS) having diverse impacts on halal digital entrepreneurship engagement. Despite the significant halal market value, ATS influence on business practices presents significant opportunities and challenges for halal digital entrepreneurship engagement, particularly in Indonesia. This qualitative study investigates the relevance and applicability of ATS in Indonesia's halal digital entrepreneurship engagements through 13 purposive sampling semi-structured interviews analyzed thematically (open coding and axial coding) using NVIVO software. Findings accompanied by negative cases highlight the practical theme of strategic engagement and application of the ATS, contributing new perspectives to halal entrepreneurship theory and practice in halal digital business that harnesses the ATS. This theoretical implication extends the understanding of halal digital entrepreneurship and conforms to the importance of integrating AAOIFI into the halal ecosystem. Practical implications include leveraging ATS for digital business growth while upholding Islamic values, extending ATS application to the real sector, both globally and digitally, and understanding ATS as crucial for success in halal digital businesses.

Keywords: Halal entrepreneurship, entrepreneurship engagement, AAOIFI transaction standard, Indonesia's halal digital business, thematic analysis

1. Introduction

Entrepreneurial growth within a nation serves as a vital indicator of its welfare (Henderson, 2002; Fathonih et al., 2019; Dhewanto et al., 2020; Abdullah & Azam, 2020), with entrepreneurship engagement playing an important role in the \$2.29 trillion consumer spending market of the halal industry (DinarStandard, 2023). Indonesia, as a significant contributor, accounts for a substantial \$184 billion halal market (Bank Indonesia et al., 2021). However, despite this immense market value, entrepreneurship engagement, particularly its integration with

religious/halal values and digital business, has been relatively overlooked in scholarly discourse. Studies such as those by Grilo and Thurik (2008), Hessels *et al.* (2011), Van Der Zwan *et al.* (2016), Lim *et al.* (2016), Kosa and Mohammed (2017), Henríquez-Daza *et al.* (2019), Tufa *et al.* (2021), and Uriarte *et al.* (2023) do not address this critical intersection, leaving a significant gap in the literature. This gap underscores the rationale for further exploration and deeper understanding of entrepreneurship within the context of halal principles and digital business to enhance entrepreneurial growth, thereby increasing national welfare.

*Corresponding author. Email: afrad_arifin@sbm-itb.ac.id

Received: April 25th, 2024; Revised: December 17th, 2024; Accepted: December 28th, 2024

Doi: <http://dx.doi.org/10.12695/ajtm.2024.17.3.1>. Print ISSN: 1978-6956; Online ISSN: 2089-791X.

This work is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License. (<http://creativecommons.org/licenses/by-nc-sa/4.0/>).

Published by Unit Research and Knowledge- School of Business and Management-Institut Teknologi Bandung

How to cite: Arifin, A., Ginting, H., Rahadi, R. A., & Hidayat, S. E. Harnessing The AAOIFI Transaction Standard for Halal Digital Entrepreneurship Engagement: Empirical Evidence from Indonesian Entrepreneurship. *The Asian Journal of Technology Management (AJTM)*, 17(3). <https://doi.org/10.12695/ajtm.2024.17.3.1>

Furthermore, Ayub (2007) and El-Halaby *et al.*, (2021) emphasized the role of standards in illustrating the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) emerging as prominent values in shaping business practices. These standards play an important role in facilitating transactions and ensuring alignment with Islamic principles, particularly in dealings between Islamic Financial Institutions and entrepreneurs (Karasik *et al.*, 2007).

This underlines the relevance of investigating the impact of the AAOIFI transaction standard on business practices, especially within the dynamic landscape of halal digital entrepreneurship, “*digital business practices that adhere to Islamic beliefs and principles*” (Elgharbawy *et al.*, 2023, p. 185). Additionally, in this study, the AAOIFI transaction standard encompasses the Shari’ah compliance standard for various transactions, including buy-and-sale, hiring, leasing, and investment activities (AAOIFI, 2015, 2024).

Therefore, this study aims to bridge the identified research gaps by exploring the connection between entrepreneurship engagement, AAOIFI transaction standards, and Indonesia’s growing halal digital business sector using a qualitative research design (Saunders *et al.*, 2019). Specifically, it seeks to address the following research question: *How does the impact of the AAOIFI transaction standard on business practices influence halal digital entrepreneurship engagement in Indonesia?* By delving into this question, the objective of this study is to seek knowledge of the relevance and applicability of the AAOIFI transaction standard within Indonesia’s halal digital business and then translate the findings into a practical theme for entrepreneurship practice and literature.

Indonesia’s unique circumstances (Bank Indonesia *et al.*, 2021; KNEKS, 2023; Bank Indonesia, 2024), characterized by a growing halal market and rapidly evolving digital business landscape (Google, Temasek, and Bain, 2023; DinarStandard *et al.*, 2024), provide an ideal setting for this investigation.

The outcomes of this study are anticipated to offer practical implications for stakeholders within the halal entrepreneurship ecosystem, including industry practitioners, academics, and regulators, thereby contributing to the advancement of both theory and practice in the field.

2. Literature Review/ Hypotheses Development

2.1. Halal Entrepreneurship (Halalpreneurship)

Halal holds significant importance within the Islamic religion (Ramadani *et al.*, 2015, 2017; Abdullah & Azam, 2020; Salaheldeen *et al.*, 2023). The concept of entrepreneurship in the Islamic economy is called “halalpreneurship” (Abdullah & Azam, 2020). As explained by Ramadani *et al.* (2017), this concept represents entrepreneurship within an Islamic framework that primarily involves halal products or services. Abdullah and Azam (2021) further elaborate that halalpreneurship integrates halal principles into business operations, encompassing activities such as opportunity seeking and business development. Additionally, individuals known as “halal entrepreneurs,” or “halalpreneurs,” are those involved in creating and capitalizing on opportunities in the halal sector (Soltanian *et al.*, 2016). Hence, integrating the halal concept into entrepreneurship research from an Islamic standpoint is feasible, thereby incorporating religious variables into the analysis. Gümüşay (2015) argues that integrating religion into entrepreneurship studies can enrich existing theories and practices.

From an Islamic perspective, entrepreneurship, particularly halal entrepreneurship, involves fundamental components, such as opportunity identification, evaluation, and exploitation (Ramadani *et al.*, 2017). These components, highlighted by Shane and Venkataraman (2000), Lim *et al.* (2016), and Tufa *et al.* (2021), underscore the essence of entrepreneurship irrespective of religious connections. Hence, as suggested by Salaheldeen *et al.* (2023), halal

entrepreneurs are individuals who innovatively capitalize on opportunities in the halal industry in harmony with Islamic teachings for economic advantages.

2.2. Entrepreneurship Engagement

Entrepreneurial engagement involves the identification, assessment, and utilization of opportunities (Lim et al., 2016; Shane & Venkataraman, 2000; Tufa et al., 2021). Various motives prompt individuals to start entrepreneurial ventures, which involves the creation of startups (Van Der Zwan et al., 2016). Entrepreneurship engagement relates to different stages of participation in the entrepreneurial journey, ranging from basic to advanced (Grilo & Thurik, 2008; Henríquez-Daza et al., 2019; Hessels et al., 2011).

Grilo and Thurik (2008) explained that these engagement stages range from initial contemplation of business initiation (“never thought about starting a business”, “thinking about it”, and “taking steps for starting up”) to actual establishment (“having a young business”, or “having an older business”), and then cessation of entrepreneurship (“gave up” or “no longer being an entrepreneur”). These seven stages align closely with Hessels et al.’s (2011) six stages of engagement, encompassing stages such as absence of engagement (“none”), “potential”, intentionality (“intentional”), “nascent”, “young”, and “established entrepreneurship”.

Moreover, Henríquez-Daza et al. (2019) elaborate on the engagement stages concerning opportunity identification, assessment, and utilization. The first stage, “discovering opportunity”, involves recognizing and interpreting opportunities, serving as catalysts for new business ventures or the growth of existing ones. Subsequently, entrepreneurs assessed the desirability of opportunities by considering their potential benefits. At this stage, opportunities are perceived from a personal (first-person) perspective, influencing decisions to either initiate a new venture (“nascent”) or integrate the opportunity into a new business, thereby progressing through development stages

(“new”) and firm consolidation (“established”).

2.3. AAOIFI Transaction Standard

One illustration of how religious principles impact business conduct can be observed in Islamic finance (Ayub, 2007). These principles are organized through standards (Ayub, 2007; El-Halaby et al., 2021), with one prominent standard-setting institution being the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Established in 1991 with its headquarters in Bahrain, AAOIFI is the foremost international nonprofit organization primarily responsible for formulating and disseminating standards governing various aspects of the global Islamic finance sector, including accounting, Shari’ah compliance, governance, and ethical practices (AAOIFI, 2020). In this research, the AAOIFI transaction standard applies to the Shari’ah compliance standard, such as buy-and-sale, hiring, leasing, and investment transactions (AAOIFI, 2015, 2024).

Presently, major Islamic financial institutions worldwide adhere to AAOIFI standards, contributing to a significant degree of harmonization across global Islamic finance operations (AAOIFI, 2020; Ayub, 2007; El-Halaby et al., 2021), including dealing with customers such as halal entrepreneurs. Aliyu et al. (2017, as cited in El-Halaby et al., 2021) contend that AAOIFI standards play a crucial role in facilitating financial transactions, ensuring alignment with the foundational principles of Shari’ah law. This is particularly true in the dealings between Islamic Financial Institutions and their clientele, including entrepreneurs (Ayub, 2007; Karasik et al., 2007).

2.4. Halal Digital Business

The concept of halal digital business is related to halal digital entrepreneurship, as stated by Elgharabawy et al. (2023, p. 185), “*digital business practices that adhere to Islamic beliefs and principles.*” These digital business endeavors are “*expected to have a positive impact on the production of halal products and services, sales and marketing,*

internationalization, market visibility, the ability to reach broader customer segments, and better access to fintech, leading to the achievement of double prosperity (Al-Falah) and economic growth” (Raimi et al., 2023).

Additionally, the Coordinating Ministry of Economic Affairs of the Republic of Indonesia (2021) emphasizes that empowering halal Micro, Small, and Medium Enterprises (MSMEs) through digital technology adoption can significantly boost the national economy and public welfare.

Therefore, in this study, halal digital business refers to the utilization of digital technologies in entrepreneurial activities (e.g., ensuring the production, marketing, and distribution of products and services, while also enhancing market visibility and/or international reach) that are aligned with Islamic principles and beliefs, aiming to achieve economic growth and prosperity (i.e., double prosperity (Al-Falah)).

3. Methodology

To answer the research question, this study utilizes a qualitative research design in which trustworthiness is paramount (Lincoln & Guba, 1986). Lincoln and Guba (1986) outlined four essential aspects of trustworthiness in qualitative research: credibility, transferability, dependability, and confirmability. To bolster credibility and dependability, it is imperative to articulate and validate methodological choices according to established qualitative research norms, ensuring that informants' perspectives are faithfully represented in the results. In the following sections, this study elaborates on the sampling technique, interview procedures, and data analysis decisions (including negative case analysis), offering a transparent overview of the research process and its rationale.

To ensure transferability, this study provides details regarding the individuals as informants (see Table 1), including their representative descriptions and characteristics, allowing for

assessments regarding the breadth of contexts in which our findings may hold relevance. Finally, in consideration of confirmability, efforts were undertaken to prevent personal beliefs from openly influencing the research process and the resulting conclusions.

The data collection process was based on interviews (Saunders et al., 2019). The informants were selected through purposive sampling, as it is often chosen in qualitative research for its ability to strategically select informants with specific characteristics and experiences (“*informant-rich cases*”) relevant to the research questions (Patton, 2002; Etikan, 2016). 13 informants are considered to have theoretical saturation based on Boddy (2016, p. 426), who considers “*samples of 12 may be cases where data saturation occurs among a relatively homogenous population,*” in this case those who have exposed to AAOIFI transaction standard in Indonesia. To ensure that the stakeholders were relevant to the Indonesian halal digital business, interviews were conducted with halal digital entrepreneurs, academicians, regulator, and community leader. Interestingly, several informants have several professions attached across academia, business, and community leadership, thus strengthening their capacity and credibility as informants.

Interview data were collected in January and early February 2024 via video-conference interviews using zoom applications. Bahasa Indonesia was used in the 13 semi-structured interviews; the native language was considered appropriate for finding the exact meaning due to the informant's native language (Sushandoyo et al., 2022). The interviews lasted for more than 30 minutes, up to 80 minutes, depending on the informant's availability. This study used open and probing questions (Saunders et al., 2019): open-ended questions enabled informants to articulate and explain a situation or event in their own terms, while probing questions were designed to delve deeper into responses that were relevant to the research focus using a specific emphasis or perspective.

All interview transcripts were validated by the informants to “avoid errors and misunderstandings” (Gibbert et al, 2016, as cited in Leso et al., 2023, p. 9), ensuring accuracy and confirmability in the research. To

facilitate this, interview transcripts were emailed back to the respective informants for verification (Chang et al., 2024), allowing them to confirm or clarify the content as needed.

Table 1
Table of Informants

Informant	Main Profession (other profession(s), if any) that relate to AAOIFI transaction standard	Work Experience	Educational Level	Location
#1	Academician (Researcher, halal business enthusiast)	10 years, 2 months	Master	Bandung
#2	Academician (Entrepreneurship educator, seasoned practitioner in financial industry)	10 years	Doctor	Bandung
#3	Academician (Researcher, halal industry practitioner)	1 year (and 2 years' experience as halal industry practitioner)	Master	Semarang
#4	Academician (Researcher, Shari'ah Accounting specialist, Member of Shari'ah Accounting Standard Board, doctoral student)	17 years	Master	Malang
#5	Academician (Lecturer, entrepreneur, Shari'ah accounting advocate)	10 years	Master	Bandung
#6	Academician (Shari'ah compliance advisor, entrepreneur)	4 years, 10 months	Doctor	Jember
#7	Halal Digital Entrepreneur (Community leader)	2 years	Master	Jakarta
#8	Halal Digital Entrepreneur	5 years	Doctor	Cianjur
#9	Academician (Regulator)	20 years	Master	Bogor
#10	Halal Digital Entrepreneur	5 years, 10 months	Bachelor	Malang
#11	Academician (Shari'ah Accounting expert in Public Accounting Firm, doctoral student)	20 years	Master	Jakarta
#12	Community Leader (Halal digital entrepreneur)	3 years	Master	Yogyakarta
#13	Halal Digital Entrepreneur (Shari'ah business associate)	7 years	Master	Bogor

In this research, the collected interviews are recorded, transcribed, and transferred to computer-assisted qualitative data analysis software (CAQDAS) of NVIVO (1.7.1) to be analyzed based on a thematic analysis as it is considered a “*foundational method for qualitative analysis*” (Braun & Clarke, 2006, p. 4; Saunders et al., 2019, p. 651). This study used the coding style described by Gioia *et al.* (2013), particularly open coding and axial coding. In open coding, this study labeled interview statements that relate to how halal digital entrepreneurs and their stakeholders view the relevance and applicability of the AAOIFI

transaction standard in relation to halal digital entrepreneurship engagement in Indonesia. This process produces a large number of descriptive codes and integrates them into first-order concepts (Gioia et al., 2013). Subsequently, in axial coding, themes are sought by comparing coded statements from the open coding process, thus producing second-order themes (Gioia et al., 2013). To seek confirmation and validation, numerous iterations were conducted to fine-tune the data and analytical structure (Braun & Clarke, 2006; Saunders et al., 2019). The analyzed data structure is shown in Fig. 1.

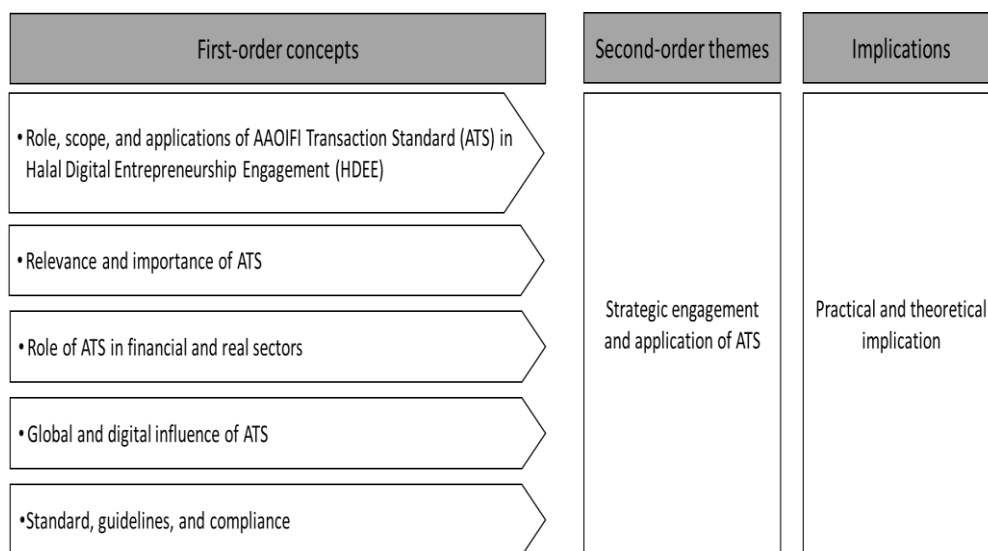


Figure 1
Theme Development of Strategic Engagement And Application Of ATS (Authors, 2024)

To conclude this section, to achieve objectivity (bias avoidance) (Saunders et al., 2019), and credibility (Lincoln & Guba, 1986; Saunders et al., 2019; Enworo, 2023), this study carefully selects and presents negative cases that contradict the emergent explanation but contribute to formulate the most possible explanation of the phenomenon under study (Saunders et al., 2019).

4. Findings and Discussion

This study finds that investigating the relevance of the AAOIFI Transaction Standard (ATS) and its applicability in

Indonesian halal digital business has been constructed on a practical theme: *strategic engagement and application of the AAOIFI Transaction Standard*, which resulted from five first-order concepts that emerged from 34 references (interview dataset) within 156 descriptive codes. Furthermore, this study argues that this theme supports the integration of Islamic finance with the halal industry (Hassan et al., 2021), especially in halal digital businesses within one of the largest halal markets in the world, Indonesia (DinarStandard, 2023).

4.1. Strategic halal digital entrepreneurship engagement and application of the AAOIFI Transaction Standard (ATS)

The relevance and applicability of ATS and halal digital entrepreneurship engagement in Indonesia were discussed in the interviews. This theme, constructed from five sub-themes (first-order concepts), highlights the multifaceted role of ATS (AAOIFI, 2020) in guiding and promoting ethical and Shari'ah compliance practices within halal digital entrepreneurship engagements, for instance, in its AAOIFI Transaction Standard no. 38 (issued since 2009) about online financial dealing (AAOIFI, 2015, 2024) that describes financial and real sector transactions using the Internet, websites, electronic signatures, and electronic messages.

Hence, this finding extends the study of halal digital entrepreneurship by Elgharbawy et al. (2023) and Raimi et al. (2023), while at the same time confirming the need for the integration of AAOIFI into the halal ecosystem as proposed by Hassan et al. (Hassan et al., 2021).

4.1.1. Role, scope, and applications of ATS.

This finding explains the multifaceted role, scope, and applications of ATS relevant to halal digital entrepreneurship engagement (HDEE). It emphasizes the relevance of ATS in various aspects of halal entrepreneurship engagement, such as facilitating comprehensive and practical application for halal digital entrepreneurs and providing guidance for business practices throughout different stages of the business cycle, including halal digital business. It also highlights ATS's role in tapping unlimited business growth, while emphasizing the importance of Islamic values such as taqwa (piousness).

In this sub-theme, some informants stated that ATS has scope and useful application in HDEE, playing a pivotal role in guiding entrepreneurship engagement phases spanning from basic to advanced levels (Grilo & Thurik, 2008; Hessels et al., 2011; Henríquez-Daza et al., 2019), including pivoting to an ATS-compliant business. Thus, this finding extends the research on entrepreneurship engagement, for instance,

by Grilo and Thurik (2008), who explained that these engagement stages range from initial contemplation of business initiation ("never thought about starting a business", "thinking about it", and "taking steps for starting up") to actual establishment ("having a young business" or "having an older business"), and then cessation of entrepreneurship ("gave up" or "no longer being an entrepreneur"). Moreover, ATS serves as a reference point for contracts that align with the foundational principles of the Shari'ah law (Ayub, 2007; AAOIFI, 2020; Aliyu et al., 2017, as cited in El-Halaby et al., 2021).

There are two examples from the seven statements.

The impact of ATS can be observed at every stage, from contemplating entrepreneurship to the liquidation phase, where it serves as a continuous and accessible guideline throughout the business journey (Interview 8, halal digital entrepreneur).

ATS has a significant influence across all seven levels of entrepreneurship engagement. At level 1, which involves contemplating entrepreneurship or becoming an entrepreneur, many of our alumni embarked on business ventures after learning from the ATS. Furthermore, the influence of ATS is evident whether the alumni already have existing businesses, are starting new ones, or are transitioning to ATS-compliant ventures. Upon discovering discrepancies between their business practices and ATS, the alumni strive to rectify the situation. They may explore new business avenues or employ other strategies, but remain committed and resilient, refusing to give up or cease their efforts entirely. (Interview 12, community leader).

Furthermore, some informants agreed that ATS is a comprehensive standard for halal entrepreneurship, including halal digital entrepreneurship that adheres to Islamic beliefs and principles (Elgharbawy et al.,

2023). Two of the five selected statements were as follows:

The extensive ATS book guidelines appear to encompass all facets of business, with everything seemingly incorporated within its contents (Interview 7, halal digital entrepreneur).

Through the utilization of ATS, one can evaluate whether the concept of halal entrepreneurship, relating to the progression of entrepreneurship from upstream to downstream, aligns with halal principles (Interview 6, academician).

ATS also offers practical guidelines for halal digital entrepreneurs, aiding them in navigating various aspects of halal digital entrepreneurship (Elgharbawy et al., 2023; Raimi et al., 2023) and engagement (Grilo & Thurik, 2008). Some informants stated the following:

ATS essentially encompasses a range of essential aspects required by halal digital entrepreneurs, spanning from capital formation to financial considerations. Ultimately, its aim is to facilitate accurate profit-sharing calculations and extend them to zakat calculations, given the presence of zakat within business operations (Interview 2, academician).

ATS is very important for my halal digital business because it contains crucial standards. For example, if I want to buy land or machinery, and I do not have the money, I have to resort to a murabahah transaction, which is a non-cash transaction. If there is no murabahah standard, I may fall back into a usury transaction. For this reason, I used ATS to support entrepreneurs. I also used them for my business. (Interview 13, halal digital entrepreneur).

ATS also highlights its role in tapping unlimited business growth while emphasizing the importance of Islamic values (Ramadani et al., 2015, 2017), such as taqwa (piousness):

Shari'ah limitations should not be viewed

as constraints; rather, they ought to be seen as boundless opportunities for us as halal digital entrepreneurs, provided that all halal digital entrepreneurs are committed to piety (Interview 10, halal digital entrepreneur).

4.1.2. Relevance and importance of ATS.

This sub-theme underscores the relevance and importance of ATS in the context of halal digital entrepreneurship. It also discusses the significance of ATS literacy and the role of ATS in determining the halal and wholesome (*thayyib*) status. This finding confirms that religious literacy may have a substantial effect on behavioral objectives (Majid & Nugraha, 2022).

The relevance and importance of ATS are expressed by some halal digital entrepreneurs, highlighting the need to understand and apply ATS in halal digital business activities, including determining halal and wholesome (*thayyib*) status. From the two statements, the following is an example:

In my view, ATS holds significant importance, especially for the profession of a halal digital entrepreneur, due to its direct connection to Shari'ah standards. In my opinion, this standard is of utmost importance because, as a halal entrepreneur, adherence to Shari'ah principles should be unquestionable. For Muslim entrepreneurs, the Shari'ah standard should serve as the minimum benchmark for conducting business activities (Interview 10, halal digital entrepreneur).

Halal digital entrepreneurs are encouraged to adopt ATS because of their importance in guiding business practices, including in Indonesia, thus extending Hassan et al.'s (2021) statement that "AAOIFI must play a critical role in establishing a halal ecosystem." This is evidenced by the following interview data.

The significance of ATS cannot be overstated for entrepreneurs, particularly those involved in halal business practices in the digital age, known as halal digital

entrepreneurs. Its relevance is paramount, especially in the context of Indonesia, where the connection between ATS and the engagement of halal entrepreneurs in digital halal business is very significant. This is because the ATS captures all processes within the business cycle, making it essential for halal digital entrepreneurs (Interview 3, academician).

ATS holds the potential to genuinely serve as guidance, particularly for individuals engaged in halal entrepreneurship, including the digital sphere. Drawing from my experience in running a halal digital store business, it is evident that the members of the AAOIFI committee, who contribute to the ATS, are highly distinguished figures, particularly in the field of Islamic commercial jurisprudence, with each holding the status of Mufti in their respective regions. Therefore, based on my firsthand experience, ATS unquestionably functions as a guiding framework for our business activities, providing invaluable direction and insight (Interview 8, halal digital entrepreneur).

4.1.3. Role of ATS in the financial and real sectors.

Here, the interviews reveal the relevance of the role of ATS in the financial (El-Halaby et al., 2021) and real sectors (Hassan et al., 2021) and the call for international Shari'ah business standards.

ATS is considered strategic because its role is relevant not only in the financial sector but also in the real sector, where non-financial entities could adopt and implement ATS relevant to their business. As stated by some informants, there are two examples from the three statements:

ATS are applicable to halal digital entrepreneurs beyond financial institutions. Within ATS, only a portion of its content pertains to financial institutions. For instance, a straightforward example is the muzara'ah contract for agricultural activities, which

is not typically addressed by financial institutions (Interview 12, community leader).

The standards implemented in the ATS are essentially those designed for the real sector but are also utilized in the banking sector (Interview 2, academician)

Thus, the above finding strengthens the objective of integrating Islamic finance and the halal industry (Hassan et al., 2021) with the novelty derived from this study, which is the practical theme of strategic halal digital entrepreneurship engagement and the application of ATS.

Moreover, one interview with a halal digital entrepreneur mentioned the call for an international Shari'ah business standard, which underscores the relevance of ATS:

Therefore, it is inaccurate to claim that ATS is solely intended for Islamic Financial Institutions, as finance departments are integral components of companies within the real sector. Looking ahead, the emergence of an International Shari'ah Business Standard would be highly impactful (Interview 13, halal digital entrepreneur)

4.1.4. Global and digital influence of ATS.

This finding emphasizes the global and digital influence of ATS on halal digital entrepreneurship. It discusses the relevance of ATS in facilitating international expansion strategies and its role in digital consumer decision making.

Based on some informants, ATS has global or international coverage, which confirms the report of AAOIFI (2020). This may facilitate the international expansion of halal enterprises, thus emphasizing the importance of global markets. Some statements support this finding.

From a global perspective, ATS have the potential to greatly benefit halal digital enterprises. For instance, entrepreneurs aiming to expand internationally would find it advantageous to adhere to a

standard that is widely understood worldwide. When considering the Shari'ah standards, the ATS holds greater recognition and familiarity on a global scale, making it the preferred choice for businesses seeking international expansion (Interview 4, academician). In our opinion, ATS is the best standard worldwide. This should be the best standard because it is the International Shari'ah Standard (Interview 13, halal digital entrepreneur).

In the halal digital business realm, ATS play a significant role, including in digital consumer decision-making processes, and contribute to the development and growth of halal digital businesses by aligning them with ethical standards. This finding confirms the utilization of AAOIFI Shari'ah Standard No. 38 for online financial dealing (issued since 2009) (AAOIFI, 2015, 2024) and extends the study by Mubarik (2021) regarding one of the ATS standards and its digital aspect. Regarding this finding, some informants stated these: Here are two examples from four statements:

Drawing from my experience in running a halal digital store business, it is evident that the members of the AAOIFI committee, who contribute to the ATS, are highly distinguished figures, particularly in the field of Islamic commercial jurisprudence, with each holding the status of Mufti in their respective regions. Therefore, based on my firsthand experience, ATS unquestionably functions as a guiding framework for our business activities, providing invaluable direction and insight (Interview 8, halal digital entrepreneur).

As a consumer, upon learning about ATS, I contemplated whether to purchase gold online and opt for installment payments or pay in cash. Furthermore, since gold is delivered the following day, I will contemplate how it relates to the ATS, highlighting its relevance to this crucial decision-making process (Interview 3, academician).

4.1.5. Standards, guidelines, and compliance.

In this sub-theme, ATS is positioned as a fundamental standard for halal digital entrepreneurs, serving as a rule of game in business engagements in which halal holds significant importance (Abdullah & Azam, 2020, 2021; Ramadani et al., 2015, 2017; Salaheldeen et al., 2023; Salaheldeen & Battour, 2024). Compliance with ATS is considered a strategic consideration for entrepreneurship engagement, starting from initiating business (Grilo & Thurik, 2008; Hessels et al., 2011; Henríquez-Daza et al., 2019) to business operations encompassing activities such as opportunity seeking and business development (Abdullah & Azam, 2021). Furthermore, it offers detailed guidelines and specificity in halal entrepreneurship, which are also relevant to the digital space.

ATS as a minimum standard, the rules of the game, and compliance for halal digital entrepreneurs, as described by one halal digital entrepreneur and explained by an official regulator:

From my perspective, adhering to halal and wholesome (thayyib) entrepreneurship entails meeting the minimum standard set by ATS. This is precisely what we practice at MWS, where we support entrepreneurs in aligning with the ATS from the formulation of their capital, ensuring no involvement with usury, conducting their buying and selling transactions in a just manner, and devoid of speculation, uncertainty, or gambling. Regarding human capital management, we assist in drafting contracts free from speculation and injustice. Internally, we guide businesses in determining standards for profit-sharing and other related contracts such as musharaka or mudharaba. At the MWS, our mission is to guide entrepreneurs in achieving halal and wholesome (thayyib) businesses in accordance with international Shari'ah standards, with ATS serving as the benchmark (Interview 13, halal digital entrepreneur).

For halal digital entrepreneurs, I believe that ATS is crucial in establishing agreements on the rules of the game in business. Understanding these rules is essential; otherwise, ambiguity may lead to chaos. When the rules are unclear, there is potential for exploitation, with the strong taking advantage of the weak (Interview 9, regulator official)

ATS offers detailed guidelines and specificities in halal entrepreneurship, which are also relevant to digital space. This is evidenced by the data interview and the presence of AAOIFI Shari'ah Standard no. 38 (issued since 2009) on online financial dealings (AAOIFI, 2015, 2024). The informants supported this, saying,

ATS stands out for its detailed, precise, and case-by-case approach, enabling its application in various scenarios encountered in the business field. Drawing from my experience as a halal practitioner, I found that the ATS covers a comprehensive range of business situations, providing detailed explanations. This detailed approach is a distinct advantage of ATS compared to other standards. Furthermore, ATS possesses a uniqueness characterized by its comprehensive coverage, specificity, and global applicability (Interview 3, academician).

ATS holds significance in every phase of business, including establishment, operation, and development, as it serves as guidance throughout each phase (Interview 8, halal digital entrepreneur).

In the process of transactions, such as *istishna*, halal digital entrepreneurs can follow the step-by-step approach outlined in the ATS. It delineates the sequence of actions to be taken, specifies the rights and obligations of each party involved, and provides explanations for why certain practices are permissible while others are not (Interview 2, academician).

4.2. Negative Cases Analysis.

To achieve objectivity (bias avoidance) (Saunders et al., 2019) and credibility (Lincoln & Guba, 1986; Saunders et al., 2019; Enworo, 2023) of this research. This study carefully selects and presents 12 negative cases that contradict the emergent explanation but contribute to formulate the most possible explanation of the phenomenon under study (Saunders et al., 2019). Some selected negative cases stated by some informants are considered relevant to the research question and objective of this study.

The first negative case revolves around the idea that while ATS may set standards for business practices, they alone do not necessarily inspire people to start businesses (entrepreneurship engagement):

I do not believe that ATS inspires people to start businesses. I argue that personal motivation in business is primarily economic and driven by a desire for financial independence or in response to job loss. I also doubt that regulatory guidelines, such as ATS, directly prompt business initiation, meaning that reading a regulation does not automatically lead to entrepreneurial action (Interview 7, halal digital entrepreneur).

The second negative case suggests that in certain Muslim countries, there may be a lack of full adherence to ATS. Although AAOIFI is a recognized governing body for Islamic finance, some countries may not fully implement its guidelines, possibly because of different interpretations, regulatory frameworks, or other factors.

In some cases, it was revealed that certain Muslim countries do not recognize AAOIFI as the authoritative governing body, resulting in incomplete implementation of its guidelines (Interview 11, academician).

The third negative case similarly indicates that certain practices or standards, possibly related to ATS, may not be universally adopted by entrepreneurs in Indonesia. This suggests a gap between the recommended practices and

their implementation in the Indonesian business community.

In reference to ATS, it appears that in Indonesia, not all entrepreneurs have adopted these standards. Additionally, in the realm of entrepreneurship, there seems to be a lack of purely Shari'ah-compliant businesses that adhere to the financial transaction standards outlined by AAOIFI or similar organizations (Interview 5, academician).

5. Conclusion

Guided by the research question, objective, and research design, this study answers the research question of "how does the impact of the AAOIFI transaction standard on business practices influence halal digital entrepreneurship engagement in Indonesia" by presenting the findings into a practical theme of "strategic halal digital entrepreneurship engagement and application of the AAOIFI Transaction Standard (ATS)" that has five important and valuable practical insights into halal digital entrepreneurship engagement in Indonesia and possibly on global level. These findings highlight the transformative potential of ATS in enhancing Shari'ah-compliant transactions within the halal digital business landscape, beyond the Islamic finance industry, thereby contributing to the broader objective of national welfare through entrepreneurship.

Practical implication: Halal digital entrepreneurs (HDE) can consider this practical theme from its five valuable insights: firstly, from the 1) "Role, scope, and application of ATS" and 2) the "Relevance and importance of ATS"; HDEs may consider to utilize ATS in various aspects of their halal digital entrepreneurship engagement in tapping unlimited business growth while emphasizing the importance of Islamic values; secondly, from the 3) "Role of ATS in financial and real sector" and 4) the "Global and digital influence of ATS" HDEs are able to use ATS in strategically engagement in financial and real sectors with a

global/international perspective within the halal digital business realm; and last but not least, thirdly from 5) the "Standard, guidelines, and compliance" HDEs may understand better in using the ATS as a minimum-rule of game in halal digital business engagements in which halal holds significant importance. It is suggested that the three practical implications be assessed and utilized further by Indonesian or global HDEs while considering the negative cases presented. The utilization of ATS, as supported by the above empirical evidence, demonstrates its essential role in Indonesia's halal digital entrepreneurship engagement. This alignment provides a framework that can serve as a benchmark for integrating ATS into global halal digital entrepreneurship practices beyond the Islamic finance industry, encouraging the adaptation of similar frameworks in diverse cultural and economic contexts.

Theoretical implication: This study extends the study in halal digital entrepreneurship by Elgharbawy et al. (2023) and Raimi et al. (2023) by adding ATS as an influencing factor, while at the same time confirming the need for the integration of AAOIFI into the halal ecosystem as proposed by Hassan et al. (2021).

Limitations: Due to its qualitative nature (which involves the beliefs, perspectives, and experiences of the purposive sample/informants) and specific geographical location (Indonesia), this research has limitations in generalizing the findings to other contexts. However, the purpose of this qualitative study was to develop a deep understanding of the specific informants' lived experiences and opinions in this research design and context.

Future study: It is suggested that a further quantitative study using a survey questionnaire be conducted to enhance the findings and then provide a mixed-method research explanation that can provide the best available explanations for this unique and valuable phenomenon.

Declarations

Author contribution

All authors contributed equally as the main contributors of this paper. All authors read and approved the final paper.

Funding statement

The authors declare that this research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Competing interest

The authors declare that they have no conflicts of interest to report regarding the present study.

References

- AAOIFI. (2015). *Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Shari'ah Standard* (2015th, 2017th ed.). Dar AlMaiman for Publishing & Distributing.
- AAOIFI. (2020). *AAOIFI Footprint Report 2020: A study on the adoption status of AAOIFI standards across jurisdictions of various regulatory and supervisory authorities*. Retrieved October 12, 2022, from <http://aaoifi.com/foot-print-report-download/?lang=en>
- AAOIFI. (2024). *Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Online Shari'ah Standard*. Retrieved on Apr 15, 2024 from <https://aaoifi.com/shariah-standards-3/?lang=en>
- Abdullah, M. A., & Azam, Md. S. E. (2020). Halal entrepreneurship from Maqasid-al-Sharia'h perspective: Inseparable concept for Halalpreneurs. *Food Research*, 4(S1), 34–42. doi: 10.26656/fr.2017.4(S1).S07
- Abdullah, M. A., & Azam, Md. S. E. (2021). Halal Entrepreneurship: Concept and Business Opportunities. In M. Turuk (Ed.), *Entrepreneurship—Contemporary Issues*. IntechOpen. doi: 10.5772/intechopen.93657
- Ayub, M. (2007). *Understanding Islamic Finance*. John Wiley & Sons Ltd.
- Bank Indonesia. (2024). *Kajian Ekonomi dan Keuangan Syariah 2023*. Bank Indonesia, DinarStandard, & Indonesia Halal Lifestyle Center. (2021). *Indonesia Halal Markets Report 2021/2022*. Bank Indonesia. Retrieved March 31, 2024, from <https://isef.co.id/>
- Boddy, C. R. (2016). Sample size for qualitative research. *Qualitative Market Research: An International Journal*, 19(4), 426–432. doi: 10.1108/QMR-06-2016-0053
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77–101. doi: 10.1191/1478088706qp063oa
- Chang, F. Y. M., Webster, C. M., Aftab Alam, M., & Chirico, F. (2024). Entrepreneurs' network bricolage: Reconfiguring social ties for resource creation. *Journal of Business Research*, 185, 114931. doi: 10.1016/j.jbusres.2024.114931
- Coordinating Ministry for Economic Affairs of the Republic of Indonesia. (2021). *Press Release: Go-Digital Halal MSMEs to Improve the National Economy and Community Welfare*. Retrieved November 14, 2022, from <https://www.ekon.go.id/publikasi/detail/3430/umkm-halal-go-digital-untuk-tingkatkan-perekonomian-nasional-dan-kesejahteraan-masyarakat>
- Dhewanto, W., Ratnaningtyas, S., Permatasari, A., Anggadwita, G., & Prasetyo, E. A. (2020). Rural entrepreneurship: Towards collaborative participative models for economic sustainability. *Entrepreneurship and Sustainability Issues*, 8(1), 705–724. doi: 10.9770/jesi.2020.8.1(48)
- DinarStandard. (2023). *The State of the Global Islamic Economy 2023/24 Report | Salaam Gateway—Global Islamic Economy Gateway*. <https://salaamgateway.com/reports/state-of-the-global-islamic-economy-2023-report>
- DinarStandard, Indonesia Halal Lifestyle Center, & Bappenas. (2024, October 7). *Indonesia Digital Islamic Economy*

- Report 2023/2024. Bappenas. <https://idie.bappenas.go.id/>
- Elgharabawy, A. A. M., Azam, M. S. E., & Kartika, B. (2023). Halal Digital Entrepreneurship and Disruptive Technologies from the Lenses of Maqasid al-Shari'ah. In L. Raimi, S. M. Adekunle, & M. S. Shabbir (Eds.), *Contemporary Discourse of Halal and Islamic Entrepreneurship: Trends and Future Opportunities* (pp. 179–197). Springer Nature Singapore. doi: 10.1007/978-981-99-6427-7_12
- El-Halaby, S., Aboul-Dahab, S., & Bin Qoud, N. (2021). A systematic literature review on AAOIFI standards. *Journal of Financial Reporting and Accounting*, 19(2), 133–183. doi: 10.1108/JFRA-06-2020-0170
- Enworo, O. C. (2023). Application of Guba and Lincoln's parallel criteria to assess trustworthiness of qualitative research on indigenous social protection systems. *Qualitative Research Journal*, 23(4), 372–384. doi: 10.1108/QRJ-08-2022-0116
- Etikan, I. (2016). Comparison of Convenience Sampling and Purposive Sampling. *American Journal of Theoretical and Applied Statistics*, 5(1), 1. doi: 10.11648/j.ajtas.20160501.11
- Fathonih, Ah., Anggadwita, G., & Ibraimi, S. (2019). *Sharia* venture capital as financing alternative of Muslim entrepreneurs: Opportunities, challenges and future research directions. *Journal of Enterprising Communities: People and Places in the Global Economy*, 13(3), 333–352. doi: 10.1108/JEC-11-2018-0090
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1), 15–31. doi: 10.1177/1094428112452151
- Google, Temasek, and Bain. (2023). *Google, Temasek, and Bain, e-Conomy SEA 2023*. Retrieved on December 14, 2023, from <https://economysea.withgoogle.com/report/>
- Grilo, I., & Thurik, R. (2008). Determinants of entrepreneurial engagement levels in Europe and the US. *Industrial and Corporate Change*, 17(6), 1113–1145. doi: 10.1093/icc/dtn044
- Gümüşay, A. A. (2015). Entrepreneurship from an Islamic Perspective. *Journal of Business Ethics*, 130(1), 199–208. doi: 10.1007/s10551-014-2223-7
- Hassan, M. K., Rabbani, M. R., & Chebab, D. (2021). Integrating Islamic finance and halal industry: Current landscape and future forward. *International Journal of Islamic Marketing and Branding*, 6(1), 60–78. doi: 10.1504/IJIMB.2021.117594
- Henderson, J. (2002). Building the Rural Economy With High-Growth Entrepreneurs. *Economic Review*, 87(Q III), 45–70. <https://doi.org/>Retrieved October 5, 2022, from <https://ideas.repec.org/a/fip/fedker/y2002iqiip45-70nv.87no.3.html>
- Henríquez-Daza, M., Capelleras, J.-L., & Osorio-Tinoco, F. (2019). Entrepreneurial Engagement and Growth Aspirations: The Moderating Role of Opportunity Perception. *International Review of Entrepreneurship*, 17(2), 189–212.
- Hessels, J., Grilo, I., Thurik, R., & Van Der Zwan, P. (2011). Entrepreneurial exit and entrepreneurial engagement. *Journal of Evolutionary Economics*, 21(3), 447–471. doi: 10.1007/s00191-010-0190-4
- Karasik, T., Wehrey, F., & Strom, S. (2007). Islamic Finance in a Global Context: Opportunities and Challenges. *Chicago Journal of International Law*, 7(2). Retrieved on April 13, 2024, from <https://chicagounbound.uchicago.edu/cjil/vol7/iss2/3>
- KNEKS. (2023, October 26). *Master Plan Industri Halal Indonesia 2023-2029*. Retrieved on April 24, 2024, from <https://kneks.go.id/storage/upload/1698379014-Master%20Plan%20Industri%20Hala>

- Indonesia%202023-2029%20Summary.pdf
- Kosa, A., & Mohammed, I. (2017). Uncovering the backings to passion: Why do small firm owners/managers engage in entrepreneurship? *Journal of Innovation and Entrepreneurship*, 6(1), 20. doi: 10.1186/s13731-017-0080-1
- Leso, B. H., Cortimiglia, M. N., & Ghezzi, A. (2023). The contribution of organizational culture, structure, and leadership factors in the digital transformation of SMEs: A mixed-methods approach. *Cognition, Technology & Work*, 25(1), 151–179. doi: 10.1007/s10111-022-00714-2
- Lim, D. S. K., Oh, C. H., & De Clercq, D. (2016). Engagement in entrepreneurship in emerging economies: Interactive effects of individual-level factors and institutional conditions. *International Business Review*, 25(4), 933–945. doi: 10.1016/j.ibusrev.2015.12.001
- Lincoln, Y. S., & Guba, E. G. (1986). But is it rigorous? Trustworthiness and authenticity in naturalistic evaluation. *New Directions for Program Evaluation*, 1986(30), 73–84. doi: 10.1002/ev.1427
- Majid, R., & Nugraha, R. A. (2022). CROWDFUNDING AND ISLAMIC SECURITIES: THE ROLE OF FINANCIAL LITERACY. *Journal of Islamic Monetary Economics and Finance*, 8(1), 89–112. Scopus. doi: 10.21098/jimf.v8i1.1420
- Mubarik, F. (2021). Global Zakat cooperation chain to SDGs: How shall mechanisms and master plan be? In *Islamic Wealth and the SDGs: Global Strategies for Socio-Economic Impact* (pp. 439–450). Scopus. doi: 10.1007/978-3-030-65313-2_22
- Patton, M. Q. (2002). *Qualitative research & evaluation methods*. Sage.
- Raimi, L., Abdur-Rauf, I. A., & Raimi, B. O. (2023). Halal Entrepreneurship in Islamic Digital Economy from a Cultural Perspective. In L. Raimi, S. M. Adekunle, & M. S. Shabbir (Eds.), *Contemporary Discourse of Halal and Islamic Entrepreneurship: Trends and Future Opportunities* (pp. 115–132). Springer Nature. doi: 10.1007/978-981-99-6427-7_8
- Ramadani, V., Dana, L. P., Ratten, V., & Tahiri, S. (2015). The context of Islamic entrepreneurship and business: Concept, principles and perspectives. *International Journal of Business and Globalisation*, 15(3), 244. doi: 10.1504/IJBG.2015.071906
- Ramadani, V., Dana, L.-P., Gërguri-Rashiti, S., & Ratten, V. (Eds.). (2017). *Entrepreneurship and Management in an Islamic Context*. Springer International Publishing. doi: 10.1007/978-3-319-39679-8
- Salaheldeen, M., & Battour, M. (2024). Fostering innovation capability and sustainable innovation in halal industry: The role of halal entrepreneurs' success. *Journal of Islamic Marketing*, 15(3), 777–799. doi: 10.1108/JIMA-12-2022-0323
- Salaheldeen, M., Battour, M., Nazri, M. A., Ahmad Bustamam, U. S., & Hashim, A. J. C. M. (2023). The perception of success in the halal market: Developing a halal entrepreneurship success scale. *Journal of Islamic Marketing*, 14(3), 799–825. doi: 10.1108/JIMA-10-2021-0341
- Saunders, M. N. K., Lewis, P., & Thornhill, A. (2019). *Research methods for business students* (Eighth Edition). Pearson.
- Shane, S., & Venkataraman, S. (2000). The Promise of Entrepreneurship as a Field of Research. *Academy of Management Review*, 25(1), 217–226. doi: 10.2307/259271
- Soltanian, M., Zailani, S., Iranmanesh, M., & Aziz, A. A. (2016). Motivations of SME entrepreneurs to become halalpreneurs. *Journal of Science and Technology Policy Management*, 7(2), 173–189. doi: 10.1108/JSTPM-07-2015-0023
- Sushandoyo, D., Kencanasari, R. A. M., Prasetio, E. A., & Matsuura, Y. (2022). The Influences of Technological

- Capability and Market Orientation Toward Business Model Innovations of Digital Startups. *International Journal of Innovation Management*, 26(02), 2250018. doi: 10.1142/S1363919622500189
- Tufa, T. L., Belete, A. H., & Patel, A. A. (2021). The autonomous side of EO and firm performance: The role of professional experience and entrepreneurial engagement. *African Journal of Economic and Management Studies*, 12(3), 439–452. doi: 10.1108/AJEMS-09-2020-0445
- Uriarte, S., Espinoza-Benavides, J., & Ribeiro-Soriano, D. (2023). Engagement in entrepreneurship after business failure. Do formal institutions and culture matter? *International Entrepreneurship and Management Journal*, 19(2), 941–973. Scopus. doi: 10.1007/s11365-023-00829-6
- Van Der Zwan, P., Thurik, R., Verheul, I., & Hessels, J. (2016). Factors influencing the entrepreneurial engagement of opportunity and necessity entrepreneurs. *Eurasian Business Review*, 6(3), 273–295. doi: 10.1007/s40821-016-0065-1