

ISLAMIC ENTREPRENEURSHIP IN SOUTHERN THAILAND: INTEGRATION OF ISLAMIC ETHICS, SHARIA COOPERATIVES, AND FINANCIAL LITERACY IN STRENGTHENING THE UMMAH ECONOMY

Abdunmumin Bado ¹⁾, Sigit Indrawijaya ²⁾, Zam Zami ³⁾

^{1,2,3)} Universitas Jambi, Jambi, Indonesia

Corresponding author: muminboh@gmail.com

Abstract

This article examines the dynamics of Islamic entrepreneurship in Southern Thailand, particularly in the provinces of Pattani, Yala, and Narathiwat, which are predominantly inhabited by Malay Muslims. This study employs a qualitative descriptive method through a literature review approach, integrating findings on the business practices of Muslim entrepreneurs, the role of Islamic cooperatives, Islamic financial literacy, and community access to halal financing. The results indicate that while the community demonstrates a strong commitment to conducting business in accordance with Islamic principles, Islamic entrepreneurship in the region faces several structural challenges. These include a limited understanding of Islamic jurisprudence (Fiqh Muamalah), low levels of Islamic financial literacy, restricted access to formal Islamic financial institutions, and external economic shocks such as the COVID-19 pandemic. However, the existence of the Pattani Islamic Cooperative, community-based business initiatives, and the optimization of Islamic social finance instruments such as zakat, waqf, and sadaqah provide significant opportunities to strengthen the ecosystem. This article concludes that the sustainable development of Islamic entrepreneurship in Southern Thailand requires a strategic integration of ethical reinforcement, institutional support from cooperatives, and enhanced financial literacy.

Keywords: Islamic Entrepreneurship, Pattani, Islamic Cooperatives, Islamic Financial Literacy, Muslim Community Economy

Introduction

Entrepreneurship is a fundamental pillar of economic development, particularly in societies dominated by Small and Medium Enterprises (SMEs). From an Islamic perspective, entrepreneurship is interpreted not merely as an effort to obtain material profit, but also as a form of worship (ibadah) when conducted according to Sharia principles. These principles necessitate honesty (siddiq), trustworthiness (amanah), justice (adl), and the strict avoidance of usury (riba) and exploitative practices. Thus, Islamic entrepreneurship emphasizes a balance between spiritual and material orientations, serving as the foundation for a just and sustainable Ummah economy.

The southern region of Thailand specifically the provinces of Pattani, Yala, and Narathiwat possesses unique characteristics as a Malay Muslim-majority area within a non-Muslim majority country. The people of this region have a long-standing Islamic tradition in trade, agriculture, and community ventures. However, complex social, political, and economic dynamics pose distinct challenges to the development of Muslim entrepreneurship. Furthermore, establishing a standardized Islamic business environment is crucial to ensure that economic activities align with Sharia principles and support national economic resilience (Ahyani et al., 2022). Previous studies have highlighted structural and cultural barriers to Sharia-compliant business practices in the region. For instance, Boonchom (2023) found that Muslim entrepreneurs in Pattani struggle to avoid riba-based transactions due to limited capital and a lack of support from Islamic financial institutions.

On an institutional level, the Pattani Islamic Cooperative (Patani Berhad) plays a strategic role as the first Islamic financial institution in Thailand, providing profit-sharing financing as an alternative to conventional loans. However, its performance has faced external pressures, such as the economic downturn caused by the COVID-19 pandemic (Waehayee & Alfarisi, 2021). Furthermore, the level of Islamic financial literacy among the population remains suboptimal. Worasutr (2024) noted that public literacy is at a moderate level, yet access to and inclusion in Islamic financial products remain low. This disconnect has led to the phenomenon of "voluntary exclusion," where Muslim business owners deliberately avoid financial services due to perceived risks or a lack of trust (Noipom et al., 2017).

Despite these challenges, the potential of Islamic social finance instruments—such as zakat, waqf, and sadaqah remains an underutilized alternative source of financing for community businesses. A gap exists in current literature regarding how to effectively integrate Islamic ethics, the role of cooperatives, financial literacy, and social finance instruments within the context of a minority Muslim community. Therefore, this study aims to examine the dynamics of Islamic entrepreneurship in Southern Thailand by synthesizing these dimensions. Theoretically, this research contributes to the limited literature on Islamic entrepreneurship in Muslim-minority regions. Practically, the findings serve as a reference for policymakers and cooperative institutions in designing inclusive economic empowerment strategies.

Literature Review

Entrepreneurial Ethics in an Islamic Perspective

In Islamic thought, ethics are fundamentally rooted in the concepts of Akhlaq (morality) and Adab (manners), derived directly from the Qur'an and Hadith. Unlike the secular definition where ethics might simply refer to moral rules or duty (Ali Akbar et al., 2024), Islamic business ethics encompass a holistic form of worship (ibadah). Scholars emphasize the need to reconstruct business ethics directly from Quranic perspectives to address modern economic challenges without losing spiritual values (Kasim et al., 2022). Entrepreneurship in Islam is not merely about profit maximization but must be built upon pillars such as Siddiq (honesty), Amanah (trustworthiness), Fathonah (intelligence/wisdom), and Tabligh (communicative). Sanusi (2008) emphasizes that entrepreneurship manifests as values embodied in behavior, driving resources and strategies. In the context of Southern Thailand, Boonchom (2023) found that Muslim entrepreneurs in Pattani actively strive to adhere to these principles, particularly in ensuring product halalness and maintaining fairness. However, a gap remains between these ethical ideals and reality, as capital constraints often force entrepreneurs into conventional, interest-based financial systems, highlighting the need for institutional support that aligns with their ethical framework.

The Strategic Role of Sharia Cooperatives

A cooperative is an organization founded on the principle of cooperation to achieve common economic goals and member welfare. Sharia cooperatives, however, distinguish themselves by operating strictly under Islamic jurisprudence (Fiqh Muamalah). Their products and mechanisms must comply with the Qur'an and Sunnah, strictly prohibiting Riba (usury), Maysir (gambling), and Gharar (uncertainty) (Amalia et al., 2024). In Southern Thailand, the Pattani Islamic Cooperative (Patani Berhad) serves as a benchmark for this model. Established as the first Islamic financial institution in the country, it has grown to serve over 60,000 members with assets exceeding 1 billion Baht (Waehayee & Alfariis, 2021). The cooperative provides a profit-sharing financing system (Mudharabah and Musharakah) that offers a viable alternative to conventional banking. Despite its success, the cooperative remains vulnerable to external shocks, such as the economic contraction caused by the COVID-19 pandemic, which affected loan repayments and overall profitability.

Islamic Financial Literacy and Inclusion

Financial literacy is defined as the knowledge, skills, and confidence to make informed financial decisions (OECD, 2015). In the Islamic context, this includes understanding Sharia contracts (aqad) and distinguishing between halal and non-halal financial products. High literacy is essential for financial inclusion and economic empowerment. However, empirical evidence from Worasutr (2024) reveals a critical challenge in Southern Thailand: the average financial literacy score in the five southern border provinces is only 50.48%, with Islamic financial inclusion standing at a mere 18.1%. This low literacy leads to a phenomenon known as "voluntary exclusion," where Muslim entrepreneurs deliberately avoid financial institutions due to a lack of trust or fear of non-compliance with Sharia, even when Islamic options are available (Noipom et al., 2017).

Community-Based Islamic Social Finance

To bridge the financing gap, the Community-based Islamic Social Finance model integrates commercial finance with social instruments such as Zakat, Infaq, Sadaqoh, and Waqf (ZISWAF). Widiastuti et al. (2022) propose an integrated approach known as "4ER" (Economic Rescue, Recovery, Reinforcement, and Resilience), which has proven more effective than non-integrated programs. In the context of the Malay Muslim minority in Thailand, this model is vital. It emphasizes local community participation and the use of social funds to support micro-enterprises that are not yet bankable. By combining economic and social aspects, this model functions not only as a charity distribution mechanism but also as a tool for structural economic transformation and poverty alleviation (Adinugraha et al., 2021).

Managerial Competence and Marketing in Halal Business

Beyond financial factors, the sustainability of Islamic entrepreneurship relies on managerial and marketing capabilities. Managerial competence involves the efficient mobilization of resources to achieve organizational goals (Tangkilian, 2005), while marketing involves creating value and satisfaction for consumers (Stanton, 2013). Research indicates that apart from technical skills, the adoption of prophetic business ethics is fundamental for business success and sustainability (Amalia et al., 2024). Therefore, strengthening the Ummah's economy requires a dual approach: providing access to Sharia-compliant capital while simultaneously upgrading the managerial skills and marketing acumen of Muslim entrepreneurs.

Methods

Research Design this study employs a qualitative descriptive method using a library research approach. According to Zed (2014), library research is not merely a preliminary step but a dedicated research method that utilizes library resources such as books, journals, and documents to answer research problems without requiring direct field research. This approach was chosen to comprehensively synthesize existing knowledge regarding Islamic entrepreneurship in the specific context of Southern Thailand's Muslim minority.

Data Collection was carried out by reviewing secondary data sources. As defined by Sugiyono (2013), secondary data involves collecting information from existing sources rather than conducting direct experiments. In this study, the literature search was assisted by Harzing's Publish or Perish (PoP) software to access the Google Scholar database. The search focused on academic articles published between 2015 and 2024 using keywords: "Islamic Entrepreneurship Thailand," "Sharia Cooperatives Pattani," "Islamic Financial Literacy," and "Halal Business Marketing." From this initial search, approximately 150 articles were identified. Following a screening process based on title relevance and duplication, 115 articles were excluded. The remaining 35 articles underwent full-text assessment. Finally, 20 articles that specifically discussed Islamic entrepreneurship, cooperatives, and financial literacy in the context of Southern Thailand and similar minority regions were selected for in-depth analysis.

Data analysis the collected data were analyzed using content analysis techniques. Krippendorff (2018) defines content analysis as a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the contexts of their use. The analysis process involved reading, reducing, and grouping data based on thematic relevance to identify key structural challenges and potential solutions for the Ummah economy in Pattani, Yala, and Narathiwat.

Results and Discussion

Mapping of Previous Studies the systematic literature search identified key studies that form the foundation of this research. Table 1 summarizes the comparison between previous findings and the focus of this current study, highlighting the research gap filled by this integrative approach

Table 1. Literature Mapping

No	Author (Year)	Key Findings	Similarities with This Study	Differences / Research Gap
1	Boonchom (2023)	Examined Muslim business practices in Pattani. Findings: Entrepreneurs adhere to Islamic ethics (honesty, halal) but rely on conventional banks due to limited capital.	Both emphasize Islamic ethics as the fundamental basis of entrepreneurship.	Focused on individual practices. This study integrates ethics with institutional support (cooperatives) and financial literacy.
2	Waehayee & Alfarisi (2021)	Analyzed Pattani Islamic Cooperative (SWOT). Findings: It serves >60,000 members as a <i>Riba</i> -free alternative but faced performance decline due to COVID-19.	Both highlight the strategic role of Sharia cooperatives in the people's economy.	Single-case study on one cooperative. This study views cooperatives as part of a larger ecosystem involving social finance.
3	Worasutr (2024)	Assessed financial literacy in 5 southern provinces. Findings: Moderate literacy (50.48%) and low inclusion (18.1%) due to lack of trust and high costs.	Both identify financial literacy as a critical success factor for Muslim entrepreneurs.	Focused solely on literacy metrics. This study connects literacy levels to the "voluntary exclusion" phenomenon and ethical dilemmas.
4	Noipom et al. (2017)	Investigated access to financing. Findings: Identified "voluntary exclusion" where businesses avoid banks due to risk perception and lack of need.	Both address the challenges of capital access for Muslim SMEs.	Focused on the problem of exclusion. This study proposes solutions through Islamic social instruments (<i>Zakat, Waqf</i>)
5	Amalia et al. (2024)	Analyzed Prophet Muhammad's business ethics (honesty, trust, no <i>riba</i>) as a key to success towards Golden Indonesia 2045.	Both emphasize that ethical values are the core of sustainable business practices.	Focused on the Prophet's personal ethics. This study integrates these ethics into a cooperative & literacy ecosystem.

The table above summarizes the results of relevant previous research, including similarities and differences with articles that discuss the Integration of Islamic Ethics, Sharia Cooperatives, and Financial Literacy in Strengthening the Ummah Economy.

The Influence of Islamic Ethics on Business Resilience

The synthesis of the literature confirms that Islamic ethics serve as the fundamental foundation for Muslim entrepreneurs in Southern Thailand. Values such as *Siddiq* (honesty), *Amanah* (trustworthiness), and justice are not merely theological concepts but practical guidelines. Boonchom (2023) highlights that these values function as "social capital," allowing entrepreneurs to build strong customer loyalty and distinct business identities in a competitive market. However, the review also reveals a significant "ethical dilemma." While entrepreneurs strive to ensure product halalness and avoid *Riba* (usury), structural constraints such as limited capital and market pressure often force them to rely on conventional financial services. This finding suggests that while the intention (*niyyah*) to be Sharia-compliant is strong, the implementation is hindered by the lack of a supportive ecosystem.

The Strategic Role of Sharia Cooperatives

In addressing the capital dilemma, Sharia cooperatives play a pivotal role as the primary institutional support. The case of the Pattani Islamic Cooperative (Patani Berhad) is particularly significant. As noted by Waeheyee and Alfarisi (2021), the cooperative has grown to serve over 60,000 members with assets exceeding 1 billion Baht, proving that a profit-sharing model is a viable alternative to conventional banking. Beyond financing, the cooperative fosters economic empowerment through community solidarity. However, the analysis also indicates vulnerability. The COVID-19 pandemic severely impacted the cooperative's performance, leading to a decline in profits and loan repayment rates. This suggests that while cooperatives are essential, they require modernization in risk management and digital services to remain resilient against external economic shocks.

Financial Literacy and Inclusion Challenges

A critical finding of this study is the correlation between low financial literacy and limited business growth. Worasutr (2024) provides empirical evidence that the Islamic financial literacy score in the five southern border provinces is moderate, averaging only 50.48%, while financial inclusion remains low at 18.1%. This low literacy creates a barrier known as "voluntary exclusion," where Muslim entrepreneurs avoid formal financial institutions due to a lack of understanding or trust (Noipom et al., 2017). Without adequate literacy, entrepreneurs are unable to distinguish between genuine Sharia products and conventional ones, limiting their ability to access proper halal financing. Therefore, increasing literacy is identified as a mandatory step to bridge the gap between ethical commitment and institutional access.

Challenges in the Era of Society 5.0: A Dialogue of Perspectives

The synthesis of recent literature reveals a dynamic tension between traditional values and modern demands. Boonchom (2023) confirms that Muslim entrepreneurs in Pattani possess strong internal ethical values (intrinsic motivation), such as honesty and refusal of *Riba*. However, Aravik et al. (2023) argue that in the era of the Industrial Revolution 4.0, traditional ethics alone are insufficient; they must be integrated with digital adaptation to remain relevant and competitive. This perspective is further supported by Suhardi et al. (2023), who emphasize that in the Society 5.0 era, Islamic entrepreneurship must evolve beyond financial well-being to include innovation and technological utilization.

Nevertheless, a critical gap emerges when juxtaposing these global demands with the local reality in Southern Thailand. While Hassan (2022) notes a global trend where Muslim entrepreneurship is increasingly professional, Worasutr's (2024) empirical findings reveal that local entrepreneurs are held back by low financial literacy (50.48%). This creates a paradox: entrepreneurs are ethically ready but technologically and financially unprepared. This finding corroborates Noipom et al. (2017) regarding "voluntary exclusion," but extends the argument by suggesting that exclusion is now exacerbated by a "digital divide." Therefore, achieving the sustainability proposed by Kamaludin et al. (2021) requires not just ethical preaching, but a concrete structural intervention to upgrade the managerial and digital competence of these entrepreneurs.

Integration of Islamic Social Finance

Finally, the literature points to a missed opportunity in Islamic Social Finance. For micro-businesses that are "unbankable" (unable to access cooperatives or banks), instruments like *Zakat*, *Waqf*, and *Sadaqah* can serve as alternative seed capital. Integrating these social instruments with commercial cooperative financing creates a comprehensive economic safety net, ensuring that all levels of the Muslim society in Southern Thailand can participate in economic development.

Conclusion

Based on a comprehensive synthesis of the literature, this study concludes that the development of Islamic entrepreneurship in Southern Thailand specifically in Pattani, Yala, and Narathiwat requires a holistic ecosystem rather than partial solutions. The sustainability of the Ummah's economy in this Muslim-minority region relies on the strategic integration of three fundamental pillars:

1. Islamic Ethics serve as the moral foundation and "social capital" that builds consumer trust and distinguishes Muslim businesses from competitors.
2. Sharia Cooperatives (such as Pattani Berhad) function as the critical institutional engine, providing access to *Riba*-free capital and fostering community solidarity.

3. Financial Literacy acts as the enabler, bridging the gap between ethical commitment and the effective utilization of financial institutions, thereby reducing voluntary exclusion.

Implications theoretically, this study contributes to the literature by proposing an integrative model that links personal ethics with institutional support. Education plays a pivotal role in this ecosystem; entrepreneurship education rooted in Islamic views can significantly enhance the community's ability to manage business risks and maintain ethical standards (Tiffani et al., 2024). Practically, the findings suggest that policymakers and cooperative leaders cannot focus solely on providing capital. There is an urgent need to implement comprehensive financial literacy programs and modernize cooperative management to survive external shocks like economic pandemics. Furthermore, the optimization of Islamic social finance instruments (Zakat, Waqf, Sadaqah) must be institutionalized to support micro-entrepreneurs who are currently underserved by formal cooperatives.

Limitations and Future Research this study is limited to a qualitative review of existing literature. Therefore, future research is recommended to validate this integrative model empirically using quantitative methods. Specifically, measuring the direct impact of financial literacy levels on the business performance of Muslim entrepreneurs in Southern Thailand would provide valuable data for crafting more precise economic policies.

References

- Adinugraha, H. H., Fahroddin, & Mujaddid, A. Y. (2021). Contextualization of the *istishāb wa sadd al-zarī'ah*: Towards Islamic economic practices in Indonesia. *Al-'Adl: Jurnal Hukum*, 14(2), 98–117. <https://doi.org/10.31332/aladl.v14i2.2417>
- Ahyani, H., Putra, H. M., Slamet, M., & Mutmainah, N. (2022). Standardization of companies and the Islamic business environment in Indonesia. *Jurnal Ilmiah Ekonomi Islam*, 8(1), 10. <https://doi.org/10.29040/jiei.v8i1.3795>
- Ali Akbar, M. I., Akbari, G., Rahmatullah, S., Warsiyah, W., & Pitra, A. (2024). Entrepreneurial ethics in Islamic perspective: A review of the aspects of Islamic education. *International Journal of Sharia Economics and Financial Literacy*, 1(2), 80–87. <https://pubjournals.com/ijsefl/article/view/57>
- Amalia, T., Suleman, M. A., Irwansyah, M., & Nurmawati, F. (2024). Prophet Muhammad's business ethics as a reflection of successful Muslim entrepreneurs towards Golden Indonesia 2045. *Jurnal Syariah: Jurnal Ekonomi Islam*, 10(2), 224–237. <https://doi.org/10.30997/jsei.v10i2.13138>
- Aravik, H., Harun, M., & Febrianti, R. (2023). The urgency of Islamic business ethics in the era of the Industrial Revolution 4.0. *Islamic Banking: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah*, 8(2), 303-326. <https://doi.org/10.36908/isbank.v8i2.706>
- Boonchom, O. (2023). Muslim practices in businesses: A case study of Muslim businessmen in Pattani, Thailand. *Jamalullail Journal*, 2(1), 64–78. <https://journaljamalullail.kuips.edu.my/index.php/journal/article/view/11>
- Financial Services Authority. (2017). Indonesia's National Strategy for Financial Literacy (Revisit 2017). Jakarta: OJK. Retrieved from [https://www.ojk.go.id/id/kanal/dukasi-dan-perlindungan-consumers/Pages/Strategi-Nasional-Literasi-Kehuangan-Indonesia-\(Revisit-2017\).aspx](https://www.ojk.go.id/id/kanal/dukasi-dan-perlindungan-consumers/Pages/Strategi-Nasional-Literasi-Kehuangan-Indonesia-(Revisit-2017).aspx)
- Hassan, Y. (2022). A decade of research on Muslim entrepreneurship. *Journal of Islamic Marketing*, 13(6), 1288-1311. <https://doi.org/10.1108/JIMA-12-2019-0269>
- Kamaludin, M. F., Xavier, J. A., & Amin, M. (2021). Social entrepreneurship and sustainability: A conceptual framework. *Journal of Social Entrepreneurship*, 15(1), 26-49. <https://doi.org/10.1080/19420676.2021.1900339>
- Kasim, S., Octaviani, W., & Lukman, H. (2022). Rekonstruksi etika bisnis Islami dalam perspektif Al Qur'an. *El-Fata: Journal of Sharia Economics and Islamic Education*, 1(1), 63-73 <https://doi.org/10.61169/el-fata.v1i1.6>
- Krippendorff, K. (2018). Content analysis: An introduction to its methodology (4th ed.). Thousand Oaks, CA: Sage Publications.
- Latifah, E., Rifqi, M. A., & Julian, A. (2023). Islamic business ethics as a distribution solution in Indonesia. *Alkasb: Journal of Islamic Economics*, 3(2), 501– 511. <https://doi.org/10.59005/alkasb.v3i2.501>
- Noipom, T., Hassama, A., & Hayeemad, M. (2017). Access to Islamic finance: A case study of Muslim community enterprises in southernmost provinces of Thailand. *วารสารอิสลามศึกษา (Journal of Islamic Studies, Prince of Songkla University)*, 8(1), 71–80. Retrieved from <https://so03.tci-thaijo.org/index.php/JOIS/article/download/169610/121999/>
- OECD. (2015). OECD/INFE core competencies framework on financial literacy for adults. Paris: OECD Publishing. <https://doi.org/10.1787/9789264238541-en>
- Sanusi, A. (2008). Entrepreneurship. Jakarta: Salemba Empat.
- Stanton, W. J. (2013). Marketing principles (13th ed.). Jakarta: Erlangga.
- Sugiyono. (2013). Qualitative, quantitative, and R&D research methods. Bandung: Alfabeta.
- Suhardi, Afrizal, & Fauzi, A. A. (2023). Kewirausahaan di Era Society 5.0. Publica Indonesia Utama.
- Tangkilisan, H. N. (2005). Public management. Yogyakarta: Lukman Offset.
- Tiffani, T., Syafruddin, S., Rehani, R., Nurhasnah, N., & Mardianto, M. (2024). Pendidikan kewirausahaan

- dalam pandangan Islam. *Jurnal Kolaboratif Sains*, 7(1), 553-562. <https://doi.org/10.56338/jks.v7i1.4677>
- Waehayee, Y., & Alfarisi, M. F. (2021). SWOT analysis of Islamic Cooperative Pattani Berhad: Strategy for Islamic cooperative development. *Journal of Islamic Economics and Business*, 8(1), 22-37. Retrieved from <https://scholar.unand.ac.id/96612/>
- Widiastuti, T., Robani, A., Sukmaningrum, P. S., Mawardi, I., Ningsih, S., Herianingrum, S., & Al-Mustofa, M. U. (2022). Integrating sustainable Islamic social finance: An Analytical Network Process using the Benefit Opportunity Cost Risk (ANP BOCR) framework The case of Indonesia. *PLOS ONE*, 17(5), e0269039. <https://doi.org/10.1371/journal.pone.0269039>
- Worasutr, W. (2024). Promoting sustainable innovation through Islamic financial literacy and inclusion in Thailand's five southern border provinces. *Journal of Islamic Studies*, 15(2), 94-106. <https://so03.tci-thaijo.org/index.php/JOIS/article/view/278559>
- Zed, M. (2014). *Metode penelitian kepustakaan*. Jakarta: Yayasan Pustaka Obor Indonesia.