



The Role of Production and Sales in Family Syirkah: Analysis from the Perspective of Islamic Economic Law at Dakos Clothing

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ABSTRACT

This study examines the implementation of profit-sharing in Dakos Clothing, a family business, from the perspective of Islamic economic law. Using a qualitative descriptive case study approach, data were collected through interviews, observations, and documentation. The findings indicate that the profit-sharing system is based on trust, responsibility, and mutual respect, reflecting Islamic principles of justice (adl), trust (amanah), and cooperation (ta'awun). While the system demonstrates proportional distribution of profits according to members' contributions, challenges remain in transparency, formal documentation, and evaluation of work contributions. The study concludes that Dakos Clothing has successfully internalized Shariah-based economic values, yet the implementation of structured and transparent administrative mechanisms is essential to achieve full fairness, sustainability, and spiritual blessing in business operations

INTRODUCTION

Islamic economics has emerged as an alternative economic system that has increasingly gained attention over the past decades. This system is based on the principles of Islam derived from the Qur'an and Sunnah, aiming to achieve economic justice and social welfare. Since the time of the Prophet Muhammad (PBUH), Islamic economic principles have been implemented through policies regulating trade, finance, and business partnerships, including the concept of *syirkah* as a fair business cooperation model (Siddiqi, 2006).

In Indonesia, Small and Medium Enterprises (SMEs) contribute approximately 60% to the national Gross Domestic Product (GDP) (BPS, 2022). However, many family businesses, a form of SMEs, face challenges in management and profit distribution, particularly due to the absence of formal business contracts and clear *syirkah* agreements (OJK, 2022). This situation creates the risk of unfair profit sharing, especially when the contributions of partners are non-financial, such as labor, expertise, and time.

Family businesses have unique characteristics, including the influence of family values on decision-making and the complexity of determining each member's roles and contributions. From an Islamic economic perspective, family businesses can be seen as a specific form of *syirkah*, where justice in profit distribution is a primary principle. *Syirkah* emphasizes that risks and profits must be shared jointly, and profit distribution should be proportional to each party's contribution (Usmani, 2002).

A relevant case is Dakos Clothing, a family business located in Kp. Panyaweuyan, Lampegan Village, Ibun District, engaged in clothing production and sales. This business is managed by family members with distinct roles: some focus on production while others are responsible for sales and marketing. Although Islamic principles, including *syirkah* contracts, are applied, issues arise concerning disagreements over profit-sharing proportions. The production team feels their contribution is greater due to physical labor, technical skills, and longer working hours, whereas the sales team argues their contribution is equally important as they ensure the products generate revenue and business growth.

This disagreement is further exacerbated by the absence of a written agreement specifying the profit-sharing mechanism. Informal agreements were initially considered sufficient due to family bonds and trust. However, as the business grows, differing perspectives on contributions become more pronounced, causing tension and raising questions about fairness from the perspective of Islamic economic law.

Based on this background, this study aims to analyze the issues of profit distribution in family businesses from the perspective of Islamic economic law, focusing on the roles of production and sales in Dakos Clothing. This research is expected to provide practical insights into the implementation of *syirkah* principles in family businesses and strategies for equitable profit sharing in accordance with Islamic law.

LITERATURE REVIEW

Profit Sharing in Business

Definition of Profit Sharing

Profit sharing refers to the process of distributing profits obtained from a business among the parties involved, such as investors, managers, or business partners. This distribution is typically based on a prior agreement, either in the form of a written contract or verbal arrangement (Sukmana, 2018).

Legal Basis of Profit Sharing

In Indonesia, the legal framework for profit distribution is regulated through several laws. Law No. 40 of 2007 concerning Limited Liability Companies governs the distribution of profits within corporate contexts. Additionally, Law No. 11 of 2020 on Job Creation regulates various aspects of business operations, including profit sharing in partnerships (*musyarakah*). These regulations aim to ensure that profit distribution complies with established legal standards while promoting fairness and transparency.

Dimensions of Profit Sharing

Profit sharing can be analyzed through three dimensions:

- 1) Economic Dimension: Focuses on the financial aspects, including the calculation of profits and losses experienced by each party.
- 2) Legal Dimension: Addresses the legality of profit-sharing agreements and compliance with relevant regulations.
- 3) Social Dimension: Concerns the relationships among parties, emphasizing fairness, transparency, and mutual trust in the distribution process (Usmani, 2002).

Key Principles of Profit Sharing

Effective profit sharing in business requires adherence to several key principles:

- 1) Agreement: Profit distribution must be based on a clear consensus among all parties.
- 2) Justice: Profits should be allocated fairly and proportionally according to each party's contribution.
- 3) Transparency: The distribution process must be open to avoid disputes in the future.
- 4) Documentation: Agreements should be documented in writing to prevent conflicts.
- 5) Legal Compliance: Profit-sharing practices must comply with applicable laws to ensure validity and legality.

Syirkah in Family Business

Definition of Syirkah

Linguistically, *syirkah* refers to "al-ikhtilat" (mixing) or a partnership in which two or more parties pool their resources to manage a business, sharing profits and losses proportionally or according to agreement. According to the Maliki school, *syirkah* involves mutual authorization to manage shared property, where each partner has the right to participate in management (Khan, 2017).

Legal Basis of Syirkah

The legal foundation of syirkah in Islamic law is derived from both the Qur'an and Hadith. For example, Qur'an 60:8 emphasizes justice in dealings: "Allah does not forbid you to do good and act justly toward those who do not fight you because of religion..." (Al-Mumtahanah, 60:8). Similarly, a Hadith narrated by Abu Dawud (No. 3383) states: "Allah is the third party of two partners as long as none of them betrays the other." These texts highlight that partnerships are blessed and supported by Allah if honesty and trustworthiness are maintained.

Pillars of Syirkah

According to the Maliki school, the essential elements (rukun) of syirkah include:

- 1) Shighat (Contractual Expression): The declaration of intent by all parties, including *ijab* and *qabul*, either verbally or through action.
- 2) Contracting Parties: Both parties must participate in the agreement. Conditions include being free, adult (*baligh*), and intellectually competent (*rusyd*).
- 3) Object of Syirkah: The primary capital, which can be money or labor. The object must be lawful, certain, and manageable to achieve the partnership's purpose of profit generation.

Conditions of Syirkah

The Maliki and Shafi'i schools agree that the conditions for syirkah include:

- 1) Statement of Agreement: No specific formula for *musyarakah* contracts is required.
- 2) Competent Parties: Partners must be competent and authorized to represent themselves or each other.
- 3) Object of the Contract: Must consist of tangible assets or labor. Profit sharing is proportional to contributions, whether in capital, labor, or a combination thereof.

Roles of Production and Sales in Islamic Economic Law

Role of Production

In family businesses, the production process plays a critical role and must adhere to Islamic ethical and moral values. The main functions include:

- 1) Compliance with Sharia Principles: Production activities must avoid *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), ensuring all operations are lawful.
- 2) Community Empowerment: Production should contribute to social welfare, such as creating employment opportunities.
- 3) Innovation and Quality: High-quality and innovative products provide greater benefits for consumers.
- 4) Transparency and Accountability: Processes must be open and accountable to maintain trust among stakeholders.
- 5) Business Ethics: Production must uphold honesty, integrity, and responsibility from raw material procurement to product distribution.

Role of Sales

Sales activities are equally important and must align with Islamic ethical standards:

- 1) Justice in Transactions: Prices should be fair, avoiding deception or selling defective goods without disclosure.
- 2) Customer Satisfaction: Maintaining good relationships with customers is an ethical obligation and enhances loyalty.
- 3) Prevention of Monopoly: Sales must promote healthy competition and prevent consumer exploitation.

Implementation of Profit Sharing in Family Businesses

Based on the principles of syirkah, ideal profit-sharing implementation in family businesses includes:

- 1) Clear agreements on capital, roles, and profit/loss proportions among all parties.
- 2) Profit allocation based on nisbah (proportion) reflecting contributions in capital, labor, or both, with losses typically borne according to capital contribution.
- 3) Active participation of all parties in business operations and decision-making.
- 4) Fair and proportional distribution according to roles and contributions.
- 5) Compliance with Sharia principles, including prohibition of riba, justice, and voluntary agreements.

Proper implementation ensures minimal conflict, maintains family harmony, and upholds professionalism in managing the business.

Prior Research

In examining prior research related to Islamic business partnerships and profit sharing from 2023, several studies provide a foundational backdrop for understanding syirkah and its implementation. One such study by Syamsurianto and colleagues explores the thought of Imam Malik on syirkah and its relevance in the Indonesian context, highlighting that classical jurisprudential concepts of syirkah continue to be realized in contemporary business partnerships where profit and loss are shared among partners. This study emphasizes the enduring relevance of early Islamic legal thought in modern applications of equity sharing, using empirical field research to confirm that syirkah remains a viable framework for dividing business outcomes based on agreed norms and contributions

Another 2023 article that contributes to the literature is the normative analysis of profit-sharing methods in franchise businesses from the perspective of Islamic economic law. Saharudin et al. contend that franchise agreements essentially represent a form of syirkah, where profit sharing must be defined clearly between franchisor and franchisee and should comply with justice, transparency, and prudence as articulated in Islamic principles. Unlike the empirical focus of earlier studies, this normative approach centers on literature and secondary data to derive legal interpretations of partnership contracts in franchise contexts, underscoring the importance of contractual clarity and

alignment with *maqāṣid al sharī‘ah* (the objectives of Islamic law) in shared profit arrangements.

A third relevant contribution to 2023 literature can be found in research that examines profit sharing ratio concepts within Islamic economic frameworks especially how *syirkah* contracts distribute profits based on pre agreed ratios or capital contributions, as illustrated in the context of banking and equity financing models. This conceptual work underscores the theoretical basis for profit allocation in *sharī‘ah* compliant partnerships but does not empirically explore how these principles are operationalized in real, family run business settings. Compared with these prior studies, the present research on “The Role of Production and Sales in Family *Syirkah* at Dakos Clothing” both extends and deepens the existing scholarship. Like Syamsurianto et al., this study grounds its analysis in classical Islamic jurisprudence, yet it moves beyond conceptual exposition by empirically investigating actual practice within a family business. Equally, unlike Saharudin et al.’s franchise analysis, which is largely normative and text based, this study combines normative *syariah* principles with field data, offering insights into how agreements function (or fail to function) in informal, non corporate contexts. Similarly, while previous conceptual research on profit sharing ratios clarifies what mechanisms should be used, this article uniquely addresses how those mechanisms play out when roles differ substantively such as between production and sales contributors in a family enterprise.

The strength of the current article lies in its empirical focus and contextual depth: by coupling theoretical constructs from Qur’anic and Hadith sources with direct observation and interviews, it reveals not only the principles of justice and fairness but also the practical challenges in applying them in day to day family business operations. This synthesis of normative and empirical inquiry advances the literature by illustrating both compliance and gaps in real world *syirkah* profit sharing, something that normative/legal or purely conceptual studies alone cannot fully capture.

METHODOLOGY

This study employs a qualitative descriptive approach, which is a scientific method used to obtain data for specific purposes and objectives. Qualitative research focuses on natural settings, where the researcher acts as the key instrument, and data is collected through triangulation of multiple sources, analyzed inductively, and interpreted to emphasize meaning rather than generalization (Sugiyono, 2017; Moleong, 2018). In this case study, the research generates descriptive data, including interview transcripts, field notes, photographs, and video recordings, enabling the researcher to obtain a comprehensive understanding of the dynamics within Dakos Clothing, a family business engaged in production and sales. The object of qualitative research is observed in its natural state, without manipulation, allowing the researcher to closely understand real-life conditions and interactions.

Data collection in this study is carried out using several methods, including literature review, observation, interviews, and documentation. Literature review involves gathering data from the Qur’an, Hadith, *fiqh* books, and scientific journals. Observation is conducted systematically to understand

the behaviors, interactions, and social contexts within Dakos Clothing, particularly regarding each party's role, profit-sharing mechanisms, family dynamics, business culture, and the implementation of Sharia principles. Interviews are used to obtain in-depth information from the business owners, production and sales managers, and family members involved in the business. Documentation, including written records, financial reports from 2020 onward, visual evidence, and syirkah contract documents, supports the reliability of the data.

The research subjects are selected using purposive sampling, where participants are chosen based on their ability to provide rich and relevant information. The main subjects include the owner, production manager, sales manager, and employees actively involved in production and sales processes. Pre-field preparation involved designing research instruments, determining data collection methods, and identifying subjects. Dakos Clothing was selected as a case study due to its relevance to contemporary business, the unique approach of integrating Islamic economic law with family business dynamics, and the availability of data and accessibility for observation and interviews.

To ensure validity and reliability, several strategies were applied, including data triangulation, member checking, audit trails, researcher reflexivity, and prolonged observation. Triangulation involved comparing data from interviews, observations, and documentation. Member checking allowed participants to verify preliminary findings. Audit trails documented all research steps, while reflexivity required the researcher to acknowledge personal biases that might influence interpretation. Prolonged engagement ensured a comprehensive understanding of family interactions and business operations. Additionally, tests for transferability, dependability, and confirmability were applied to strengthen the credibility and trustworthiness of the findings. Data analysis and interpretation were conducted using qualitative content and thematic analysis. Content analysis identified main themes in interviews and documents, such as regulations, resources, and community understanding of syirkah in family businesses. Thematic analysis examined patterns in participant responses related to social, economic, and cultural factors affecting profit-sharing implementation. Interpretation connected the findings with relevant theories to understand the application of syirkah principles in profit distribution within Dakos Clothing. A reflexive approach was employed to minimize potential bias and ensure the accuracy, consistency, and objectivity of the research findings, providing valuable insights into Islamic economic law perspectives on profit-sharing in family businesses.

RESULTS AND DISCUSSION

The empirical analysis of profit-sharing implementation at Dakos Clothing reveals a family-based cooperation built on trust, responsibility, and mutual respect. The owner, Ujang Dadi, emphasizes that fairness is measured by each member's actual contribution rather than uniform outcomes. This perspective aligns with the moral and legal guidance of the Qur'an, particularly Surah Al-Mumtahanah verse 8, which commands believers to act justly and

kindly toward others without committing oppression. In practice, Dakos Clothing applies a proportional profit-sharing system, where rewards are distributed according to each member's effort and role in sustaining the business. The family-run structure, though informal and lacking written contracts, demonstrates honesty, transparency, and consultation (*musyawarah*) as foundational values, reflecting the practical application of justice in Islamic teachings. Despite the positive moral foundation, several challenges in profit-sharing were identified. A primary issue lies in the imbalance between contributions and received rewards. Some full-time contributors receive compensation similar to those with less involvement, generating perceptions of unfairness. This situation underscores the need for a more objective and measurable assessment of each member's contribution. The absence of formal evaluation and documentation, despite being guided by trust and familial bonds, makes it difficult to verify fairness and accountability. This aligns with Hadith Abu Dawud No. 3383, which stresses the necessity of clear agreements in transactions to prevent disputes. The lack of systematic administration and transparency in financial management also hinders the realization of distributive justice as envisioned in Islamic economic principles.

From an operational perspective, Dakos Clothing faces challenges such as overlapping responsibilities, inefficient production schedules, and limited coordination between production and sales. These practical issues affect the equity of profit distribution, as well as motivation among members whose efforts are not accurately reflected in the rewards. Islamic economic principles, including *al-jaza' bi al-'amal* (reward according to deed), emphasize that individuals must receive compensation proportionate to their labor and responsibility. Additionally, the insufficient understanding of *syirkah* principles and Shariah-based economic law among family members has led to reliance on practical experience rather than formal guidance, highlighting the need for education and structured legal frameworks within family businesses. In terms of Shariah economic perspectives, the profit-sharing system at Dakos Clothing can be categorized under *syirkah*, particularly *Syirkah Abdan* and *Mudharabah*. The former emphasizes cooperation among laborers based on skill and effort, while the latter combines the roles of capital provider and manager. Ujang Dadi acts as the capital provider, while other family members manage production and marketing. The system remains valid in Islamic law as long as agreements are clear, participation is transparent, and profits are shared proportionally. Although the current practice relies on verbal agreements and trust, the inclusion of written contracts and transparent financial reporting would strengthen formal justice and prevent potential disputes, reflecting the integration of moral and legal principles.

Overall, the findings indicate that Dakos Clothing has internalized key values of Islamic economic law, such as *adl* (justice), *amanah* (trust), and *ta'awun* (mutual assistance), in its daily operations. However, to achieve a fully balanced system, the business requires more structured mechanisms, including formalized agreements, transparent accounting, and clearer evaluation of contributions. By implementing these improvements, Dakos Clothing can uphold both moral and

structural justice, ensuring fairness in profit distribution while fostering spiritual blessing and sustainable business growth. This approach demonstrates how Qur'anic guidance, Hadith, and classical Islamic thought – from scholars such as Imam Malik, Ibnu Khaldun, and Muhammad Baqir al-Sadr – can be applied in modern family business practices that are both humanistic and equitable.

CONCLUSIONS AND RECOMMENDATIONS

The study concludes that Dakos Clothing demonstrates a family-based profit-sharing system grounded in trust, responsibility, and mutual respect, reflecting the moral and ethical values of Islamic economic principles. The implementation of justice (adl), trust (amanah), and cooperation (ta'awun) is evident in the proportional distribution of profits according to each member's contribution, even without formal written agreements. However, challenges remain in achieving full fairness, including the lack of transparent financial reporting, unclear evaluation of contributions, and limited understanding of Shariah-based business principles. These issues highlight the need for a more structured and professional approach to profit-sharing while maintaining the core values of family cooperation and mutual trust.

From a Shariah perspective, Dakos Clothing's system aligns with the principles of Syirkah Abdan and Mudharabah, emphasizing proportional rewards, participatory decision-making, and the moral foundation of economic transactions. Yet, the absence of formal documentation and measurable indicators indicates that the system is still evolving toward full structural and distributive justice. Overall, the research shows that Dakos Clothing has successfully internalized Islamic economic values in practice but requires further improvements in administration, transparency, and formal agreements to ensure sustainable, equitable, and spiritually blessed business operations.

FURTHER STUDY

This research still has limitations, so it is necessary to conduct further research related to the topic of The Role of Production and Sales in Family Syirkah: Analysis from the Perspective of Islamic Economic Law at Dakos Clothing in order to perfect this research and increase insight for readers.

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