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Analysis of the Implementation of the Principle of Honesty (Shiddiq) in Islamic Business Ethics in Herbal Business (Case Study of Harokah Herbal Shop Medan)

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Abstract

This study aims to analyze the implementation of the principle of honesty (shiddiq) in Islamic business ethics at Toko Harokah Herbal Medan and its implications for consumer trust and business sustainability. The study used a qualitative approach with a case study design. Informants consisted of 1 business owner, 3 senior agents (who had partnered for more than 2 years), and 5 loyal consumers (who had experienced the complaint-return process), selected through purposive sampling techniques. Data were collected through in-depth interviews, observation, and documentation, then analyzed using the Miles and Huberman model, which includes data reduction, data presentation, and conclusion drawing. The results show that the principle of shiddiq has been consistently implemented through product information transparency, price transparency and agency systems, responsible product quality management, and honest handling of consumer complaints. A distinguishing aspect found is that Toko Harokah Herbal demonstrates the 'cost of honesty': when the business honestly disclosed during a supply shortage that stock was limited, rather than losing customers, this action actually strengthened agent loyalty through increased trust. The implementation of honesty contributes to reducing information asymmetry, increasing consumer and business partner trust, and strengthening customer loyalty. This study concludes that the principle of shiddiq is not only a moral value in Islamic business ethics but also an effective business strategy in creating competitive advantage and sustainable business growth in sharia-based MSMEs.

Keywords Islamic Business Ethics; Honesty; Consumer Trust; Sharia MSMEs

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1. INTRODUCTION

The development of the herbal industry in Indonesia in recent years has shown an increasing trend in line with the growing public awareness of healthy lifestyles, the use of natural ingredients, as well as increasing consumer preferences for halal and thayyib products. The herbal industry is no longer seen as a traditional sector, but has developed into an important part of the national halal economy that contributes to the growth of Micro, Small and Medium Enterprises (UMKM) (Rusdi et al., 2022). Based

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on various reports on Indonesia's halal economy, the health and herbal products sector is one of the sub-sectors experiencing significant growth, supported by increasing public demand for natural-based health products (Kementerian Koperasi Dan UKM, 2024). This situation opens up significant opportunities for herbal entrepreneurs to expand their businesses while strengthening their contribution to the regional and national economy.

Amidst this increasing growth in the herbal industry, various issues related to marketing practices and business ethics have emerged (Hasibuan et al., 2023). A common phenomenon is product promotions containing exaggerated claims, the presentation of product benefit information that does not reflect actual conditions, the use of unverified testimonials, and a lack of transparency regarding the ingredients and side effects of herbal products. These practices not only have the potential to mislead consumers but can also undermine public trust in the herbal industry as a whole. This issue is all the more significant because herbal products directly impact consumer health, requiring all information provided to adhere to the principles of honesty, transparency, and moral responsibility.

From an Islamic perspective, business activities are not merely a means of gaining economic profit but also an act of worship and the implementation of Sharia values in social life. Islam regulates business activities through a set of ethical values aimed at creating justice, welfare, and a balance between the interests of business actors and consumers (Pida & Imsar, 2022). One of the fundamental values in Islamic business ethics is the principle of shiddiq (honesty) (Listy & Ilham, 2025). This principle requires business actors to convey information correctly, not hide product defects, not manipulate, and avoid all forms of fraud in transactions (Latifah et al., 2025). Honesty has a very important position because it is the foundation for forming trust, which is the main capital for the sustainability of a business (Nurbaiti et al., 2023). When business actors consistently apply the principle of shiddiq, long-term relationships with consumers will be formed and business sustainability can be maintained.

Toko Harokah Herbal Medan was selected as the focus of this case study based on specific academic considerations. This business has operated in the herbal sector in Medan for more than five years and has managed to survive amid intense competition from conventional competitors who often employ aggressive, non-transparent promotional strategies. What makes this store academically interesting is the explicit commitment of the business owner to the principle of shiddiq as a managerial guideline, not merely as a religious slogan. This commitment is reflected in concrete operational policies, such as the prohibition on overclaiming product benefits for agents and employees, and a transparent agency system with clear profit margins. In a market environment where herbal products are prone to exaggerated benefit claims, Toko Harokah Herbal's choice to practice honesty carries a distinctive risk and a real ethical value worth studying empirically.

Theoretically, various studies, such as those by (Marliyah et al., 2022) and (Damayanti et al., 2024), show that implementing Islamic business ethics can improve customer loyalty, business reputation, and sustainable business performance. However, most previous research focuses on discussing Islamic business ethics in general, the influence of business ethics on MSME performance, or the implementation of Sharia principles in the trade and services sector more broadly. Research by (Rafki et al., 2022); (Pida & Imsar, 2022) and (Listy & Ilham, 2025), focuses more on the relationship between Islamic business ethics and increasing customer trust and loyalty in various types of MSMEs. Meanwhile, studies specifically examining the implementation of the principle of shiddiq as a core value in Islamic business ethics are still relatively limited.

Furthermore, research on Islamic business ethics in the herbal business sector is still very limited. Most previous studies used a quantitative approach to measure the influence of business ethics on business performance, thus failing to fully describe how honesty is applied in daily business practices. However, the implementation of the principle of shiddiq (honesty) can be seen not only in product promotion but also encompasses information transparency, pricing clarity, distribution systems, complaint handling, and responsibility for the quality of marketed products. These limitations in empirical studies indicate a research gap that requires further attention.

Based on this gap, this study offers several novelties. First, it focuses specifically on the implementation of the principle of shiddiq as the core of Islamic business ethics, examining how theological values are converted into concrete managerial decisions in daily business operations. Second, this study targets Toko Harokah Herbal Medan as a sharia-based herbal MSME that is at high risk of non-transparent promotional practices and exaggerated product benefit claims, while representing a store that has explicitly adopted honesty as a business strategy. Third, this study employs a qualitative case study approach, allowing for a more in-depth exploration of the honesty practices implemented by business actors — including moments where honesty imposed short-term costs — and how such practices ultimately strengthened consumer and partner trust. Therefore, this study is expected to provide both theoretical contributions to the Islamic business ethics literature and practical implications for sharia-based MSME management oriented toward business sustainability.

Based on this description, this study aims to analyze the implementation of the principle of honesty (shiddiq) in Islamic business ethics at Toko Harokah Herbal Medan. This study is expected to provide a more comprehensive understanding of how the value of honesty is applied in herbal business practices and its impact on consumer trust and the sustainability of Sharia-compliant businesses.

2. METHODS

This study uses a qualitative approach with field research aimed at in-depth understanding of the application of the principle of honesty (ṣidq) in herbal business practices. The qualitative approach was used to gain a comprehensive understanding of social phenomena through the perspectives of informants directly involved in the research activities (Sugiyono, 2023). This research was conducted at Toko Harokah Herbal Medan, a business specializing in the sale of herbal products such as honey, date palm juice, and various other natural health products (Rahmani, 2022).

Research informants were selected using purposive sampling with clearly defined criteria to ensure the relevance and depth of data. The informants included (Machali, 2021): (1) 1 business owner as the main decision-maker and policymaker for the store's operational ethics; (2) 3 senior agents who had been partnering with Toko Harokah Herbal for at least 2 years, to ensure they had experience in observing the store's long-term honesty practices; and (3) 5 loyal consumers who had at least once experienced the complaint-return process, selected because their experiences could empirically validate the business's honesty practices in situations of conflict and dissatisfaction. This strict criteria selection is intended to minimize informant bias arising from overly positive portrayals that have not been tested by real challenges in the business relationship.

Data collection was conducted through interviews, observation, and documentation. Interviews were conducted directly with informants to obtain information regarding business practices, particularly regarding the application of the principle of honesty in the delivery of product information, promotions, and transaction processes with consumers. Observations were conducted by directly observing sales activities and interactions between business owners and consumers. Documentation was used to supplement the research data in the form of notes and documents related to business activities. The data obtained were then analyzed through the stages of data reduction, data presentation, and conclusion drawing to gain a systematic understanding of the phenomenon under study (Balaka, 2022).

To maintain the validity of the data, this study uses source triangulation techniques by comparing information from multiple informants across different roles. To minimize the risk of informant bias particularly the tendency of business owners to portray themselves positively the researcher carried out a cross-validation process by comparing owner statements with: (a) responses from agents and consumers who were directly involved in business interactions; (b) consumer reviews on the store's social media platforms and e-commerce pages; and (c) direct observation of sales activities and the product complaint-handling process. This cross-source triangulation approach ensures that the claim of 'applying the principle of shiddiq' is not merely a normative statement by the business owner, but is validated by the experiences and perceptions of external parties who interact with the store.

3. FINDINGS AND DISCUSSION

Toko Harokah Herbal is a micro and small enterprise (MSME) operating in Medan, selling herbal and health products based on natural ingredients. Its products include honey, date palm extract, black cumin (habbatussauda), herbal oils, health supplements, and various other health-supporting products. In addition to direct sales to end consumers, the business also operates a partnership system through agents and resellers spread across various regions.

As a business that embraces a sharia-based business concept, Toko Harokah Herbal adheres to Islamic business ethics as a guideline for its operational activities. One of the most emphasized values is the principle of honesty (shiddiq), both in marketing communications, pricing, customer service, and partnership management. This is interesting to study, given that the herbal business sector often faces issues such as overclaiming product benefits, unverified health information, and promotions that have the potential to mislead consumers.

Based on observations and in-depth interviews with business owners, employees, and agents, it was found that implementing the principle of shiddiq is not only understood as a religious obligation but also as a business strategy that can build trust and maintain long-term business sustainability.

3.1 Implementation of the Principle of Honesty in Delivering Product Information

The research results show that the principle of honesty is realized through the transparent and proportional delivery of product information to consumers. The business owner emphasized that all information provided to customers must align with the product's contents, benefits, and functions as stated on the label or in the manufacturer's official references.

Informants stated that the store does not allow agents or employees to make exaggerated claims regarding the benefits of herbal products. Products are described solely based on available information and documented user experiences through customer testimonials. This practice demonstrates an effort to avoid gharar (unclear information) and tadlis (fraud) in transactions.

An important finding in this aspect is how the store faces the 'cost of honesty' when dealing with consumer expectations. The business owner explained that herbal products generally require a longer time to show effects compared to chemical drugs. When consumers asked for a faster-acting guarantee, employees were instructed to honestly explain the difference in the mechanism of herbal products. Although there were instances where consumers ultimately chose not to buy after receiving this honest explanation, the owner considered it a form of moral responsibility. One loyal consumer confirmed: 'I've been buying here for 3 years because they never overclaimed when I first came I was told clearly, this needs time, not instant like other drugs. That's what made me trust this shop.' This verbatim experience reflects that honesty, even when it carries short-term sales risk, creates deeper and longer-lasting trust.

Theoretically, this finding aligns with the concept of shiddiq, which requires business actors to convey information accurately and truthfully. (Banik & Padalkar, 2021) explains that honesty in business communication is the primary foundation for building trust and a sustainable business reputation. The findings of this study also align with the Information Asymmetry Theory (Nurhilmiyah, 2024), where product information transparency serves to reduce information asymmetry between sellers and buyers, enabling consumers to make more informed and reliable purchasing decisions.

Table 1. Implementation of Honesty in Delivering Product Information

Indicator	Field Findings	Implementation
Product benefit communication	Based on official information and user experience	Good
Claims of healing	Does not provide absolute guarantees	Good
Product content transparency	Explained to consumers	Good
Prohibition of overclaiming	Applied to agents and employees	Very Good
Product use education	Performed before the transaction	Good

Source: data processed by researchers 2026

3.2 Implementation of Honesty in Pricing and Agency Systems

The second aspect identified in the research was the implementation of honesty in pricing and distribution system management. Interviews revealed that the entire pricing structure was openly explained to both consumers and agents.

Business owners explained that there are price differences between general consumers and agents. However, these differences were communicated transparently, explaining the profit margin components, distribution costs, and the resale mechanisms available to agents. The agents stated that before joining as business partners, they received a complete explanation of the pricing system, sales targets, profits, and other terms of the partnership. There was no indication of hidden costs or unilateral price changes.

From an Islamic economic perspective, price clarity is part of a valid contract and is free from gharar (unlawful) elements. Price transparency provides certainty to all parties, creating a healthier and fairer business relationship. Furthermore, an open pricing system also creates a sense of security for consumers. They clearly understand the value they are paying and the benefits they will receive from the product they purchase. This strengthens customer loyalty because they feel they are being treated fairly.

3.3 Implementation of Honesty in Product Quality Management

Another important finding is the implementation of honesty in product quality management. Based on interviews, business owners stated that products approaching their expiration date are not sold to consumers even though they still have economic value.

Products that do not meet quality standards are separated from sales stock and not redistributed to agents or customers. This policy demonstrates a moral commitment to maintaining consumer safety and satisfaction.

Observations also revealed that each product displayed clearly displays the expiration date, distribution permit, and instructions for use. This practice reflects the business's social responsibility towards consumer protection.

In the context of Islamic business ethics, honesty is not only related to verbal communication but also includes honesty regarding the quality of the goods being sold. Selling products known to be of poor quality violates the principles of amanah (trustworthiness) and shiddiq (honesty).

Table 2. Implementation of Honesty in Product Management

Aspect	Findings
Product quality inspection	Conducted periodically
Products approaching expiration	Not sold to consumers
Expiration date information	Clearly stated
Quality control	Conducted before distribution
Compliance with product standards	High

Source: data processed by researchers 2026

3.4 Implementation of Honesty in Handling Consumer Complaints

The research results show that the principle of honesty is also applied in resolving customer complaints. When product complaints arise, the store provides an open explanation and strives to find a mutually beneficial solution. The business owner stated that consumers are given the opportunity to return products if the packaging is still in good condition and the complaint can be substantiated. This policy demonstrates a moral responsibility towards the products they market. Agents and employees also stated that they are not permitted to ignore customer complaints. Every complaint must be forwarded to management for appropriate resolution.

One of the senior agents who had been partnering with the store for more than three years shared a meaningful experience related to complaint handling: 'Once there was a customer who complained that the honey they bought wasn't as thick as expected. The owner personally contacted the customer, apologized, and offered to exchange the product even though it wasn't actually a defective product it was the customer's perception. That response made me as an agent very proud to sell their products, because I know the reputation I'm building is clean.' This narrative illustrates how transparent and responsible complaint handling is not merely a service standard, but a reflection of the ethical values embedded in the store's organizational culture.

This approach reflects the implementation of the values of ihsan and amanah in customer service. Honesty in handling complaints helps reduce conflict, increases customer satisfaction, and strengthens long-term relationships between businesses and consumers. These findings support research (Neves et al., 2023), which states that a quick and transparent response to customer complaints contributes to increased consumer loyalty.

3.5 The Impact of Honesty Implementation on Consumer Trust

One of the research's key findings is a strong relationship between implementing the principle of honesty and building consumer trust. All informants stated that consumers who receive honest information tend to feel more comfortable and confident in the products offered. This trust then develops into customer loyalty. Satisfied consumers not only make repeat purchases but also recommend products to family, friends, and their social circle.

A particularly revealing finding emerged regarding what can be termed the 'cost of honesty' as a trust-building mechanism. When the store faced a supply shortage of one of its best-selling products, rather than substituting with a similar but lower-quality product or concealing the shortage from agents, the owner proactively communicated the situation and offered a waiting time with a price guarantee. Although this decision resulted in short-term revenue loss, the agents responded positively. As one agent expressed: 'When the owner told us honestly that the stock was running low and they wouldn't substitute with a lower-quality product, I became even more convinced to stay loyal. That moment actually made us more committed as partners.' This finding empirically demonstrates that honesty in critical situations even when it involves short-term economic sacrifice serves as the strongest driver of trust and long-term partnership sustainability.

This phenomenon demonstrates that honesty produces tangible economic effects. From a social capital perspective, trust is a valuable asset because it can reduce transaction costs, expand marketing networks, and increase business stability. As noted in (Damayanti et al., 2024) Social Capital Theory, trust is a form of social capital that can increase the effectiveness of economic and social relationships.

3.6 Implementation Model of the Shiddiq Principle at Harokah Herbal Shop

Based on the research results, the implementation model for the principle of honesty can be formulated as follows:

Figure 1. Model of the Shiddiq Principle at Harokah Herbal Shop

Source: data processed by researchers 2026

3.7 Discussion

a. Implementation of the Shiddiq Principle in Delivering Product Information

The research results show that Toko Harokah Herbal Medan implements the principle of shiddiq (honesty) by conveying product information transparently and without exaggeration. The business owner, employees, and agents consistently explain product benefits based on available information without overclaiming the efficacy of herbal products. These findings demonstrate that honesty has become part of the organization's culture and operational guidelines in marketing activities.

From the perspective of Islamic business ethics, shiddiq is one of the main qualities exemplified by the Prophet Muhammad (peace be upon him) in his trading activities. Honesty not only means telling the truth but also encompasses openness and the prohibition of concealing facts that could influence consumer decisions. According to (Warsiyah et al., 2024), the principle of shiddiq serves as a moral foundation that ensures fair and honest transactions. Therefore, conveying product information truthfully is a concrete manifestation of the implementation of Islamic business ethics in business practices.

The findings of this study can also be explained through the Information Asymmetry theory proposed by (Khairani et al., 2023). This theory explains that an imbalance of information between sellers and buyers can lead to market failure and reduce consumer trust. In the context of Toko Harokah Herbal, product information transparency serves to reduce information asymmetry, allowing consumers to gain a better understanding of the products they purchase. Thus, purchasing decisions are not based on misleading information, but on accurate and reliable information.

These research findings align with research by (Tubastuvi & Rusydiana, 2024), which found that information transparency in Islamic MSMEs significantly contributes to increased customer trust and loyalty. Similarly, research by (Suwarsi et al., 2022) shows that honesty in marketing communications is a key factor influencing positive consumer perceptions of Islamic businesses.

b. Implementation of Honesty in Pricing and Agency Systems

Research found that Toko Harokah Herbal implements an open and transparent pricing system for both consumers and agents. All pricing components, profit margins, and distribution mechanisms are explained in detail before any transaction takes place. This transparency demonstrates a commitment to creating fair business relationships free from gharar (wrongful acts).

In Islamic business ethics theory, price transparency is part of the principle of justice ('adl) and openness of contracts. Islam prohibits fraudulent practices, price manipulation, and unclear transactions that could harm one of the parties. (Rohmania et al., 2023) explain that price clarity is a crucial requirement in Sharia transactions because it provides legal certainty and protection for all parties involved.

From the perspective of Stakeholder Theory developed by Freeman (1984), businesses have a responsibility to fulfill the rights of all stakeholders, including consumers and business partners. The price transparency implemented by Toko Harokah Herbal demonstrates an effort to fulfill stakeholders' rights to obtain clear information regarding transactions (Wibowo & Sriyana, 2024). This strengthens the partnership between business owners and agents, creating a sustainable collaboration.

The findings of this study support research (Ichsan et al., 2023) which states that price transparency is an important indicator in the implementation of Islamic business ethics. In addition, research (Harahap et al., 2023) shows that transparency in business partnership relationships can increase partner trust and strengthen the sustainability of MSME distribution networks.

c. Implementation of Honesty in Product Quality Management

Another important aspect identified in the research is Toko Harokah Herbal's commitment to maintaining the quality of its products. Products approaching their expiration date are not sold to consumers and are removed from the distribution chain. This policy demonstrates that honesty is demonstrated not only through verbal communication but also through responsibility for the quality of the goods sold.

From an Islamic business ethics perspective, this practice is closely related to the concept of trustworthiness (amanah). Trustworthiness requires businesses to maintain product quality and refrain from selling goods that could potentially harm consumers. (Fachriyan et al., 2021) explains that responsibility for product quality is an integral part of Islamic business ethics because it relates to protecting consumer rights.

When analyzed using Consumer Protection theory, these actions reflect business actors' efforts to ensure consumer safety and comfort. Herbal products are directly related to health, making product quality a crucial aspect. By not selling products of poor quality, Toko Harokah Herbal demonstrates a business orientation that focuses not only on economic profit but also on consumer welfare.

The results of this study are consistent with research (Mujiatun et al., 2023) which found that responsibility for product quality is a key factor in building a positive image of sharia-based MSMEs. In addition, the study (Matondang et al., 2025) shows that commitment to product quality is a form of implementing trust values that influence the level of customer trust.

d. Implementation of Honesty in Handling Consumer Complaints

Research shows that Toko Harokah Herbal applies the principle of transparency in resolving customer complaints. Each complaint is handled through transparent communication and includes a product return option if specific issues are identified. This approach reflects the business owner's moral responsibility for the products they market.

From an Islamic business ethics perspective, complaint resolution is part of implementing the values of ihsan and amanah. Business owners are responsible not only during the transaction but also after the product is received by the consumer. Honest and responsible after-sales service is a concrete manifestation of Islamic business ethics, oriented toward the welfare of the community.

When examined through Relationship Marketing theory (Morgan & Hunt, 1994), effective complaint handling is a crucial tool in building long-term relationships with customers. Customers who feel valued and treated fairly tend to have higher levels of satisfaction and maintain long-term relationships with the company (Salwa et al., 2024).

These findings support research (Budiarto et al., 2023) which states that a quick and transparent response to customer complaints contributes to increased consumer loyalty. Thus, honesty in handling complaints not only has an ethical dimension, but also provides strategic benefits for business development.

e. Honesty as Social Capital in Building Trust and Business Sustainability

The main findings of this study indicate that implementing the principle of shiddiq has a direct impact on building trust between consumers and agents. All informants stated that consistent honesty is a key factor driving repeat purchases, word-of-mouth recommendations, and sustainable partnerships.

In Putnam's (1993) Social Capital Theory, trust is a form of social capital that can increase the effectiveness of economic and social relationships. High social capital facilitates collaboration, reduces transaction costs, and strengthens business networks. At Toko Harokah Herbal, honesty generates trust, which then develops into customer loyalty and a stronger distribution network (Gaja et al., 2024).

This finding can also be explained through the concept of Trust-Based Marketing, where trust becomes a more valuable strategic asset than short-term promotions. Consumers who trust a business are more likely to make repeat purchases and recommend it to others. As a result, businesses acquire new customers without having to spend large amounts on promotions.

A significant contribution of this study is the identification of the 'cost of honesty' phenomenon as a paradoxical driver of trust. In three recorded episodes honest disclosure of product limitations, transparent communication during supply shortages, and proactive management of consumer complaints the store bore short-term economic costs. However, in each case, this honest behavior resulted in a stronger loyalty response from consumers and agents than conventional promotional strategies would typically achieve. This finding enriches the Islamic business ethics literature by demonstrating that shiddiq is not only a normative principle but also a rational business strategy that generates competitive advantage through the accumulation of relational trust. These research findings support the research (Meutia et al., 2024) which states that honesty is the main foundation in creating sustainable sharia-based businesses, and (Imsar, 2021) who found that trust formed through ethical practices positively impacts customer loyalty and MSME performance.

4. CONCLUSION

Based on the research results and discussion regarding the implementation of the principle of honesty (shiddiq) in Islamic business ethics at Toko Harokah Herbal Medan, it can be concluded that the principle of shiddiq has been consistently applied in various aspects of business operations. This implementation is reflected in the transparent delivery of product information free from overclaims, open pricing, responsible product quality management, and honest and professional handling of consumer complaints. The application of the value of honesty is not only understood as a moral and religious obligation but has become a business culture embedded in daily business activities.

The research results also indicate that the implementation of the principle of shiddiq plays a crucial role in building trust among consumers and agents. Transparency of information, transparency of transactions, and responsibility for product quality create positive perceptions that encourage customer satisfaction and loyalty. The trust formed then develops into social capital that strengthens relationships between business actors, consumers, and business partners, thus supporting long-term business sustainability.

Theoretically, this research reinforces the view that the principle of honesty is a primary foundation of Islamic business ethics, linking moral values to business performance and sustainability. A key finding that enriches this conclusion is the identification of the 'cost of honesty' phenomenon: moments when the store chose to bear short-term economic losses for the sake of transparency, which in turn became the most effective driver of relational trust and agent loyalty.

Based on the model of honesty practices identified at Toko Harokah Herbal, this study recommends several tactical-managerial steps for other herbal MSMEs. First, developing a Sharia Customer Service Standard Operating Procedure (SOP) that explicitly includes an obligation to attach a 'possible side effects and expected time to results' sheet with each product package, to prevent unrealistic consumer expectations. Second, building an agency system with a written akad (agreement) that explicitly prohibits agents from making over-promise claims when selling including guidance on approved and prohibited promotional language. Third, implementing a crisis communication protocol that requires the business owner to proactively communicate honestly with agents and consumers when supply problems or product quality issues arise, as a form of preventive trust maintenance. These recommendations are expected to serve as a practical guide for sharia-based herbal MSMEs in operationalizing the values of shiddiq as a competitive business strategy, not merely as moral rhetoric.

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