

# The Application of Islamic Value-Based Empowerment of MSMEs to Improve the Performance of Micro Businesses in Panongan Subdistrict, Tangerang

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**Abstract** The rapid population growth in Panongan, a subdistrict within Tangerang Regency, has surpassed regional averages, with rates of 6.5%, 3.4%, and 2.7% for Panongan, Tangerang Regency, and Banten Province respectively. This demographic surge presents challenges in terms of economic, social, and population-related issues while also offering avenues for market expansion and novel economic prospects. This study aimed to elucidate the application of Islamic value-based empowerment for Micro, Small, and Medium Enterprises (MSMEs) through the community engagement program executed by the Faculty of Economics and Business Islam at the University of Cendekia Abditama Tangerang. The program was designed to assist 20 MSMEs in Panongan Subdistrict. Employing Participatory Action Research (PAR), which emphasizes collaboration between researchers and the targeted MSME communities, this study investigated the effects of Islamic value-based empowerment on business aspects. The findings revealed that this approach enhances Islamic value-based empowerment on the economic aspect, business ethics aspect, marketing aspect, packaging design, bookkeeping, legal aspects, and fiqh muamalah aspect among MSMEs. This empowerment has consequently created extensive prospects for business expansion, contributing to increased prosperity.

## 1. INTRODUCTION

Micro, small, and medium-sized businesses (MSMEs) hold a significant role in Indonesia's economic landscape, driving employment opportunities and contributing over 60% of the national income (Thaha & Hasanuddin, 2020). This has sparked a collective concern to bolster MSMEs, enhancing their business efficacy and amplifying their contributions. Within Tangerang Regency, Panongan emerges as a promising subdistrict for fostering vibrant MSMEs. Its advantageous location, nestled amidst thriving economic hubs such as Tangerang, Jakarta, Citra Raya, Summarecon, BSD, and Bintaro, has propelled Panongan Subdistrict's MSMEs to remarkable competitiveness.

In the effort to meet the real needs of MSMEs in Panongan Subdistrict, a preliminary survey was conducted, and its findings pinpointed several persistent hurdles, encompassing issues of Islamic value-based empowerment in the economic aspect, business ethics aspect, marketing aspect, packaging design, bookkeeping, legal aspects, and fiqh muamalah aspect among MSMEs. To tackle these obstacles head-on, the writers have designed a community engagement initiative—the Gemilang MSMEs Village Assistance program. This effort fosters companionship through supervisory efforts, addressing the specific concerns faced by MSMEs. Within this framework, around

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20 MSME actors receive support facilitated by trained student assistants versed in effective mentoring methodologies. The Panongan Subdistrict has 1449 Home Industry MSMEs, of which 826 are in the food industry, and 26 are other businesses, according to BPS 2021 data drawn from the 2014 National Economic Census. According to Astuti et al. (2021) the distribution per village, there are four villages with a high number of MSME units: Ranca Iyuh Village (452), Panongan (228), Mekar Bakti (207), and Peusar (185). Meanwhile, the villages with the fewest MSME units are Ciakar, which has only 81 units, and Serdang Kulon, which has 100 units. The details shown in Table 1.

This Community Service Program's target audience consists of MSMEs from four villages. The villages used as examples of community service were the villages with the most SME groups, Panongan and Peusar Villages, as well as the two villages with the fewest MSMEs, Ciakar Village and Serdang Kulon. The writers discovered that the majority of micro-entrepreneurs in the four villages were disoriented in their business practices through field observations. They run a business without a strong passion, so growth is slow and even stagnant, despite the fact that doing business requires commitment, sincerity, love, and a strong fighting spirit in order for it to grow and develop.

Another situation encountered while conducting a survey while actively helping students' Community Service Program in these villages was a technical issue regarding entrepreneurship or business, which we refer to as entrepreneurial skill technique; most of them lacked business skills, such as the ability to develop good products. Market demand, very simple packaging, and very traditional marketing techniques do not meet consumers' demands and time requirements. According to Astuti et al. (2021), this causes MSMEs to be overlooked solely because their output is limited and not massive (Astuti et al., 2021).

The following issue, which is no less important for MSMEs, is related to their business bookkeeping. The majority of micro-enterprises lack business records, even if their business finance practices are still mixed with household finances. Therefore, when the household runs a budget deficit, the business capital is used to fulfil the

household budget deficit, resulting in eroded capital and the business ceasing operations due to a lack of capital. Micro-business owners have a lot of opportunities. The business feasibility is relatively high, and many of them are long-term. However, the majority of them are unaware of the importance of recording and accounting for their business finances (Muljanto, 2020).

The problems listed above are much like tangled threads that cannot be unravelled, and if they continue, they will lead to the demise of the micro-enterprise. Thus, it has an impact on the decline in the economic welfare of the village's business actors; hence, a solution must be found. We, the researchers at FEBI UCA, see the need to assist these microbusiness actors in resolving their problems to grow their businesses.

The empowerment based on Islamic values becomes relevant to implement in Panongan Sub-District, considering that this community is classified as an Islamic society that diligently performs worship (salat) and studies al Qur'an at local suraus (small mosques). The existing problem is that this religiosity is not yet reflected in the business activities there. In order to address the three issues mentioned above, extensive and well-rounded assistance programs that focus on empowering microbusinesses through mentoring, training, advocacy, and advice-giving are required. For MSME actors' social and economic welfare to improve, it is crucial to improve their skills, abilities, and self-worth (Sugiono et al., 2019). Islam is a religion embodying compassion for all of creation, capable of harmonizing with diverse human endeavors.

The teachings of Islam, as found in the Qur'an, encompass matters of worship as well as addressing a wide array of economic, health, and societal challenges. Within its teachings, Islam encourages individuals to pursue an enhanced existence in both their current life and the hereafter, fostering a state of physical and spiritual well-being. Hence, it is not an overstatement to consider Islam a faith that promotes empowerment. The objective of Islamic Valued-based Empowerment is to empower adherents to strike a balance between their worldly responsibilities and their spiritual aspirations, as highlighted by Jaelani (2014) in (Efrina, 2022).

Table 1 . Panongan subdistrict total number of household businesses (home industry) in 2021

Village	Type of Business				
	Food	Cloth	Convection	Service	Others
Ranca Iyuh	293	58	1	100	-
Mekar Jaya	2	85	13	23	-
Ranca Kalapa	3	22	6	25	-
Panongan	112	25	3	88	-
Serdang Kulon	43	-	17	32	8
Ciakar	3	9	3	66	-
Mekar Bakti	108	58	21	12	8
Peusar	160	9	-	6	10
<b>Total</b>	<b>826</b>	<b>172</b>	<b>53</b>	<b>332</b>	<b>26</b>

Source: Astuti et al. (2021)

It is expected that Sharia-based integrated business development based on community service will offer the following benefits:

1. Increase microentrepreneurs' commitment to functioning their businesses efficiently, seriously, and confidently in the knowledge that doing so will result in their economic prosperity.
2. Micro-business actors have the ability to produce unique, imaginative products that have a high market value.
3. Through this volunteer work, microbusiness owners are shielded from the traps of moneylenders and given the opportunity to find alternative sources of funding that are compliant with Sharia law and do not burden them.

By participating in this community service, microbusiness actors are expected to be able to improve their business and financial performance by increasing sales and the ability to record and manage the financial results of the sale or business. According to Musarofah & Mahmudah (2022) improvement will enhance the performance of MSMEs. Additionally, it is expected that the Ukhuwah Islamiyah spirit will spread among them, enabling them to work together and avoid unhealthy or toxic rivalry as fellow businessmen. Therefore, this article aims to highlight the Islamic values-based empowerment to improve the welfare of micro and small business owners in Panongan.

## 2. METHOD

The targets in this community service activity were the communities of MSMEs in Panongan Subdistrict, Tangerang Regency, Banten Province. The method of this activity was Participatory Action Research (PAR), emphasizing collaborations between writers and the communities of MSMEs being studied. The goal of employing this method was to drive transformative actions or changes, particularly better performance of micro businesses.

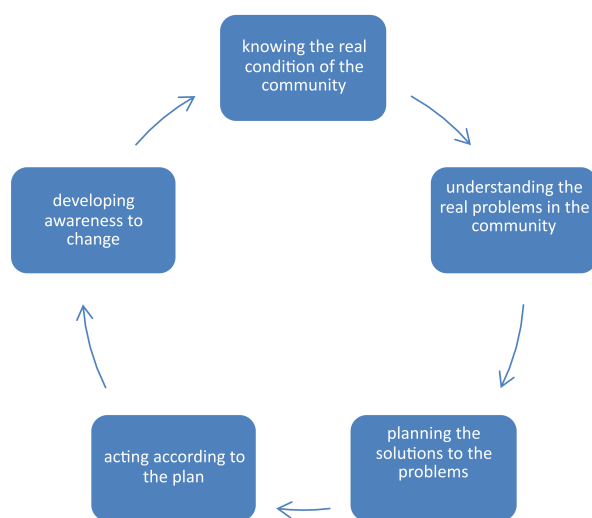


Figure 1 . Steps of community service

The PAR method can be perceived to use three steps, namely empowerment planning, implementation, and monitoring and assessment (Kamelia et al., 2020). It can also be perceived to use five steps, namely: knowing the actual condition of the community, understanding the real problems in the community, planning the solutions to the problems, acting according to the plan, and developing awareness of changes (Direktorat Pendidikan Tinggi Keagamaan Islam, 2022). The PAR method in this community service was devised through five steps instead of three to give more space for the application of Islamic value-based empowerment of MSMEs to improve the performance of micro businesses. As shown in Figure 1.

## 3. RESULT AND DISCUSSION

### 3.1 Knowing the actual condition of the community

To discover the actual condition of the community, the writers conducted a preliminary survey. There were 20 Micro, Small, and Medium Enterprises (MSMEs) in Panongan Subdistrict. In this phase, the community engagement team meets with various stakeholders, including micro, small, and medium-sized enterprise (MSME) practitioners, local government authorities, as well as other relevant parties. This was essential to acquire valid and accurate data, thereby aiding the community engagement team in effectively implementing their subsequent program for the community.

### 3.2 Understanding the real problems in the community

The writers made an effort to understand the real problems in the community. This action was based on the fact that actors of MSMEs in Panongan Subdistrict have poor business performance as the result of their ignorance of and lack of understanding of how to properly manage their businesses, especially in relation to product development, financial management, capital issues, marketing strategies, and the entrepreneurial mindset.

To have a deep understanding of these real problems, the writers discussed with the prominent local people and the actors of MSMEs in Panongan Subdistrict, coming to the result that the MSMEs have five problems: low motivation, limited marketing, lack of bookkeeping knowledge, packaging design, and lack of ethics and muamalat knowledge as shown in Table 2.

Table 2 . Sample data

No	The problems identified in MSMEs
1	Low motivation
2	Limited marketing
3	Lack of bookkeeping knowledge
4	Packaging design
5	Lack of ethics and muamalat knowledge

### 3.3 Planning the solutions to the problems

In this step, the writers discussed with the communities of MSMEs the possible activities to solve the problem and

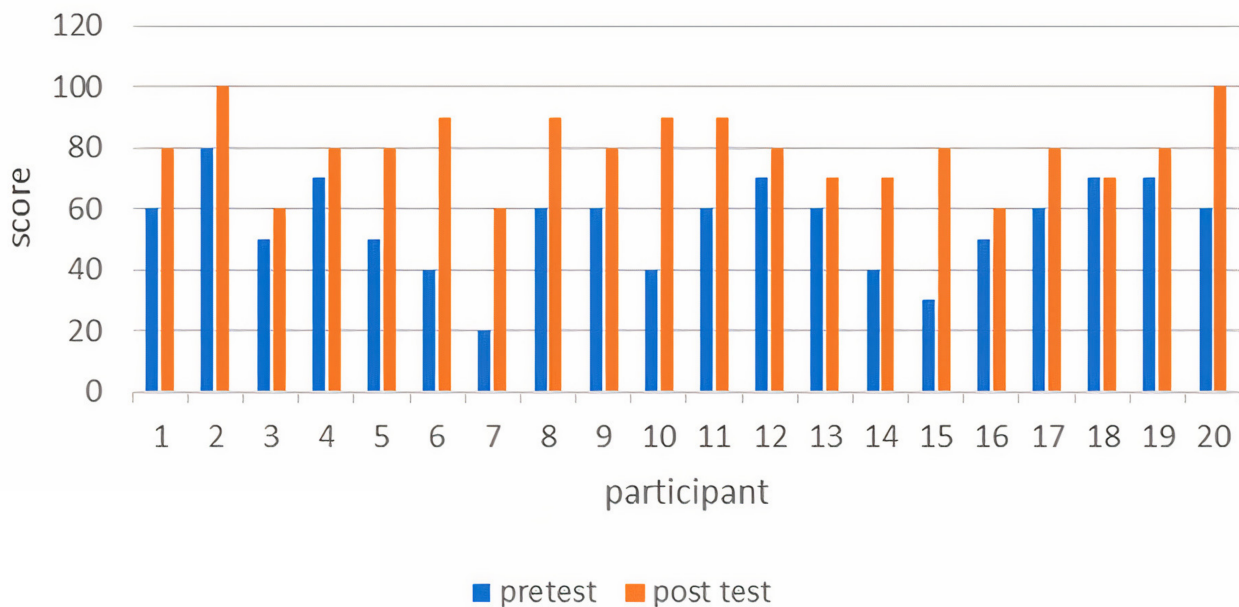


Figure 2 . Changes in knowledge score before and after program

proposed the plan of running the plan of training, coaching, assisting, motivating, and mentoring. After the discussion, the writers agreed to provide training on the economic aspect, business ethics aspect, marketing aspect, packaging design, bookkeeping, legal aspects, and fiqh muamalah aspect.

### 3.4 Acting according to the plan

In the fourth step, the writers actuated the program with the help of the students of the Faculty of Economics and Business Islam at the University of Cendekia Abditama. This fourth step includes training, coaching, assisting, motivating, and mentoring on the economic aspect, business ethics aspect, marketing aspect, packaging design, bookkeeping, legal aspects, and fiqh muamalah aspect the MSMEs should have.

### 3.5 Developing awareness to change

To see how far awareness of change can be developed, the writers, together with the students, held the following activities: weekly progress evaluation, final evaluation, and the mentoring programs to come.

#### Findings of this study

The mentoring provided to micro and small-scale business actors in the Panongan sub-district, as elucidated in the introduction, is implemented through the integration of Islamic values. This form of mentoring aimed not solely at advancing their business prospects but also at instilling Islamic ideals by internalizing these principles into their business undertakings. Various fundamental Islamic principles are embedded in this business support process. Primarily, it involves nurturing an enterprising ethos by imparting the understanding that labor and commercial pursuits are not merely pragmatic engagements but also constitute acts of devotion as prescribed by Allah. To instil this ethos, the facilitators integrate

these principles through a range of activities, including training sessions, business consultations, and regular group meetings convened subsequent to the training sessions.

In addition to instilling the concept of work as an act of worship, mentoring was also conducted to imbue an Islamic work ethic, encompassing the application of principles such as itqan (professionalism), istiqomah (consistency and continuity in business pursuits), mujahadah (wholehearted dedication to business endeavors), and the adherence to the principles of fiqh muamalah (Islamic commercial jurisprudence) which involve abiding by Shariah legal regulations in business activities. These encompassed practicing ethical and permissible trade, refraining from deception, and engaging in the production and sale of quality and beneficial goods while avoiding usurious practices (riba) and business uncertainties (gharar), or speculative activities akin to gambling. These principles are integrated through training sessions and group discussions during the monitoring phases.

Upon conducting an evaluation facilitated through the utilization of a pretest and post-test instrument comprising a set of 20 questions administered to the cohort of 20 mentorship participants, the program manifested a commendable level of success. Evidently, the entirety of the participants demonstrated enhanced performance, as indicated by the discernible upward trajectory in their cumulative achievement scores, substantiating the assessment through the graphical representation furnished in Figure 2.

## 4. CONCLUSION

The implementation of Islamic value-based empowerment of MSMEs in the form of the community service program called the community engagement program run by FEBI UCA was able to assist 20 Micro, Small, and

Medium Enterprises (MSMEs) in Panongan Subdistrict. The program includes a number of Islamic value-based empowerment initiatives on the economic aspect, business ethics aspect, marketing aspect, packaging design, bookkeeping, legal aspects, and fiqh muamalah aspect among the MSMEs.

This endeavor is an academic contribution to the community's, particularly to Micro Business actors, efforts to address some of its issues. It has been demonstrated that this program, which was created based on an Islamic values approach, could enhance the productivity of the microenterprises it supports. After the program was over, it was possible to clearly see business zeal, success motivation, selling prowess, and the application of Islamic business ethics. Given that only 20 program participants were assisted in this program, it is unquestionably necessary to replicate this Sharia value-based mentoring to other business actors in the same location. FEBI UCA will need to work very hard on this, and it is important to improve partnerships with both private and public sector partners. Students' participation plays a big role in this program considering the fact that this program is being done with the contribution of students, especially the companions of this program.

The following are recommendations or suggestions from this program of activities:

1. To support future SCP initiatives, it is necessary to develop an integrated training module for micro-enterprise assistance based on Islamic principles.
2. For activities to be more effective, collaboration in the form of funding from the public and private sectors is required.
3. MSMEs are re-evaluated on a regular basis to ensure that they are consistently capable of applying the values that have been taught through this mentorship.

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## CONFLICT OF INTERESTS

The author stated that there is no obstacle in any shape or form that could lead to a conflict of interest.

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