



## STRENGTHENING MSMEs BASED ON SHARIA ECONOMIC LAW FOR FAIR AND SUSTAINABLE BUSINESS

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### Abstract :

*Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in strengthening the national economy, particularly in creating employment and reducing poverty. However, many MSMEs still face challenges in legal protection, access to financing, and sustainable business practices. This community service program aims to strengthen MSMEs through the application of Sharia Economic Law principles to create fair, ethical, and sustainable businesses. The program was implemented through socialization, mentoring, and training on sharia-based contracts, halal business management, and Islamic financial literacy. The results show an increased understanding among MSME actors regarding sharia contracts (akad), halal business practices, and ethical trade principles such as justice, transparency, and mutual benefit. This program contributes to building legally aware MSMEs that are not only economically productive but also socially responsible and sustainable.*

**Keywords:** MSMEs, Sharia Economic Law, Justice, Sustainability, Halal Business

### INTRODUCTION

MSMEs are a sector that contributes significantly to the Indonesian economy, both in absorbing labor and increasing community welfare. The existence of MSMEs has proven capable of surviving various economic crises and becoming the backbone of the national economy (Ministry of Cooperatives and SMEs, 2022). Nevertheless, many MSME actors still face obstacles in aspects of business legality, access to financing, and understanding the principles of fair and sustainable business (Tambunan, 2019).

In the perspective of Sharia Economic Law, economic activities are not only oriented toward profit but also toward the values of justice (al-'adl), public interest (maslahah), balance (tawazun), and the prohibition of practices containing usury (riba), uncertainty (gharar), and gambling/speculation (maisir) (Antonio, 2001). These principles provide a foundation for creating an ethical, transparent, and sustainable business system (Karim, 2014).

The application of Sharia Economic Law in MSMEs is crucial because it can provide legal protection through clear contracts, encourage halal business practices, and open access to sharia financial institutions (Ascarya, 2015). Furthermore, the sharia approach emphasizes social responsibility and business sustainability, ensuring that MSMEs are not only profit-oriented but also



focused on the welfare of society and the environment (Dusuki & Abdullah, 2007).

Based on this background, this program aims to strengthen MSMEs through education and mentoring based on Sharia Economic Law to create fair, ethical, and sustainable businesses.

## **RESEARCH METHOD**

This study uses a qualitative descriptive approach in the form of a community service study. The qualitative approach was chosen because this study aims to deeply understand the program implementation process and its impact on strengthening the religious character of participants. Qualitative research emphasizes meaning, process, and the interpretation of naturally occurring social phenomena (Sugiyono, 2022).

A descriptive design is used to systematically describe the implementation of the Sharia Economic Law-based MSME strengthening program without manipulating research variables. The main focus of this activity is to describe the mentoring process, the participation level of MSME actors, and changes in understanding and business practices that reflect the principles of justice, transparency, and sustainability according to sharia values.

Location and Time:

Duration : 1 Day

Venue : Balai Desa Paku Aji (Paku Aji Village Hall)

The location was selected based on the consideration that the area has significant potential for MSME development but still requires assistance in business legality, the application of sharia contracts, and financial management compliant with Sharia Economic Law principles. The environment supported a participatory education and guidance process, facilitating MSME actors in understanding and implementing halal and fair business practices.

### **Participants:**

Participants in this activity were MSME actors engaged in trade and food/beverage production, totaling 15 people. The activities included socialization of Sharia Economic Law, training in drafting simple business contracts, mentoring in sharia financial recording, and education on the importance of legality and halal certification.

Most participants were at the micro-enterprise stage with traditional management. This condition makes the sharia-based mentoring program highly relevant as an effort to increase legal awareness, strengthen business governance, and encourage the creation of fair, ethical, and sustainable business models.

### **Data Collection Techniques:**

1. Participatory Observation: Conducted directly during the activity with researchers involved as implementers to obtain deep data on responses and interactions (Emzir, 2020).
2. Documentation: Photos, attendance lists, and technical notes used as empirical evidence to support field observations.

3. Short Interviews: Informal interviews with participants and stakeholders to determine perceptions of benefits and behavioral changes.
4. Team Reflection: Evaluative discussions by the implementation team to identify strengths, weaknesses, and program impacts.

**Data Analysis:**

Analysis was conducted descriptively using the interactive model by Miles, Huberman, and Saldaña (2018):

1. Data Reduction: Selecting and focusing data relevant to the research objectives.
2. Data Display: Presenting reduced data in descriptive narratives to interpret patterns.
3. Conclusion Drawing and Verification: Drawing conclusions based on emerging patterns and verifying against field data.

**Validity and Trustworthiness:**

To maintain data validity, this study utilized source and method triangulation by comparing observations, interviews, and documentation to ensure academic credibility.

## **FINDINGS AND DISCUSSION**

### **Increased Understanding of Sharia Economic Law**

The findings indicate a substantial improvement in MSME actors' conceptual understanding of Sharia Economic Law following the mentoring and socialization program. Initially, many participants perceived Islamic economic principles as merely symbolic or limited to halal labeling. Their understanding of core juridical principles such as the prohibition of riba (usury), gharar (excessive uncertainty), and maysir (speculation) was minimal. Transactions were generally conducted based on habit and informal trust rather than structured legal awareness.

After the intervention, participants demonstrated clearer comprehension of foundational Sharia principles governing muamalah (economic transactions). They understood that the prohibition of riba aims to prevent exploitative financial relationships and unjust enrichment, ensuring distributive justice within economic exchanges. Likewise, they recognized that gharar must be avoided by ensuring clarity in price, quantity, quality, delivery time, and payment mechanisms.

The principle of an-taradin (mutual consent) became a central concept internalized by participants. They acknowledged that valid transactions require voluntary agreement without coercion, deception, or asymmetric information. This shift reflects movement from informal transactional culture toward normatively guided ethical-legal practice. As emphasized in Islamic commercial jurisprudence, justice (adl) and transparency are prerequisites for valid and blessed economic activity (Karim, 2014).

This enhanced understanding also suggests the effectiveness of contextual learning methods. Rather than presenting abstract legal doctrines, the program connected Sharia principles directly to everyday business

practices, enabling cognitive assimilation and practical relevance.

### **Implementation of Sharia Contracts in Business Practice**

A significant transformation was observed in participants' recognition and gradual application of Sharia-compliant contracts (*akad*). Prior to the program, most transactions were conducted verbally without structured agreements, leaving room for ambiguity and dispute. Post-program evaluation revealed increased awareness of contract typologies such as *murabahah* (cost-plus sale) and *mudharabah* (profit-sharing partnership).

In *murabahah*-based transactions, MSME actors began explicitly disclosing purchase prices and profit margins to customers. This transparency strengthens transactional legitimacy and reinforces trust. In *mudharabah* arrangements, participants started to understand risk-sharing principles, where capital providers and entrepreneurs share profits according to agreed ratios while losses are borne proportionally to capital contribution.

The adoption of structured contracts enhances legal certainty (legal predictability) and reduces information asymmetry between parties. From an institutional economics perspective, clearly defined contracts lower transaction costs by minimizing disputes and enforcement uncertainty. Antonio (2001) argues that Sharia contracts integrate ethical accountability with legal structure, thereby fostering trust-based markets.

Moreover, Ascarya (2015) highlights that contract clarity acts as preventive legal protection. This was reflected in participants' reports of reduced misunderstandings with suppliers and customers after implementing written or verbally clarified agreements. The shift from informal customary practice toward contract-conscious behavior indicates maturation of legal-economic awareness within MSME actors.

### **Strengthening Halal Business and Business Ethics**

The mentoring program also produced behavioral change in business ethics and operational standards. Participants began to understand that halal compliance extends beyond product ingredients to encompass the entire value chain, including sourcing, processing, storage, and marketing.

Ethical principles such as *shiddiq* (honesty), *amanah* (trustworthiness), *tabligh* (transparency), and *fathanah* (competence) were increasingly integrated into business conduct. For example, MSME actors reported greater consistency in accurate product labeling, fair pricing, and truthful promotional claims. This aligns with the prophetic model of commerce, where moral integrity constitutes the foundation of economic credibility.

The strengthening of ethical awareness contributes directly to social capital formation. Trust, as emphasized by Tambunan (2019), is a crucial determinant of MSME sustainability, especially in local economies where reputation significantly influences purchasing decisions. Consumer trust increases repeat transactions, strengthens brand loyalty, and expands informal marketing networks through word-of-mouth communication.

Additionally, the ethical transformation observed reflects a shift from profit-maximization orientation toward value-based entrepreneurship.

Economic behavior was increasingly perceived not only as commercial activity but also as a form of worship (ibadah), thereby integrating spiritual motivation into daily business operations.

### **Access to Sharia Finance**

Another notable outcome was the increased awareness and openness toward Sharia financial institutions as alternative funding sources. Prior to the program, many MSME actors relied on informal loans or conventional credit systems without understanding the long-term burden of interest-based financing.

Through the introduction of Islamic financing mechanisms such as mudharabah, musyarakah (equity partnership), and murabahah financing participants gained insight into risk-sharing models that align financial returns with real economic activity. Unlike fixed-interest systems, Sharia financing links profit to actual business performance, thereby distributing risk more equitably between financier and entrepreneur (Ascarya, 2015).

Karim (2014) argues that Sharia financial systems are designed to promote real-sector growth by discouraging speculative capital accumulation. Participants began to perceive Islamic financial institutions not merely as lenders but as strategic partners. This paradigm shift encourages partnership-based entrepreneurship rather than debt-dependent growth.

In practical terms, increased financial literacy reduces vulnerability to predatory lending and improves strategic capital planning. MSME actors expressed stronger confidence in exploring Sharia-compliant financing channels for business expansion.

### **Business Sustainability Based on Maslahah**

The concept of maslahah (public benefit) emerged as a guiding philosophical framework in the mentoring process. Participants gradually understood that Islamic economics emphasizes long-term welfare rather than short-term profit accumulation.

Business sustainability was discussed through three interconnected dimensions:

1. Economic sustainability, maintaining financial stability and responsible capital management.
2. Social sustainability, contributing positively to community welfare, including fair wages and community engagement.
3. Environmental sustainability, minimizing waste and maintaining production hygiene and environmental responsibility.

Dusuki and Abdullah (2007) emphasize that maslahah-based economic activity integrates ethical accountability with socio-economic development. The findings indicate that participants began to adopt a broader perspective of entrepreneurship, recognizing that business success must generate collective benefit.

This orientation strengthens resilience against market fluctuations. Businesses guided by maslahah prioritize stakeholder welfare, thereby building stronger relational networks and reputational capital. Such an approach aligns

with contemporary sustainable development discourse, demonstrating that Islamic economic principles are compatible with modern sustainability frameworks.

### **Integrative Discussion**

Overall, the findings demonstrate that mentoring in Sharia Economic Law contributes to transformation at three interconnected levels:

1. Cognitive Level, Increased knowledge of Islamic legal-economic principles.
2. Behavioral Level, Implementation of contracts, ethical standards, and halal compliance.
3. Structural Level, Improved access to Sharia financial institutions and long-term sustainability orientation.

The transformation was not merely normative but operational, as evidenced by observable changes in transactional practices. The integration of legal awareness, ethical commitment, and financial literacy strengthens MSME competitiveness while preserving Islamic moral foundations.

Thus, Sharia-based mentoring functions not only as religious education but also as a strategic economic empowerment model. It bridges doctrinal Islamic jurisprudence with practical entrepreneurship, creating a holistic framework for equitable and sustainable MSME development.

### **CONCLUSION**

The Sharia Economic Law-based MSME strengthening program has a positive impact on increasing understanding and the practice of fair and sustainable business. MSME actors showed changes in terms of using clear contracts, implementing sharia business ethics, and awareness regarding business legality and halal status.

The sharia approach is proven to be a solution in creating a business system that is not only profit-oriented but also oriented toward justice, transparency, and collective benefit (Karim, 2014). Furthermore, access to sharia financing provides opportunities for MSMEs to grow without being trapped in usury practices (Ascarya, 2015). Moving forward, continuous mentoring, strengthening access to sharia financial institutions, and halal business management training are required so that MSMEs can develop sustainably and maintain high competitiveness.

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