

# Implementation of Islamic Economic Principles in Strengthening the Community Economy Based on Msmes

An'im Fattach

Fakultas Ekonomi Universitas Islam Lamongan  
Email: animfattach@unisla.ac.id

Islamic economics exists as an economic system that emphasizes the values of justice, balance, and welfare in economic activities. In the context of the national economy, Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in driving economic growth in society. This study aims to examine the implementation of Islamic economic principles in strengthening the MSME-based community economy. The research method used is a descriptive qualitative approach through literature study by analyzing Islamic economic books and relevant previous research results. The results of the study indicate that Islamic economic principles such as justice (al-'adl), honesty (shidq), responsibility (amanah), and mutual assistance (ta'awun) have been implemented in MSME practices, both in the production, distribution, and transaction processes. The implementation of these principles contributes positively to increasing trust, business sustainability, and strengthening the community economy in an inclusive manner. This research is expected to serve as a conceptual reference for the development of Islamic economic-based MSMEs in Indonesia.

**Keywords:** Islamic Economics, MSMEs, Economic Strengthening, Community Economy

This is an open access article under the [CC BY-NC](#) license



## Corresponding Author:

An'im Fattach  
fakultas ekonomi universitas islam lamongan  
animfattach@unisla.ac.id

## 1. Introduction

Dynamic global economic developments demand an economic system that is not only oriented toward growth but also upholds the values of justice and social welfare. Islamic economics presents an alternative economic system that integrates spiritual and moral values into economic activities. Islamic economic principles emphasize a balance between individual and societal interests and encourage social justice and economic equality (Chapra, 2000).

In Indonesia, MSMEs are the backbone of the national economy, absorbing labor and supporting the local economy. However, MSMEs still face various challenges, such as limited capital, low financial literacy, and weak business ethics in business practices. These conditions demand an economic approach that is not solely profit-oriented but also considers moral and social aspects.

The implementation of Islamic economic principles in the development of MSMEs is relevant because the values they embody align with the character of a people's economy. Previous research has shown that the application of sharia principles in MSME activities can improve business sustainability and strengthen consumer trust (Ascarya, 2012; Antonio, 2001). Therefore, a study of the implementation of Islamic economic principles in strengthening the MSME-based community economy is important for academic study.

A nation's economy cannot rely solely on the strength of large corporations and foreign investment, which are often volatile and vulnerable to global market fluctuations. The true pillar of economic resilience lies in the pulse of micro, small, and medium enterprises (MSMEs). In Indonesia, MSMEs have long proven to be

a fundamental pillar: contributing more than 60% to Gross Domestic Product (GDP), employing approximately 97% of the total workforce, and serving as a key buffer against various economic crises. This contribution confirms that strengthening MSMEs is not merely an economic development agenda, but a social imperative and a national resilience strategy.

However, despite their significant contributions, Indonesian MSMEs still face a number of complex structural challenges. First, limited access to affordable, sharia-compliant financing sources. Dependence on conventional financial institutions with their interest-based (*riba*) systems often burdens business cash flow, especially in the initial phase or during expansion. Second, managerial issues and suboptimal human resource capacity, including in aspects of business planning, digital marketing, and transparent financial governance. Third, increasingly fierce market competition, both from fellow MSMEs and the penetration of imported products. Fourth, uncertainty in the business environment and vulnerability to unethical practices in the supply and distribution chain. These challenges are interconnected and create a cycle that hinders MSMEs' full potential for sustainable and equitable growth.

On the other hand, in recent decades, the body of Islamic economic thought and practice (*Shari'a*) has developed rapidly, not only as an alternative financial system, but as a comprehensive economic paradigm. Islamic economics focuses not only on avoiding *riba* (usury), *maysir* (gambling), and *gharar* (excessive uncertainty), but also offers a broader philosophical foundation. Its core principles such as justice (*al-'adl*), benefit (*maslahah*), partnership (*shirkah*), social responsibility (*fardh kifayah*), and the prohibition against exploitation (*zhulm*) frame economic activity within the framework of worship and the common good (*falah*).

significant potential for convergence between the characteristics of MSMEs and Islamic economic principles. MSMEs, which are often community-based, family-based, and have close relationships with customers, naturally align with the spirit of a humane and just economy. The profit-sharing principle (*mudharabah*, *musyarakah*) in Islamic economics, for example, offers a fairer financing model than a fixed-interest system, as risks and profits are shared between investors and business owners. This is particularly suitable for MSMEs with fluctuating cash flows. Similarly, the principles of honesty in transactions (*shiddiq*) and fulfillment of promises (*amanah*) can provide strong brand equity for MSMEs in a competitive marketplace.

However, the implementation of Islamic economic principles in strengthening MSMEs should not be reduced to the aspect of sharia financing alone. It needs to be understood as a holistic and transformative framework for strengthening the community economy. This implementation includes: (1) Institutional Dimension, through the development of innovative, easily accessible, and appropriate sharia financial products for various MSME segments; (2) Human Resources Dimension, with education and mentoring for MSME actors on sharia business management, marketing ethics (*hisbah*), and transparent accounting; (3) Network and Market Dimension, through strengthening the sharia business ecosystem that encourages partnerships (*syirkah*) between MSMEs, halal supply chains, and ethical digital marketing platforms; and (4) Values and Culture Dimension, by instilling the values of monotheism, justice, and social responsibility in the business culture.

Therefore, this research, entitled "Implementation of Islamic Economic Principles in Strengthening the Community Economy Based on MSMEs," is highly relevant and urgent. This research aims to critically analyze how Islamic economic principles can be operationalized not as theoretical concepts, but as practical and strategic instruments to address the structural challenges of MSMEs. The focus is on creating an integrative strengthening model that combines spiritual-ethical aspects with technical-economic solutions.

Through this approach, strengthening MSMEs is expected to go beyond simply increasing income and creating jobs. The goal is to create a resilient, inclusive, and sustainable community economic ecosystem one in which economic activity goes hand in hand with the enforcement of distributive justice, community empowerment, and the preservation of morality in transactions. In other words, the implementation of Islamic economic principles in MSMEs has the potential to become a driving force for realizing the maqashid al-syari'ah (objectives of sharia) in the real economic realm, namely safeguarding religion, life, intellect, descendants, and property, especially for the lower-middle class who are the backbone of the nation. This is the essence of true community economic strengthening, where material and spiritual well-being go hand in hand towards falah (success in this world and the hereafter). Formulation of the problem How is the concept of Islamic economic principles in the context of strengthening the community economy?. How are Islamic economic principles implemented in MSME activities?. How does the application of Islamic economic principles contribute to strengthening the economy of MSME-based communities?. Research purposes: Analyze the concept of Islamic economic principles that are relevant to strengthening the community economy. Examining the implementation of Islamic economic principles in MSME practices. Explaining the role of Islamic economic principles in strengthening the community economy through MSMEs.

## 2. Research Methods

This study employed a descriptive qualitative approach with a library research method. Data were obtained from secondary sources, including Islamic economics textbooks, scientific journals, and previous research relevant to the theme of Islamic economics and MSMEs. Data collection techniques included identification, classification, and analysis of the reviewed literature. Data analysis was conducted using a descriptive-analytical approach, outlining the concepts and findings of previous research to gain a comprehensive understanding of the implementation of Islamic economic principles in strengthening the MSME-based community economy.

## 3. Discussion

### The Concept of Islamic Economic Principles in the Context of Strengthening the Community Economy

Islamic economics is an economic system based on sharia values, with the primary goal of achieving prosperity (falah) for all levels of society. According to Chapra (2000), Islamic economics aims to create social justice through equitable distribution of wealth and moral economic activity. The principle of justice (al-'adl) is the primary foundation that rejects the practices of usury, gharar, and maysir, as they can lead to economic inequality and exploitation (Karim, 2010).

In the context of strengthening the community economy, the principles of balance (tawazun) and social responsibility play a crucial role. Islamic economics does not separate individual interests from social interests, but rather places them in harmony (Sudarsono, 2004). The principles of trustworthiness and honesty (shidq) are also fundamental values in building social trust, which is a crucial asset in community economic activity (Antonio, 2001).

Furthermore, Islam encourages wealth distribution through zakat, infaq, sedekah, and waqf as an effort to strengthen the community's economy. Ascarya (2012) emphasized that these instruments function as economic redistribution mechanisms oriented towards empowering economically disadvantaged groups, including MSMEs. Thus, the concept of Islamic economics has an inclusive and equitable character, aligning with the goal of strengthening the community's economy.

### Implementation of Islamic Economic Principles in MSME Activities

Implementation of Islamic Economic Principles in Strengthening the Community Economy Based on Msmes. An'im Fattach

The implementation of Islamic economic principles in MSME activities can be seen in various aspects of business operations. In the production process, MSMEs are required to pay attention to halal certification, product quality, and responsibility to the environment and surrounding community. The concept of halal and *thayyiban* emphasizes that products are not only legally halal but also good and beneficial for consumers (Mardani, 2015).

In terms of transactions, the application of Islamic economic principles is reflected in the use of clear contracts, price transparency, and the avoidance of fraudulent practices. Antonio (2001) states that clarity of contracts and honesty in transactions are part of Islamic business ethics that can increase consumer trust. This is particularly relevant for MSMEs that rely on long-term relationships with customers.

The principles of mutual assistance (*ta'awun*) and brotherhood (*ukhuwah*) are also implemented through collaboration between MSMEs, such as the establishment of sharia-compliant cooperatives and business partnerships. Research by Yusuf and Wiroso (2011) shows that sharia-compliant cooperation can increase the competitiveness of MSMEs and strengthen community economic networks. Implementing these values not only increases income but also strengthens social capital and economic solidarity.

#### **Contribution of the Application of Islamic Economic Principles to Strengthening the Community Economy Based on MSMEs**

The application of Islamic economic principles in MSMEs makes a real contribution to strengthening the community economy. One key contribution is the creation of equitable and sustainable economic activity. Chapra (2000) emphasized that the Islamic economic system encourages economic activity that is not speculative, but rather based on the real sector, productive, and oriented toward the welfare of the community.

Furthermore, Islamic economic-based MSMEs are not solely profit-oriented but also consider the social impact of their business activities. Ascarya (2012) explains that Islamic economics places social welfare as an integral part of economic goals. This is reflected in MSMEs' concern for worker welfare, involvement in social activities, and contributions to local economic development.

From a macro perspective, strengthening MSMEs based on Islamic economic principles contributes to inclusive economic development. Karim (2010) stated that implementing sharia principles in economic activities can reduce inequality and increase economic stability in society. Thus, MSMEs based on Islamic economics play a strategic role in creating equitable, sustainable, and mutually beneficial economic growth.

#### **4. Conclusion**

Based on the discussion that has been outlined, this study concludes that the implementation of Islamic economic principles in strengthening the MSME-based community economy is not just an alternative strategy, but an integral and transformative paradigm that addresses the root of the problem while utilizing the intrinsic potential of the people's economy. The principles of Islamic economics, with the foundation of the values of justice (*al-'adl*), welfare (*maslahah*), and social responsibility (*fardh kifayah*), provide a philosophical and practical framework for transforming MSMEs from mere micro-entrepreneurs trapped in a cycle of limitations, into key agents in building a resilient, inclusive, and ethical economic ecosystem.

Overall, it can be concluded that the synergy between the spirit of Islamic economics and the potential of MSMEs has created a superior and authentic model for strengthening the community economy. This model successfully bridges the material and spiritual dimensions, efficiency and justice, and individual

interests and collective well-being. Its successful implementation depends on an integrated approach, involving not only MSMEs but also the government in providing regulations and supporting infrastructure, academics in developing applied sciences, and Islamic financial institutions and community organizations in providing assistance and access.

Therefore, to maximize its impact, a collective commitment is needed to encourage the internalization of Islamic economic values into the entrepreneurship education curriculum, innovation of more micro and appropriate Islamic financial products, and strengthening regulations that support a halal and ethical business ecosystem. Thus, MSMEs will not only be a statistical support for the national economy, but furthermore, become guardians and embodiments of the noble values of a just and dignified economy, which will ultimately realize genuine and sustainable community economic resilience. This is the essence of strengthening the community economy in line with the maqasid al-syari'ah, namely protecting and prospering human life on earth.

## 5. References

- Antonio, MS (2001). *Islamic Banking: From Theory to Practice*. Jakarta: Gema Insani Press.
- Antonio, MS, & Hafidhoh, N. (2018). *Sharia Business Management: Principles and Applications*. Tazkia Publishing.
- Ascarya. (2012). *Islamic Banking Contracts and Products*. Jakarta: Rajawali Pers.
- Ascarya. (2021). *Islamic Banking Contracts & Products: Revised Edition*. Rajawali Press.
- Chapra, M. U. (2000). *The Future of Economics: An Islamic Perspective*. Leicester: The Islamic Foundation.
- Chapra, MU (2016). *Islam and Economic Development*. Gema Insani Press.
- Huda, N., & Nasution, ME (2018). *Empowering the Community's Economy Through Islamic Financial Institutions*. Kencana.
- Kahf, M. (2017). *Islamic Economics: Analysis of Theory and Practice*. Rajawali Press.
- Karim, AA (2019). *Islamic Microeconomics (Third Edition)*. Rajawali Press.
- Manan, A. (2018). *Sharia Economic Law: From the Perspective of the Authority of Religious Courts*. Kencana.
- Mardani. (2015). *Law of the Islamic Economic System*. Jakarta: Rajawali Pers.
- Qardhawi, Y. (2015). *The Role of Values and Morals in Islamic Economics*. Robbani Press.
- Rusminah, S., Syairozi, MI, Dzikri, MWA, Al Fiqri, MM, & Faqeh, MM (2025). ENHANCING THE COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES CLUSTERS IN LAMONGAN REGENCY THROUGH DIGITAL MARKETING WITH GOVERNMENT POLICY AS A MODERATING VARIABLE. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 9(4).
- Risfandy, T., & Irawan, FB (2022). "The Impact of Profit-Sharing-Based Sharia Financing on the Performance and Sustainability of MSMEs: A Case Study of BMT in Central Java". *Journal of Islamic Economics\**, 13(1), 45-68.
- Sari, MD, & Ranti, U. (2021). "Implementation of Maqashid Sharia Values in Halal MSME Marketing Strategies in the Digital Era". *Journal of Islamic Economics\**, 7(2), 1205-1218.
- Syairozi, MI, & Azizah, LN (2025). Enhancing SME Competitiveness Through the Implementation of Strategic Management Based on Local Business Innovation. *Scientific Journal of Unitary Management*, 13(5), 3627-3638.
- Sudarsono, H. (2004). *The Concept of Islamic Economics: An Introduction*. Yogyakarta: Ekonisia.
- Wajdi, MF, & Azmi, NH (2020). "Analysis of Inhibiting and Supporting Factors in the Implementation of Sharia Principles in MSMEs in Bandung City". *Al-Muzara'ah\**, 8(1), 33-52.
- Yusuf, M., & Wiroso. (2011). *Sharia Business*. Jakarta: Mitra Wacana Media.

Zainul, M., & Hasan, R. (2019). "The Role of Zakat and Productive Waqf in Strengthening Micro-Business Capital: A Study of the National Zakat Collection Agency". *ZISWAF: Journal of Zakat and Waqf*, 6(2), 290-311.