Introduction to Islamic Economics for Micro, Small, And Medium Enterprises (MSMEs)

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Article History:
Received: 14 Januari 2026
Revised: 01 April 2026
Accepted: 13 April 2026

Keywords: *Islamic Economics, MSMEs, Islamic Financial Education*

Abstract: *Micro, Small, and Medium Enterprises (MSMEs) are a major pillar of the Indonesian economy, yet they still face various fundamental problems, particularly limited financial literacy and access to fair and sustainable financing. Amidst the development of the sharia economy in Indonesia, the introduction of sharia economic principles is seen as a strategy for empowering MSMEs that has the potential to strengthen business sustainability. However, in practice, many MSMEs still have a limited understanding of the concept of sharia economics and have not yet implemented it optimally in business management. This study aims to examine in depth the introduction of sharia economics among MSMEs, specifically regarding the level of understanding, financial management practices, and access to and perceptions of sharia financing. The research method used is a qualitative approach with descriptive characteristics. Data were collected through observation, interviews, and document searches, then analyzed using qualitative descriptive analysis through the stages of data reduction, data presentation, and drawing conclusions. The results show that most MSMEs still have a simple understanding of sharia economics, have not implemented systematic financial records, and face obstacles in accessing sharia financing. However, MSMEs that received Islamic economic education and mentoring demonstrated positive changes in financial behavior, business transparency, and readiness to access Islamic financing. These findings confirm that the introduction of Islamic economics through ongoing education and mentoring plays a crucial role in strengthening the capacity and sustainability of MSMEs.*

INTRODUCTION

One of the important indicators for measuring the welfare of a country is economic growth. However, in recent years, the problem of economic growth has become a complex challenge for Indonesia. Economic instability, limited industrial perspectives, and global market fluctuations often hinder sustainable economic growth. The low level of infrastructure inequality is an important component. In a situation like this, Micro, Small, and Medium Enterprises (MSMEs) have emerged as an important factor that can help Indonesia's economic growth. As one of the pillars of the economy, MSMEs contribute significantly to creating jobs, driving local economic activities, and increasing the equality of income distribution (Sarif, 2023).

Micro, Small, and Medium Enterprises (MSMEs) play a role in national economic development, in Indonesia this sector has become the backbone of the economy with a good contribution to Gross Domestic Product (GDP) and employment absorption. Based on data from the Ministry of Cooperatives and Small and Medium Enterprises, MSMEs have contributed more than 60% of the national GDP and provided more than 97% of employment. This figure shows that MSMEs have become the main driver of the economy in Indonesia, especially in areas with great potential such as North Sumatra (Nantaetal., 2025).

MSMEs face a fundamental problem in the form of limited access to capital. Access to formal financial institutions has not fully answered the needs of small business actors, especially because of the administrative requirements for funds that they are unable to fulfill. This condition creates serious obstacles for product innovation and business expansion. Meanwhile, the informal sector, which is generally not legally recognized, has even more difficulty in obtaining formal financing. As a result, both sectors tend to rely on external sources of capital. alternatives such as family loans, loan sharks, or microfinance institutions with higher interest rates. Such limited access to capital slows down their business expansion process, especially in the face of increasingly global competition. In addition to limited capital, another major obstacle faced is market access. Although the MSME sector has great potential in product diversification, their opportunities are often hampered by weak distribution networks and limited penetration into wider markets (Pentanurbowo & Al-Amin, 2025).

Sharia economics emerged as a solution based on Islamic principles that prioritize justice, balance, and blessings in economic activities. This system not only regulates aspects of economic transactions to be halal and thayyib, but is also oriented towards social and moral values that support equality and poverty alleviation. The principle of prohibiting usury is one of the main foundations in sharia economics, because usury is seen as causing exploitation and social inequality. In addition, the mechanisms of zakat, infaq, and alms function as instruments of redistribution to wealth. yaan to support underprivileged groups. The practice of Islamic economics is not only aimed at achieving material welfare, but also to build a harmonious and just society. However, the biggest challenge in implementing Islamic economic principles is how to integrate these values into the established and complex national and global economic system. In-depth theoretical studies are important to understand the appropriate concepts and implementation strategies so that the principles of social justice can be realized through Islamic economics (Purnomo, 2025).

However, in the field there are still many MSMEs who do not understand or cannot access information regarding proper Islamic financial management. On the other hand, by implementing proper Islamic financial management, it is hoped that MSMEs will not only gain profits in the short term, but can also develop sustainably in the long term. Success in managing Islamic finance can open up opportunities for MSMEs to obtain financing from Islamic financial institutions, which are now increasingly developing in Indonesia. Halinida Pat creates a more inclusive economic ecosystem, where small business actors can access resources that were previously difficult to reach through conventional financial institutions. By educating MSME actors about the importance of transparency in bookkeeping and financial management, it is hoped that the community can transact more ethically and avoid practices that are financially detrimental. This also supports the long-term goal of realizing a more prosperous, just, and socially just Indonesian society (Arif, 2024).

Various empirical findings show that Islamic financial guardians have a significant influence on the financial behavior and decision-making of MSME actors. In addition to the literacy aspect, another issue faced by MSMEs is the limited access to Islamic financial institutions, especially in rural and underdeveloped areas. The uneven distribution of Islamic financial services, the lack of business assistance, and the lack of integration between MSME development programs and Islamic economics are challenges that need serious attention. Without a systematic introduction and assistance strategy, the potential of Islamic economics as an instrument for empowering MSMEs is difficult to realize optimally.

Based on the aforementioned, this research is important to examine in more depth the introduction of sharia economics to MSMEs by raising empirical conditions and real issues in the field. This research does not only focus on the normative aspects of sharia economics, but also emphasizes its relevance and implementation in MSME business practices. Thus, the results of this research are expected to provide academic contributions in the development of sharia economics literature and become a practical reference for policy makers, sharia financial institutions, and other stakeholders in formulating strategies for strengthening sharia-based MSMEs.

LITERATURE REVIEW

Micro, Small and Medium Enterprises (MSMEs) in the National Economy

Micro, Small, and Medium Enterprises (MSMEs) are a mainstay sector for a country's economic activities, especially Indonesia in realizing prosperity and reducing poverty. In this case, Islamic banks are directly involved in providing financing for the development of MSMEs. MSMEs are one form of business that makes a large contribution to the Indonesian economy, where the number of MSMEs in Indonesia has reached 64.2 million and has contributed 61.7% to GDP based on the Ministry of Cooperatives and SMEs in 2021. According to the Indonesian Ministry of Communication and Informatics in 2022, MSMEs have absorbed up to 9 workers. 7%. Islamic banks, which are part of financial institutions, have an important role in economic development in Indonesia. Adequate capital and easy access to capital are factors that support business development. One of the economic sectors that benefits from the existence of Islamic banks is the MSME sector. Islamic bank financing provides a significant contribution to the ability to obtain profits and business development for actors. Islamic bank financing is able to improve financial performance and provide a positive contribution to the welfare of MSME actors (Alametal., 2023).

MSMEs also encourage national economic growth and function in distributing company income. Because they have high economic resilience, MSMEs support economic stability by being able to survive amidst competition from large companies and employ productive workers to increase efficiency. The advantage of MSMEs lies in their relatively small business scale but have high flexibility in facing strategic environmental changes. MSMEs are also close to the needs of the community, sources of raw materials, and local resources. l, as well as having limited exposure to the financial market. MSMEs show good adaptability in their business models, as can be seen from the increasingly developing digitalization trend, such as the application of digital technology. These characteristics make MSMEs very resilient in facing this situation. economic slowdown by improving the performance of sectors that make a large contribution to the economy and absorbing affected informal workers. With the existence of MSMEs, people with limited capital have a great opportunity to start a business (Kamila & Adinugraha, 2025).

According to Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (UUUMKM), the definition of an MSME is as follows:

1.Micro Enterprises

A Micro Enterprise is a productive business owned by an individual and/or individual business entity that meets the criteria for a micro enterprise as regulated in Law Number 20 of 2008 concerning MSMEs. The criteria for a Micro Enterprise are as follows: Having a net worth of no more than IDR 50,000,000 (fifty million rupiah) excluding land and buildings where the business is located or Having annual sales of no more than IDR 300,000,000 (three hundred million rupiah).

2. Small Business

A small business is a stand-alone productive economic enterprise, carried out by an individual or business entity that is not a subsidiary or branch of a company owned, controlled, or part of, directly or indirectly, a medium-sized or large business that meets the criteria for a small business as referred to in the SME Law Number 20 of 2008. aSmall Business is as follows: Having net assets of more than Rp. 50,000,000,- (fifty million rupiah) up to a maximum of Rp. 500,000,000,- (five hundred million rupiah) excluding land and buildings where the business is located or having annual sales results of more than Rp. 300,000,000,- (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000,- (two billion five hundred million rupiah).

3. Medium-sized Enterprises

A medium-sized enterprise is a stand-alone productive economic enterprise, carried out by an individual or business entity that is not a subsidiary or branch of a company owned, controlled, or part of, directly or indirectly, a small business or large business with a net worth or annual sales revenue as referred to in the SME Law number 20 of 2019. 2008. The criteria for a Medium Enterprise is having net assets of more than Rp. 500,000,000 (five hundred million rupiah) up to a maximum of Rp. 10,000,000,000 (ten billion rupiah) excluding land and buildings where the business is located or having annual sales results of more than Rp. 2,500,000,000 (two billion five hundred million rupiah) up to a maximum of Rp. 50,000,000,000 (fifty billion rupiah).

In general, MSMEs in the national economy have a role as a major actor in economic activities, job providers, important players in the local economy and community empowerment, creators of new markets, and their contribution to GDP and the balance of payments. One way to find out the role of MSMEs in the economy is through Gross Domestic Product (GDP). GDP is the value of goods and services produced within a country in a particular year. The purpose of GDP is to summarize economic activity in a certain monetary value during certain time period. As a state organizer, the government can help MSMEs to develop further. The Government of the Republic of Indonesia has helped MSMEs by providing People's Business Credit (KUR). Based on data from the Ministry of Cooperatives and SMEs, the growth of KUR was IDR 178.07 trillion or approximately 16.25% in 2020 and IDR 192.59 trillion or approximately 8.16% in

2021. This also proves that MSMEs really need cash injections to develop their businesses (Amalina & Subiyantoro, 2024).

Concept and Basis of Islamic Economics

Sharia economics is an economic system based on the principles contained in Islamic teachings, which refer to the Qur'an and Hadith, as well as the thoughts of scholars regarding economic laws in Islam. Sharia economics aims to realize social justice and the welfare of the people by avoiding practices that are considered inconsistent with sharia, such as usury (interest), gharar (uncertainty), and maysir (gambling). This system focuses on the equitable distribution of wealth, as well as the balance between the interests of individuals and society, as well as the world and the hereafter (Amsarie et al., 2025).

The principles of Islamic economics include several important things, such as the prohibition of riba (interest), which is considered a form of exploitation of the weaker party in economic transactions. There is a prohibition on speculation or maysir, which is related to all forms of gambling or uncertain transactions. In Islamic economics, transactions must be clear and there must be no element of fraud (gharar). For example, in a sale and purchase contract, the object being traded must be clear, both in terms of quantity, quality, price, so that there is no confusion. became a dispute later on. In practice, sharia economics is not only limited to the financial sector such as sharia banking, but also covers all economic sectors. For example, in the field of trade, sharia economics encourages fair buying and selling practices, without any exploitation of consumers or producers. This concept is also reflected in sharia financing instruments, such as murabahah, mudaraba, and musyarakah, which prioritize the principle of profit sharing over interest, which is known in the conventional economic system (Irawanetal., 2025).

The main objective of the application of Islamic economics is to realize the welfare of the people as a whole, both materially and spiritually, while maintaining harmony between worldly and hereafter life. Islamic economics has broader objectives compared to the conventional economic system, where the main objective is not only focused on economic growth and profit alone, but also on achieving social justice, the welfare of the people, and environmental sustainability. The achievement of this welfare prioritizes moral, social, and spiritual values contained in Islamic teachings.

One of the main challenges in implementing Islamic economics is the lack of in-depth understanding of sharia principles among the people and industrial actors. Values such as justice, integrity, and universal business ethics can be accepted by everyone, but many still consider this system exclusive to Muslims. In addition, the limited number of HR departments that have Islamic economic capabilities is another obstacle. Therefore, it is important to strengthen education and training in this field at the academic and professional levels. Meanwhile, state regulations and guidelines play an important role in supporting the development of Islamic economics. Countries with legal systems that have not yet considered all Islamic principles have difficulty using Islamic financial products. This requires a flexible legal framework, but continues to be in line with Islamic principles so that the Islamic economy can develop optimally. This also requires cooperation between financial authorities, supervisors, academics and practitioners to create a beneficial ecosystem (Wahyuningrumetal., 2025).

Sharia Economics and Finance Education

The Financial Services Authority is currently continuing to improve services and education to the public, known as financial literacy, regarding financial institutions. This financial literacy is regulated in the Financial Services Authority Regulation Number 76 /

POJK.07 / 2016. Understanding financial literacy is very important to shape society. Finance has become a necessity in everyday life, so it has become a life skill that every individual needs to have to live a long-term life The Islamic financial literacy index studied and issued by the Financial Services Authority (OJK) in 2022 was 9.14%. The number of Indonesian Muslims, which is 86.7% of the national population, is still not comparable to the number of Muslims who understand Islamic financial services products. It is still a very large comparison regarding the understanding or level of literacy of the people in Indonesia (Hidayat et al., 2024).

Education and understanding of Islamic banking products are very important for all levels of society in this modern era. Daily activities today cannot be separated from banking and technology, both in the fields of economics, education, and others. A good level of financial literacy can help prevent financial problems, which are not only caused by low income, but also by poor financial management due to lack of knowledge about financial aspects, thus leading to errors in decision making. Therefore, it is important to increase public understanding of products and services in Islamic financial institutions, especially in Islamic banks that have many contract terms in Arabic.

Sharia financial literacy refers to an individual's knowledge and understanding of financial products and services that are in accordance with sharia principles. In Indonesia, sharia financial literacy is still relatively low when compared to conventional financial literacy. A survey conducted by the Financial Services Authority (OJK) in 2024 showed that only 39.11% of the Indonesian population understands the basic concepts of sharia finance. However, sharia financial literacy among the Muslim community has enormous potential, given the demand for sharia financial literacy. which continues to increase for sharia financial products, both in the banking, capital market, and insurance sectors. Several studies reveal that low sharia financial literacy is not only caused by a lack of knowledge about sharia financial products, but also by a low understanding of the values contained in sharia economic principles. For this reason, increasing sharia financial literacy needs to start early, one of which is by including sharia economic material in the education curriculum in secondary schools (Ronaldo & Maulini, 2025).

Basically, financial literacy is a long-term habit formed from the non-literate and less literate community groups so that they reach the well-literate group, so that they can contribute to increasing the use of financial products and services. From the government itself, the targets in the financially literate community include: students, university students, housewives, SMEs, professional staff, employees and even retirees. In addition to financial literacy that needs to be conveyed to the community, banking products and services are also important to convey. If It can be seen that traders are an important part of change agents in improving economic standards, because in fact, nowadays we are faced with sophisticated technology so that as business people we can utilize this technology as a means and infrastructure for us to reach information that changes every day. In this way, business people should be able to wisely manage their finances, so that they can determine the choices and benefits of the products they choose in their future lives (Alimi & As'ad, 2023).

The implementation of the sharia financial system also plays a role in creating financial system stability. Because transactions are based on real economic activities and are not speculative, the risk of a financial crisis can be suppressed. Sharia banks tend to be more careful in distributing financing so that the funds used are truly productive and contribute to real economic growth. In addition to stability, the sharia financial system encourages the growth of the micro, small, and medium enterprise (MSME) sector. The profit-sharing financing scheme provides space for business actors to develop without being burdened by fixed interest payment obligations. This helps MSME actors run their businesses in a healthier and more sustainable manner. Another positive impact is seen in the distribution of community welfare. With the principles of justice and responsibility Socially, Islamic financial institutions are not only oriented towards certain economic groups, but also pay attention to low-income communities. Inclusive financing has the potential to reduce economic disparities and improve welfare broadly. The Islamic financial system also contributes to building better business ethics. The values of honesty, trustworthiness, and responsibility are the basis of every transaction. With these values, the relationship between banks and customers is not only contractual, but also based on trust and integrity. With these various positive impacts, the implementation of the Islamic financial system can be one solution in creating an economic system that is fairer, more stable, and oriented towards the welfare of society as a whole (Khaddafi et al., 2025).

A number of studies show that a good level of Islamic financial literacy has a positive influence on the financial behavior of business actors, including in making financing decisions, capital management, and long-term financial planning. MSME actors who have an understanding of Islamic economics tend to be more orderly in financial recording, avoid business practices that conflict with Islamic principles, and are more open in utilizing Islamic financing products.

Introduction to Islamic Economics as a Strategy for Empowering MSMEs

Empowering MSMEs has become a major focus in efforts to drive inclusive economic growth in Indonesia. MSMEs are the backbone of the economy that make significant contributions in creating jobs, expanding income distribution, and supporting regional economic growth. However, the main challenges faced by MSMEs are access to adequate financing, as well as lack of access to appropriate business education and guidance. In this context, the Islamic economic approach offers a potential solution in supporting MSME empowerment. Islamic economics emphasizes the value of These values are justice, inclusion and fair risk sharing in economic activities. By utilizing sharia economic principles, MSMEs can gain access to finance in accordance with sharia principles, as well as receive guidance and development in accordance with Islamic values. However, despite this approach Islamic economics offers great potential in empowering MSMEs, there are still several problems that must be resolved, such as a lack of understanding of the concept of Islamic economics, a lack of quality Islamic financial institutions, and a lack of cooperation between relevant stakeholders in.

There are great opportunities for MSMEs in developing the sharia economy in Indonesia. With increasing public awareness of the importance of products and services that comply with sharia principles, demand for halal and ethical products continues to increase. This opens up opportunities for MSMEs to develop innovative products that comply with sharia principles and meet market needs. In addition, the development of digital technology also provides opportunities for MSMEs to expand market reach through e-commerce platforms and digital marketing (Batubara & Ritonga, 2024).

In a sharia perspective, the role of MSMEs includes all activities that provide benefits to others, such as opening new job opportunities with the principle of honesty and without harming other business actors. The existence of MSMEs can contribute to realizing community welfare in accordance with Islamic principles. From the aspect of business resilience, MSMEs have advantages compared to other large companies (Jastrietal., 2023).

To strengthen the role of MSMEs in the development of the sharia economy in Indonesia, various strategic steps are needed. First, there is a need to increase children's interest in sharia financing for MSMEs. The government and sharia financial institutions need to work together to develop financing products that are more inclusive and easily accessible to MSMEs. Second, increasing the capacity and competitiveness of MSMEs through training and technical assistance. Training programs that focus on business management, marketing, and technology need to be improved to help MSMEs grow. Third, the development of various business ecosystems that support the growth of sharia MSMEs, including through the provision of adequate infrastructure and pro-MSME policies (Jastriet al., 2023).

The introduction of sharia economics to MSME actors is a strategic step in increasing business capacity and sustainability. Through systematic education and assistance, MSME actors are expected to be able to understand sharia economic concepts and implement them in daily business management. This introduction not only covers aspects of financing, but also management. finance, business ethics, and social responsibility. An empowerment approach based on sharia economics is believed to be able to create a more inclusive and just business ecosystem. By increasing understanding of sharia economics, MSMEs have the potential to gain wider access to financing, increase the trust of financial institutions, and strengthen business competitiveness in a sustainable manner.

METHOD

The method used in this study is a qualitative approach with descriptive characteristics. The qualitative approach was chosen because this study aims to deeply understand the phenomenon of introducing Islamic economics to MSMEs, especially regarding the level of understanding, acceptance and implementation of Islamic economic principles in daily business practices. This approach is considered relevant because it is able to capture the social reality and dynamics of MSME behavior that cannot be explained quantitatively alone, especially in the context of Islamic financial literacy and business decision making.

The object of this research is the introduction of Islamic economics to MSMEs, while the subjects of this research are MSMEs who run businesses in the trade, services and household industry sectors. MSMEs were chosen as research subjects because they are the most dominant business group in the national economic structure and face various limitations in access to financing and financial literacy. Data collection techniques were carried out through observation, interviews and document searches (document-based-research).

The data obtained were analyzed using qualitative descriptive analysis, through the stages of data reduction, data presentation, and drawing conclusions. Data from observations, interviews, and documents were categorized based on main themes, such as the level of understanding of Islamic economics, financial management practices, access to Islamic financing, and implementation obstacles. Furthermore, the data were analyzed interpretively by linking them to theories and previous research findings.Contains the types, methods, analytical techniques etc used in this study. The method used flowcart images or diagrams.

RESULT AND DISCUSSION

Level of Understanding of MSMEs towards Sharia Economics

The research results show that most MSMEs still have a limited understanding of the concept of Islamic economics. Based on the interview results, many MSMEs understand Islamic economics in a simple way, namely as "business without interest" or "Islamic banking without interest". A deeper understanding regarding the absence of financing, profit-sharing principles, and the ethical values of Islamic business is still relatively low. This condition is reinforced by research results from Habriyanto et al., in (2022), showing that the majority of MSME actors have a limited understanding of Islamic economics.

Based on the results of interviews, most respondents define Islamic economics as a business system that does not use interest or usury. This understanding is generally obtained from personal experience, informal information, and interactions with Islamic financial institutions. However, a deeper understanding of Islamic contracts such as murabahah, mudharabah, and musyarakah is still very minimal. Many MSME actors are not yet able to distinguish between types of Islamic financing contracts and do not understand the concept of fair profit and risk sharing. In addition, aspects of Islamic business ethics such as honesty, trustworthiness, and transparency are not fully understood as an integral part of Islamic economics.

Other empirical findings show that the low understanding of Islamic economics also has an impact on the financial behavior of MSMEs. Research by Srisusilawati et al., in (2021) concluded that self-efficacy and Islamic financial literacy have a positive and significant influence on the performance of MSMEs, both partially and simultaneously. MSME actors who have high self-confidence and a good understanding of Islamic finance tend to have better and more sustainable business performance. Therefore, increasing Islamic financial literacy and strengthening the self-efficacy of MSME actors needs to be a primary concern for the government, Islamic financial institutions, and stakeholders. other important bowls.

Continuous education and mentoring are expected to be able to increase the competitiveness and sustainability of MSMEs based on sharia principles. MSMEs with low levels of sharia economic literacy tend not to implement transparent financial records and are not ready to fulfill the principles of justice and risk sharing in sharia contracts. Conversely, MSMEs with better understanding demonstrate more sustainable business performance and have wider access to financing from sharia financial institutions. Thus, the results of this study strengthen previous findings that the limited understanding of MSMEs towards sharia economics is not only caused by individual factors, but also by the lack of systematic socialization, mentoring, and education from sharia financial institutions and the government. Without a structured and sustainable strategy for introducing sharia economics, the potential of sharia economics as an instrument for empowering MSMEs will be difficult to realize optimally.

MSME Financial Management Practices in the Field

Observation results show that most MSMEs have not implemented systematic financial recording. Many business actors still mix personal and business finances, and do not have simple financial reports. This condition makes it difficult for MSMEs to measure business performance and access financing from financial institutions, including Islamic banks. MSMEs who have a basic understanding of Islamic financial principles tend to be more careful in financial management, such as avoiding unclear transactions, implementing honesty in pricing, and maintaining trust in relationships with consumers.

This finding is in line with the research of Sumidartiny & Laela (2025), which shows that Islamic financial guardians have a positive and significant influence on MSME compliance in using Islamic financing. MSME actors who have a better understanding of Islamic economic concepts tend to be more compliant in choosing financing products that are in accordance with Islamic principles. In addition, religiosity is also proven to have a significant influence on compliance with Islamic financing. MSME actors with a higher level of religiosity show a greater tendency to avoid interest-based financing and choose Islamic financing.

Strengthened by research by Sholihahetal., year (2025), which states that sharia-based financial management does not only focus on financial aspects alone, but also integrates ethical values and justice that have a positive impact on business sustainability. Limitations in systematic financial planning indicate the need for intervention in the form of training and mentoring from the government, sharia financial institutions, and MSME support organizations. Sharia financial literacy must be increased so that business actors are able to manage finances more professionally and oriented towards sustainable business growth.

Data analysis shows that MSMEs that implement sharia financial management and planning tend to have better business performance compared to those that do not. This better performance is characterized by increased turnover, more efficient cash management, and the ability to maintain business amidst tight market competition. The application of sharia principles such as the prohibition of usury and transparent fund management provides a sense of security and trust to business actors, so that they can focus on developing their business without the pressure of interest-bearing debt.

Access and Perception of MSMEs to Sharia Financing

Based on the interview results, access to Islamic financing is still perceived as difficult by MSMEs, especially in non-urban areas. The main obstacles faced include a lack of information, a limited number of Islamic financial institutions, and the perception that Islamic financing procedures are more complicated than conventional financing. However, MSMEs who have received Islamic financing stated that the profit-sharing scheme is fairer and less burdensome for businesses, especially when income declines.

This finding is in line with the results of research conducted by Bahrie et al., (2025), which emphasized that the low level of utilization of Islamic bank financing by MSMEs is caused by barriers to access and low Islamic financial literacy. He found that although the sharia financing scheme was designed to be fairer and more in line with the characteristics of MSMEs (through the principle of profit sharing and without interest), the level of utilization was still relatively low. This was caused by the limited understanding of MSMEs regarding the mechanism of sharia contracts and the assumption that the administrative process of sharia financing tended to be more complex than conventional financing. This condition strengthened the results of interviews in this study, where MSMEs assessed that the sharia financing procedure was not yet completely easy to access, especially for micro and small scale businesses.

Several studies on factors that influence the ability of MSMEs such as the ability of MSMEs to survive and grow are caused by internal factors that influence the productivity and innovation of the company as well as external factors. The participation of MSMEs in the global value chain is still low, this is due to limited resources such as finance, information, management capacity, technology and access to market information. To increase the participation of MSMEs with the scale and maturity of the business, foreign linkage, productivity, innovation and access to financing.

Currently, banks in Indonesia have not been able to touch small-class MSMEs. Currently, Sharia banks have provided solutions to MSMEs related to capital with the Mudharabah contract which is an alternative in increasing business. MSMEs as productive activities in responding to community demands (Fitri & Nenengsih, 2025).

Thus, the results of this study not only strengthen the findings of previous researchers, but also emphasize that the main challenges of sharia financing for MSMEs do not lie in the concept or benefits, but rather in the aspects of accessibility, literacy, and procedural perception. Therefore, increasing sharia financial literacy, simplifying financing procedures, and expanding the network of sharia financial institutions are key factors in increasing the inclusion of sharia financing for MSMEs, especially in non-urban areas.

Introduction to Islamic Economics as an Effort to Empower MSMEs

The research results show that the introduction of Islamic economics through education and mentoring has a positive impact on the attitudes and behavior of MSMEs. MSMEs who receive Islamic economics socialization or training show increased awareness of the importance of financial recording, business transparency, and the selection of financing sources that comply with Islamic principles. This approach is considered effective in building MSME trust in Islamic financial institutions and encouraging the creation of a more inclusive business ecosystem.

This finding aligns with the research results of Anto et al., (2025), which shows that Islamic business education and MSME mentoring contribute to the development of a halal-based business ecosystem, where MSMEs who receive systematic socialization and coaching become more aware of the concept of halal-thayyib and apply it in their business practices.

The study explains that the education provided not only improves understanding of Sharia principles but also encourages MSMEs to implement more transparent and ethical business management, thereby building business trust in Sharia financial institutions and facilitating access to Sharia-based financing. Thus, education and mentoring within a Sharia economic framework have proven effective in strengthening the capacity of MSMEs and contributing to the formation of a fairer and more sustainable inclusive entrepreneurial ecosystem, supporting the empirical findings of this study.

It can be concluded that introducing Islamic economics through educational and mentoring activities plays a crucial role in empowering MSMEs. MSMEs who receive Islamic economics outreach and training not only experience an increased understanding of Islamic principles but also demonstrate tangible changes in their business attitudes and behaviors, such as increased awareness of the importance of accurate financial records, transparency in business management, and prudence in selecting financing sources that align with Islamic principles.

Implications of the Findings for Strengthening the Islamic Economy

Overall, research results indicate that the introduction of Islamic economics plays a crucial role in improving financial literacy, business ethics, and access to financing for MSMEs. However, the successful implementation of Islamic economics is highly dependent on policy support, the expansion of Islamic financial services, and sustainable and targeted educational programs.

Research support for strengthening the Islamic economy is also evident in a study by Priyandono et al. (2025), which examined the relationship between Islamic financial literacy, access to Islamic financing, and the sustainability of MSMEs in East Kalimantan. The study found that the level of Islamic financial literacy and ease of access to Islamic financing significantly correlated positively with MSME business sustainability. An increased understanding of Islamic finance helps MSMEs obtain capital in accordance with Islamic principles and make more informed and sustainable financing decisions. The above findings strengthen the results of this study that the expansion of Islamic financial services supported by literacy is a key strategy in strengthening the national Islamic economy.

Furthermore, the strengthening of the sharia economy is also reflected in the development of sharia product innovation and a broader halal financing ecosystem. According to a bibliometric analysis conducted by Judijanto et al. (2025), an integrative sharia ecosystem encompassing sharia financing, Islamic philanthropic instruments such as zakat and waqf, and financial technology such as sharia fintech has significant potential to increase financial inclusion and empower MSMEs. This study confirms that the expansion of sharia financial instruments and innovations not only broadens access to capital but also strengthens the structure of the sharia economy sustainably in a fairer and more inclusive manner. This finding is consistent with the research's conclusion that policy support, adequate services, and long-term educational programs are essential pillars in strengthening the sharia economy in the MSME sector.

It can be concluded that introducing sharia economics is a relevant and effective strategy for strengthening the capacity of MSMEs, both in terms of financial literacy, business ethics, and access to financing. Integrating business actors' understanding, expanding sharia financial services, and developing an inclusive sharia ecosystem has proven effective in promoting the sustainability and competitiveness of MSMEs in a fairer and more sustainable manner. Therefore, synergy between the government, sharia financial institutions, educational institutions, and other stakeholders is key to optimizing the role of sharia economics as a pillar of MSME strengthening and national economic development oriented toward social justice and shared prosperity.

CONCLUSION

Based on the research findings, it can be concluded that the introduction of Islamic economics to MSMEs is still in its early stages and is uneven. Most MSMEs have a limited understanding of Islamic economics, generally only relating it to the prohibition of usury and the existence of Islamic banks. A more comprehensive understanding of financing contracts, profit-sharing mechanisms, Islamic financial management, and business ethics has not yet been fully grasped and applied in daily business practices.

This limited understanding directly impacts how MSMEs manage their business finances. The research results show that many MSMEs lack systematic financial records, still mix personal and business finances, and lack simple financial reports. This situation not only makes it difficult for business owners to assess their own business performance but also presents a major obstacle to accessing financing from financial institutions, including Islamic financial institutions.Contains a description of the conclusions of the research results in the form of theoretical reflections and recommendations.

This study also found that access to Islamic financing remains a challenge, especially for MSMEs in non-urban areas. Lack of information, a limited number of Islamic financial institutions, and the perception that Islamic financing procedures are more complicated prevent many MSMEs from being interested or daring to utilize Islamic financing. However, MSMEs that have used Islamic financing consider the profit-sharing scheme fairer and more suitable for businesses with unstable incomes.

On the other hand, the study results indicate that Islamic economic education and mentoring have a positive impact on the attitudes and behaviors of MSMEs. MSMEs that receive Islamic economic education tend to be more aware of the importance of transparency, financial record-keeping, and business ethics. They are also more open to Islamic financing and begin to understand that Islamic economics is not only related to financial aspects, but also the values of honesty, trustworthiness, and social responsibility in running a business.

Overall, this study confirms that introducing Islamic economics is not simply a conceptual introduction, but rather an empowerment process that requires a sustainable approach.

The successful implementation of Islamic economics in MSMEs depends heavily on the synergy between increased literacy, easy access to financing, and consistent mentoring. If these three aspects can work together, Islamic economics has the potential to be an effective instrument in strengthening the sustainability of MSMEs and promoting more equitable and inclusive economic development.

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