

Research Article

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Sharia Financing And Community Economic Empowerment

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Abstract: *This research aims to determine the role of Sharia financing and community economic empowerment. The research method used in this research is a qualitative method. The research results show that the Islamic perspective views sharia-based economic financing as a solution that can improve the economy of the people. In the Islamic view, sharia-based economic financing is a fairer and more sustainable way of developing the economy. In the sharia financing system, profits are not obtained from interest, but from a share of the business profits generated. Apart from that, sharia financing also applies the principle of sharing risks between capital owners and entrepreneurs. As an alternative financing, sharia banks can help improve the people's economy by providing financing in accordance with sharia principles. Apart from that, Islamic banks can also aid entrepreneurs to gain access to markets and better business opportunities. Sharia banks have a different economic mechanism from conventional banks, which are based on sharia principles and encourage the economic development of the people.*

Keywords: *Sharia Financing, Community Economic Empowerment.*

Introduction

The people's economy has always been an important issue in Indonesia. This problem started when Indonesia was hit by a prolonged crisis. One solution to this problem is to activate the real sector of society. There is a need for an institution that can act as a mediator between parties who have excess funds and parties who need funds. This is one solution in solving people's economic problems. An economic institution that can be a mediator for people who want to develop the real sector is the Sharia Microfinance Institution (LKMS) (Kasmir, 2013).

Sharia Microfinance Institutions (LKMS) are financial institutions that specifically exist in small communities on the initiative of the community itself, were formed by the community, and are expected to provide maximum benefits to the communities that are its members (Fasa, 2020). One of the financial institutions included in LKMS is Baitul al-Mal wa at-Tamwil (BMT) where activities are carried out based on sharia with the principle of profit sharing, which is established in a place or region. The function of Baitul Maal is intended to collect zakat, infaq and alms funds, and distribute them to entitled parties in the form of cash gifts or capital loans in the form of profit sharing. Thus, Baitul Maal is non-profit (social).

Meanwhile, Baitul Tamwil is intended to collect funds from the public who can afford it in the form of shares, savings or deposits, and channel them as business capital with provisions for profit sharing between investors and borrowers. The activities of this Tamwil institution have a profit motive. Currently, those actively providing counseling and guidance on establishing BMTs as well as providing management guidance for BMTs are PINBUK (Small Business Incubation Center) and Dompot (Dhuafa Republika). These two institutions have functioned to assist the process of establishing BMT and provide management coaching facilities with various kinds of education and training packages (Thaha, 2003).

Financing is one of the services offered by sharia banks. Funding is the activity of distributing money collected by fund users to fund members and selecting the type of company to be sponsored to

obtain one that is productive, profitable and managed by honest and responsible members, as reported by Mashuri as quoted (Labetubun, 2021).

According to the Islamic view, explained by Mahri et al., quoted (Bairizki, 2021) that the economy cannot exist independently. Because the economy is related to religious and social norms that apply in society, like the moon and the sky which cannot be separated, because the two must be able to go hand in hand to achieve balanced economic goals. Muslims must have a creative and innovative spirit so that the wheels of the Islamic economy run smoothly.

Ota was quoted as saying (Sudirman, 2020) explaining that the economy with the best system based on economic activities is owned by Islamic economics. Because Islamic economics refers to the divine rules of the Ruler of the Universe. Unfortunately, Muslims' awareness of this is very lacking, many of them are more indulged in prestige, education and western lifestyles, thus forgetting the main perspective in human activities, namely the formation of essential human character based on the principle of monotheism in order to create humans who are thirsty for faith and morals. commendable.

However, in carrying out the empowerment of micro, small and medium enterprises by BMT, there are certainly obstacles faced, one of which is bad credit which affects the company's capital, besides the lack of people who understand about the products being offered. This causes planned activities to develop micro, small and medium enterprises to not run well. So it is necessary to carry out appropriate and attractive strategies so that they can be easily understood by the public, so that the products offered get a positive response from the public and they are then interested in becoming customers at BMT.

Based on the background above, the author is interested in conducting research with the title "Sharia Financing and Community Economic Empowerment".

Method

This research seeks to analyze and describe Sharia Financing and Community Economic Empowerment. The type of research used in this research is a descriptive analysis method. According to (Haris, 2023), descriptive analysis is empirical research that investigates a specific symptom or phenomenon in a real-life setting. The results of this research were collected using primary data and secondary data.

The approach used in this research is a qualitative approach. According to Bogdan and Taylor in (Arifudin, 2023), a qualitative approach is a research procedure that produces descriptive data in the form of written or spoken words from people and observable behavior. According to (Saepudin, 2019) the method is to transcribe the data, then coding the notes in the field and interpreting the data to obtain conclusions.

This research uses qualitative research with field research methods. According to (Arifudin, 2018) this approach is adapted to the main aim of the research, namely describing and analyzing Sharia Financing and Community Economic Empowerment. So that this method will be able to explain the problems of the research (Saepudin, 2020).

Determining appropriate data collection techniques greatly determines the scientific truth of a research. The data collection techniques used in this research are observation, interviews, and documentation.

Engineering can be seen as a means of carrying out technical work carefully using the mind to achieve a goal. Even though the study is an effort within the scope of science, it is carried out to collect realistic data systematically to realize the truth. Research methodology is a means to find a cure for any problem. In this case, the author collects information about Sharia Financing and Community Economic Empowerment from books, articles, journals, theses, ebooks, etc. (Arifudin, 2019).

Because it requires material from the library as a data source, this research utilizes library research. Researchers need books, scientific articles and other literature related to the topics and problems they explore, both print and online (Saepudin, 2021).

Searching for information from data sources requires the use of data collection techniques. Amir Hamzah in (Arifudin, 2020) claims that data collection is an effort to collect information related to the subject under study. The author uses library research methods to collect data. Specifically, the author started with the library to collect information from books, dictionaries, journals, encyclopedias, papers, periodicals, and other sources that provide views related to Sharia Financing and Community Economic Empowerment.

Amir Hamzah in (Saepudin, 2022) further said that data collection means various efforts to collect facts related to the topic of discussion that is being or will be explored. These details can be found in scientific literature, research and scientific writings, dissertations, these, and other written sources. According to (Arifudin, 2021) data collection can be carried out in various circumstances, using different sources, and using different techniques.

Observation is part of the research process directly regarding the phenomena to be researched (Hanafiah, 2021). With this method, researchers can see and directly feel the atmosphere and condition of the research subject (Arifudin, 2022). The things observed in this research are about Sharia Financing and Community Economic Empowerment.

The interview technique in this research is a structured interview, namely interviews conducted using various standard guidelines that have been established, questions are arranged according to information needs and each question is needed to reveal any empirical data (Rahayu, 2020).

Documentation is a technique for collecting data through existing documents or written notes. Documentation comes from the word document, which means written items. In implementing the documentation method, researchers investigate written objects, such as books, magazines, meeting minutes and diaries. According to Moleong in (Chadijah, 2022) the documentation method is a way of collecting information or data through examining archives and documents. Documentation strategies are also data collection techniques proposed to research subjects. The data collection method using the documentation method was carried out to obtain data about the condition of the institution (research object), namely Sharia Financing and Community Economic Empowerment.

Muhadjir in (Tanjung, 2020) states that data analysis is the activity of carrying out, searching for, and compiling records of findings systematically through observations and interviews so that researchers focus on the research they are studying. After that, make the found material for other people, edit, classify, and present it.

Results and Discussion

Sharia Microfinance Institutions (LKMS) in Empowering Micro, Small and Medium Enterprises (MSMEs)

In Indonesia, one program that is considered effective in breaking the chain of poverty is optimizing the role of sharia microfinance institutions, including BMT. The main reason why microfinance institutions are considered effective is because their concentration is on empowering businesses which are mostly managed by underprivileged communities. According to (Shavab, 2021) by helping to increase the income of small communities, microfinance institutions have contributed greatly to meeting basic needs such as health and education, as well as access to economic resources.

There is no specific data regarding the background of poor people in Indonesia based on religious background. However, Amalia in Ajija and Ahmad (2020) said that many poor people in Indonesia are

Muslims. Therefore, sharia-based microfinance institutions such as BMT are highly anticipated for their presence in solving people's problems. This ties into BMT's focus on empowering micro-enterprises managed by Muslim communities. Apart from that, BMT is the right media to create a multiplier effect in local communities and become an independent center for collecting and distributing zakat, infaq and alms. Thus, it can be said that BMT is an ideal microfinance system for reducing poverty because the values are based on religious teachings in accordance with local traditions and culture.

Malano (2011) explains that to achieve the goal of empowering MSMEs, the central government and regional governments must play a role:

1. Grow a conducive business climate for MSMEs by establishing laws and policies regarding funding, facilities and infrastructure, information, partnerships, licensing, business opportunities, promotion, and institutional support.
2. Facilitate the development of MSMEs together with the business world and society in the fields of production and processing, marketing, human resources, design, and technology.
3. Providing financing and loans for micro, small and small businesses (MSMEs) together with the business world and the community in the form of banking credit, non-bank financial institution loans, venture capital, loans from the annual profit sharing allowance for BUMN, grants and other types of financing that are not binding on MSMEs.

Imposing criminal and administrative sanctions on medium enterprises (UM) and large enterprises (UB) which are detrimental to the empowerment of MSMEs.

Sharia-Based Economic Financing from an Islamic View

Money given to other parties to finance their own investments or planned institutions is known as financial financing. In other words, funding is money invested to make planned investments possible. Based on Banking Law no. 10, the bank may provide money or bills equivalent thereto in consideration of a refund or bill after a certain period of time or may share profits in exchange for funds or bills. Islamic finance is used in Sharia banking to help fund customers. Sharia law regulates the application of these principles (Ilyas, 2015).

The Islamic perspective views sharia-based economic financing as a solution that can improve the people's economy. In the Islamic view, sharia-based economic financing is a fairer and more sustainable way of developing the economy. In the sharia financing system, profits are not obtained from interest, but from a share of the business profits generated. Apart from that, sharia financing also applies the principle of sharing risks between capital owners and entrepreneurs.

As an alternative financing, sharia banks can help improve the people's economy by providing financing in accordance with sharia principles. Apart from that, Islamic banks can also aid entrepreneurs to gain access to markets and better business opportunities. Sharia banks have a different economic mechanism from conventional banks, which are based on sharia principles and encourage the economic development of the people.

Conclusion

Based on the results of the discussion above, it can be concluded that the Islamic perspective views sharia-based economic financing as a solution that can improve the economy of the people. In the Islamic view, sharia-based economic financing is a fairer and more sustainable way of developing the economy. In the sharia financing system, profits are not obtained from interest, but from a share of the business profits generated. Apart from that, sharia financing also applies the principle of sharing risks between capital

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