

Socialization on the Role of Islamic Banking in Encouraging the Progress and Development of MSMEs

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the Indonesian economy, contributing significantly to economic growth, employment, and poverty alleviation. However, limited access to financing sources that suit their needs is a significant obstacle for MSMEs in developing their businesses. This research explores the role of Islamic banking as an alternative solution in supporting the development of MSMEs. Through community service activities at SMA 1 Sidue, we delivered material on Islamic banking and developing MSMEs to 100 student participants. An interactive lecture method was used to improve understanding, followed by a discussion session to encourage active participation of the participants. The evaluation results showed an increase in students' understanding of Islamic banking, including financing products that comply with Sharia principles and the challenges and opportunities faced by MSMEs. This activity is expected to educate MSME players on the benefits of Islamic banking and strengthen their capacity to access more ethical financing. Thus, Islamic banking can be a strategic partner for MSMEs, assisting them in sustainable business growth and development.

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are essential in the Indonesian economy. The contribution of MSMEs to economic growth, employment, and poverty alleviation has proven significant. (Paul et al., 2017; Sofyan, 2017). However, many MSMEs still face various challenges in developing their businesses, including limited access to financing

sources that suit their needs. (Siregar & Razali, 2022).. In this case, Islamic banking can be an alternative solution that has the potential to optimally support the development and progress of MSMEs (Febriantoro, 2018). (Febriantoro, 2018).

Islamic banking offers financial products and services based on Sharia principles, such as profit sharing, no usury, and justice-based. (Maimun and Dara Tzahira, 2022; Sofyan et al., 2022). It makes Islamic banking suitable for helping MSMEs, especially those oriented towards religious values and sound business ethics. (Azizs, 2017). However, the understanding and awareness of MSME players regarding the benefits and advantages of Islamic banking are still relatively low (Hidayat & Abbas, 2024; Hidir et al., 2022). Therefore, there is a need for socialization efforts to provide MSME actors with a better understanding of the role of Islamic banking in encouraging the growth and development of their businesses.

Socialization of the role of Islamic banking for MSMEs is vital because many MSME players are still trapped in conventional financing systems that do not follow ethical and fair financial principles. With adequate socialization, MSME players can better understand Islamic financing mechanisms, such as murabahah, mudharabah, and musyarakah, which offer more transparent, fair, and sustainable financing solutions. It is expected to help MSMEs access financing that suits their characteristics and needs.

In addition, Islamic banking can also act as a strategic partner in developing MSME businesses through various mentoring and training programs. (Rizal et al., 2021). MSMEs can improve their financial and risk management capacity through Islamic banking services and products and expand their business networks. (Hidayah et al., 2024).. Thus, socializing the role of Islamic banking helps MSMEs gain access to financing and provides the knowledge and skills needed to grow.

In the current era of digitalization, the role of Islamic banking is increasingly relevant as many MSMEs have begun to utilize technology in running their businesses. Islamic banking can offer digital services that are easily accessible and efficient for MSMEs. (Sofyan et al., 2022, 2023) They can optimize their transactions and financial management more effectively. Socialization of Islamic banking digital services is also essential to help MSMEs adapt to technological changes in developing their businesses.

Based on this background, community service activities through socialization of the role of Islamic banking in encouraging the progress and development of MSMEs are critical. This activity is expected to provide a deeper understanding to MSME actors regarding the benefits and advantages of Islamic banking so that they can optimally utilize these services. Thus, MSMEs can be more developed and contribute more to the national economy under financial principles based on Sharia values.

METHODS

This community service activity began with a series of preparations made by the implementation team from the Faculty of Economics and Islamic Business. As a first step, the team conducted a preliminary survey

to determine the location of relevant activities and identify the main issues of concern, especially those related to Islamic banking and MSMEs. Based on the survey results, SMA 1 Sidue, Toaya Village, was chosen as the location of the activity with consideration of the level of understanding that still needs to be improved, especially among students. This activity was implemented on October 30, 2023, with 100 students participating, which showed a high level of enthusiasm for this program.

The stages of activity implementation were divided into two main parts. The first stage was delivering academic material on Islamic banking and the development of MSMEs in Indonesia, delivered by Abdul Jalil and Nur Syamsu, lecturers at the Faculty of Economics and Islamic Business, Datokarama State Islamic University, Palu. The material was delivered using an interactive lecture approach, equipped with a summary of the material as a study guide for the participants. The main objective of the delivery of this material is to provide an in-depth conceptual understanding of the principles of Islamic banking and Islamic financial products, as well as the dynamics of the development of MSMEs, including analysis of opportunities, challenges, and their contribution to the national economy.

The second phase of the activity was filled with discussion sessions designed to facilitate academic dialog between participants and presenters. In this session, participants were allowed to ask questions, express views, and share experiences related to aspects of entrepreneurship. This discussion acted as a practical scientific forum in further examining the topics presented and providing space for participants to internalize the material in a practical and academic context.

The activity ended with a collaborative evaluation process between the implementation team and the school. This evaluation aims to measure the participant's level of understanding and mastery of the material and assess the extent to which this service activity has made a real contribution to increasing students' insights about the role of Islamic banking in developing MSMEs. The evaluation results showed increased students' understanding and interest in Islamic banking and its relevance in business.

The implementation team compiles a comprehensive activity report as part of the community service cycle. This report serves as a form of academic accountability and a reference for developing more effective community service programs in the future.

RESULTS AND DISCUSSION

The community service activity lasted 3 hours, starting from 09.00-12 WITA at the SMA 1 Sidue Mosque, and was attended by 100 students of SMA 1 Sidue. Based on gender, 35 were male (35%), and 65 were female (65%). The details can be seen in the following figure.

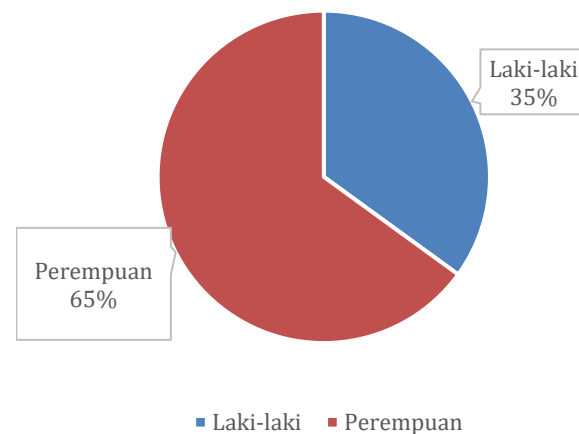


Figure 1. Characteristics of Participants by Gender

The material presented in this activity focuses on "Islamic banking," which aims to provide a comprehensive understanding of Islamic finance's basic principles and concepts, especially in banking. Through this material, participants are expected to understand the fundamental differences between Islamic banking and conventional banking, especially related to fairness, profit sharing, and the prohibition of usury. In addition, this material aims to introduce various products and services offered by Islamic banking, such as mudharabah, musyarakah, murabahah, and ijarah financing, so that participants can see how these products can be an alternative financial solution that complies with sharia principles. With a better understanding of Islamic banking, participants are expected to optimally utilize Islamic banking services to develop their business potential and apply Sharia values in their daily economic activities.

The speaker further explained the objective of providing a comprehensive overview of the role, potential, and challenges the MSME sector faces in the national economy. Through this material, participants are expected to understand the significant contribution of MSMEs in creating jobs, driving the economy, and improving community welfare. In addition, this material also aims to educate participants on the various opportunities that MSMEs can utilize to develop their businesses, including access to financing, product innovation, and utilization of digital technology. By understanding the development of MSMEs and the factors that influence them, it is hoped that participants, especially business actors, can increase their capacity and competitiveness in facing market dynamics to contribute more to sustainable economic growth.

The interaction process between presenters and students took place dynamically and interactively throughout the community service activities. When delivering material on Islamic banking and the development of MSMEs, the speaker used an interactive lecture method, which allowed participants to ask questions and express their opinions directly.

To increase participation, the presenters asked sparking questions that encouraged participants to think critically about the role of Islamic banking in supporting the development of MSMEs. Participants were

encouraged to provide their views on how Islamic banking can solve MSME players' challenges. The presenters also utilized various relevant case examples and empirical studies so that participants could link theoretical concepts with honest practices in the business world.

Overall, the interaction process between the presenters and participants was effective and productive. This interaction not only succeeded in improving students' understanding of the material presented but also motivated them to continue developing their understanding of Islamic banking.



Figure 2. Atmosphere of activity implementation

Thus, implementing this community service program has achieved its objectives in the context of socializing Islamic banking among students. The results of this activity are expected to encourage participants to understand the importance of Islamic banking. Then, participants can become agents in providing information for MSMEs, especially in maintaining their existence.

CONCLUSIONS

The conclusion of this community service activity shows that implementing Islamic banking socialization among SMA 1 Sidue students has taken place well and effectively. The material presented increased the participants' understanding of the basic concepts of Islamic banking and the role and challenges of MSMEs in the national economy. The dynamic interaction between the presenters and participants showed that the interactive lecture approach facilitated productive discussions so that participants were more motivated to explore the application of sharia values in economic activities. For future activities, it is essential to consider adding practice-based learning methods, such as simulations or actual case studies, to increase participant engagement and provide hands-on experience that can strengthen their understanding of Islamic banking and MSME development. With these steps, it is hoped that this activity can be more effective in encouraging students to become active agents of change in promoting Islamic banking and supporting the development of MSMEs in their communities.

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