

## **Strengthening Entrepreneurship: Sharia Empowerment for MSMEs Amidst the Covid-19 Pandemic**

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### **Abstract**

This study aims to explain the strengthening of entrepreneurship based on sharia empowerment for micro, small and medium enterprises (MSMEs) in dealing with the impact of the Covid-19 pandemic. This research focuses on three things: 1) Indonesian MSMEs, 2) Moslem entrepreneurship, and 3) Sharia empowerment. Using qualitative approaches, descriptive methods, and exploratory analysis, this research tries to provide the rationale for strengthening MSMEs using the spectacle of sharia empowerment amidst the pandemic. Despite the halt of business operations in this pandemic, we found that many MSMEs, which are home-based businesses, have sprung up but need an empowerment process to survive and thrive. This condition is seen as a major challenge for sharia empowerment programs. This paper provides a conceptual framework to understand how sharia empowerment can strengthen the MSMEs. However, this research has some limitations, one of which is the inability to validate the findings directly; therefore, we encourage further research to cover these matters.

**Keywords:** *Covid-19 pandemic; Moslem entrepreneurship; MSMEs; Sharia empowerment*



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### **INTRODUCTION**

Micro, small and medium enterprises (MSMEs) were considered a national economic shield when Indonesia experienced a monetary crisis in 1998 (Bank of Indonesia, 2016). Even when the global financial crisis occurred in 2008, MSMEs still strongly supported the economy of Indonesia (BBC, 2020). MSME absorbs the workforce and becomes the economic driver (INDEF). Likewise, the contribution of MSMEs in developing countries, including Malaysia, where 98.5% of the establishment of businesses are MSMEs, contributed to 7.2% of the national GDP in 2018 (Yakob, 2019). In Jordan, about 98 per cent of the companies in the manufacturing and service sector are MSMEs (Al-Mahrouq, 2010). At the global level, the World Bank and International Finance Corporation released data on MSMEs in 132 countries in 2010; the research stated that formal MSMEs absorbed more than one-third of the world's workforce.

Nevertheless, when the Corona Virus Diseases 19 (Covid-19) pandemic occurred, the most vulnerable to be affected was the MSME sector. This sector can no longer be the shield for the economy as it was at the time of Indonesia's 1998 and 2008 economic and financial crises. According to sources from the Ministry of Cooperatives and Micro Small Businesses of the Republic of Indonesia (KUKM RI, 2018), the MSME sector absorbs 97% of the total workforce in Indonesia and provides 99% of employment (Papilaya, Soisa, and Akib, 2015). Hence, it accounts for 60.34% of the GDP, amounting to 14.17% of total exports and 58.18% of total investment (BAPPENAS RI, 2020).

In early 2020, the spread of the covid-19 pandemic began in mainland China, then became a pandemic outbreak that affected 214 countries with millions of deaths. Indonesia is among other countries that have been infected with this virus (Indonesia Ministry of Health, 2020). To withstand the rapid

transmission rate of Covid-19, all governments adopted various policies, such as total lockdown policy, regional quarantine, Large-scale social restrictions (PSBB), reduction of social contact, regulations on voluntary isolation, and so forth. There are trickle-down effects due to the restrictions that directly and indirectly affect the global economic and financial sectors. The policies aimed at overcoming the Covid-19 pandemic have jeopardized the economic and financial sectors due to lesser contact among society.

It is predicted that sectors such as trade efficiency, market activities, and the exchange rate will decline drastically. Economic growth in Indonesia reached 5.02% in 2019 and is expected to reach 5.3% this year. However, there is tremendous possibility that the growth cannot be achieved due to the continuation of the pandemic. Economists believe the Indonesian economy is predicted to grow at a maximum of about 4 percent. However, at worst, if the Covid-19 pandemic in Indonesia is not dealt with quickly, the economy is predicted to only grow by about 2.5 per cent (KOMPAS, 2020). Bank Indonesia (BI) forecasts the economic growth of Indonesia will decline from 5.0-5.4% to merely 4.2-4.6% (Bank of Indonesia, 2020).

Empirical results suggest that MSMEs have greater endurance when an economic recession arises than larger firms (Pokrajcic, 2004; Biswas, 2015; Pratikto and Si, 2015). Nevertheless, MSMEs, which previously had been the economic driver in Indonesia, now became the most vulnerable to the economic crisis because of the Covid-19 pandemic (Wijaya, 2020). Based on a survey conducted by SMESCO Indonesia, one of the institutions under the auspices of the Ministry, 35.6 per cent of 722 SMEs is highly affected by the pandemic. Approximately 35.9 percent of respondents experienced a turnover decrease of more than 60 percent, and about 27.7 percent of respondents were forced to stop for a while.

A survey conducted on April 15-May 5, 2020, by the Management Laboratory of the Faculty of Economics and Business, Padjadjaran University, found that the Covid-19 pandemic caused 47 per cent of MSMEs in West Java to suspend their operations and forced nearly 75 per cent to lay off their employees (Waseso, 2020; Kasumaningrum, 2020). As much as 96.6% stated that they experienced a decrease in income, 84.6% of the respondents said it fell to more than 30%, and only 3.4% of respondents said they were not affected by it.

This situation would undoubtedly affect the business practices of small and medium-sized businesses, both due to the effects of the Covid-19 pandemic and government decisions or policies since all business activities of SMEs must be aligned with government policy (Bhasin and Venkataramany, 2010). In deciding the policies, the government needs to consider at least two issues, whether they will impose policies with a humanist approach to cure or restraint the spread of the virus and followed by the economic approach, or vice versa, or both will be introduced at the same time. Whatever action is taken is aimed at preventing the pandemic and returning the economy to normal. The impact of the pandemic presents a formidable challenge for MSMEs since they immediately need to take steps should they want to survive and rise from adversity. On the other hand, the Ministry of Cooperatives and Micro Small Businesses of the Republic of Indonesia is optimistic that MSMEs will become the mainstay for driving the domestic economy in this economic situation, such as absorbing labor and substituting consumer products or semi-finished products. This condition is considered as momentum for people to buy and consume MSME products/services. Thus, amid the pandemic, this is an important opportunity for Indonesian MSMEs. However, we found limited research regarding sharia empowerment in MSMEs.

The impact of the covid-19 pandemic is quite significant; thus, MSME actors must immediately decide whether to surrender to the situation or will survive and even take the existing opportunities (Damuri dan Hirawan, 2020). Strengthening entrepreneurship is needed so that MSMEs can survive and take back positions in the role of supporting economic resilience such as, among others, providing employment, productivity, and sustaining welfare (Çakar and Ertürk, 2010; Kocher, Kaudela-Baum and Wolf, 2011; Purnamasari and Darmawan, 2017)

In 2020 Moslem population in Indonesia is estimated to reach 229.62 million people or approximately 87.2%. Despite the pandemic, this number is considered a great potential for MSMEs, especially since the government has stressed that Indonesia must be the main driver of the Islamic economy (Indarti and Langenberg, 2016; Ratten et al., 2017; Fathonih, Anggadwita, and Ibraimi, 2019). Several potential areas must be cultivated immediately in the context of the development of the Islamic economy, among others: industrial fields; halal food; fashion, including Moslem clothing; pharmacy, halal tourism sector (Hamid, Che, and Sa, 2011; Ratten et al., 2017). The Bank of Indonesia has stipulated the Blueprint for the Development of Sharia Economic Empowerment in 2018. In one of its pillars, BI will accelerate the production of halal supply chains in the financial sector, integrated agriculture, halal food and beverages, Moslem fashion, renewable energies, and halal tourism to strengthen the Islamic economy. As a country with the highest Moslem population, the aforementioned sectors have not been explored properly, resulting in gaps in the halal supply chain; therefore Bank of Indonesia (BI) will also improve the pesantren (Islamic boarding school) economy as well as strengthen the micro and small business models and empower mustahik (The beneficiaries of Zakh).

Thus, it is necessary to reinforce entrepreneurship based on sharia empowerment for MSMEs in facing the impact of the Covid-19 pandemic to assure the continuity and sustainability of the program. In this paper, empowerment refers to Bahri (2019) sustainable empowerment of the community. There are three facets to the idea of empowerment, namely input, process, and output. Through the implementation of these three aspects, results and impacts are expected to be produced, so that community empowerment is expected to be able to survive, grow, live, progress, and develop in a sustainable way for the welfare of both the material and spiritual well-being of the community. Strengthen entrepreneurship with the empowerment approach so that MSMEs can survive, grow, and be empowered by maximizing their resources from changing times (environment), including sudden changes like the current conditions

This study aims to understand the strengthening of entrepreneurship based on sharia empowerment for MSMEs in dealing with the impact of the 19th pandemic. For this reason, we focus on the research question below: How are the conditions of the MSMEs during the pandemic period in relation to the sharia empowerment that may affect the MSMEs' condition?

In order to answer the above research question, we use qualitative, descriptive methods and exploratory analysis with documentation/text studies in the form of related data and literature studies. This paper will discuss the process of empowerment that focuses on the following points: (1) Indonesian MSMEs; (2) Moslem entrepreneurship; and (3) Sharia empowerment.

## **LITERATURE REVIEW**

### **Micro, Small, and Medium Enterprises in Indonesia**

In reality, there is no standard definition of MSMEs used worldwide as well as in Indonesia. Thus, we can only use several indicators that particularly define MSMEs, such as the number of staff, annual sales, fixed capital investment, number of technical equipment including factories and machinery, stock/capital markets, and growth rates (Kiatgan and Almsafir, 2013; Gonzales, Hommes, and Mirmulstein, 2014; Hadiyati, 2015). The majority of businesses in Indonesia consist of micro, small and medium businesses which are accounted for more than 90% of the overall business types and characteristics.

Referring to some of the indicators above, in Indonesia, the MSME classification is regulated in the Law of the Republic of Indonesia (UU RI) Number 20 of 2008 Article 6, concerning MSME. The criteria for Micro Business are to have a net worth of at most IDR 50 million not including land and business premises, or b. has annual sales results of at most IDR 300 million. Small Business Criteria, namely having a net worth of more than IDR 50 million to a maximum of IDR 500 million, excluding land and buildings where the business is located, or having annual sales results of more

than IDR 300 million to a maximum of IDR 2.5 billion rupiahs. Criteria for Medium Enterprises is to have a net worth of more than IDR 500 million rupiahs up to a maximum of 10 billion rupiahs excluding land and billion-dollar business premises or have annual sales results of more than IDR 2.500 billion up to a maximum of IDR50 billion rupiah.

The above criteria show a more rigid number as well as those who are considered to be in the clusters of size. In reality, we found that there were plenty of micro and small businesses that were operating under the radar of the ministry. Home-based businesses and online businesses, which increased within the time span of 10 years, were not being properly valued, thus providing us with minor reliability and validity of the data (Moertini, 2012; Sariguna and Kennedy, 2017). Those who are considered field worker of NGOs and other CSOs usually has these number based on their own study. However, due to minimum communication and relationships, usually, these numbers were merely circulated among the organisations and were rarely found in major literature. However, it is believed that the number of these Micro, Small, and Medium Enterprises is fluctuating due to the Covid-19 pandemic (Ozili, 2020). Some have been able to cope with the first quarter while they are trying to diversify their products, while some are pivoting to the current demands and trends (ILO, 2020; The Jakarta Post, 2020).

Despite the collapsing number of businesses di Indonesia, the trends in micro-enterprise that are home-based are actually increasing, moreover those that are online-based businesses (The Strait Times, 2020; ILO, 2020). This is shown by the fact that starting from April 2020, there has been a striking number of online commerce activities happening in major e-commerce, such as Shopee and Tokopedia (Katadata, 2020). New vendors and sellers are actually increasing, not to mention the number of online sellers that is joining online selling in certain online transportation provider, such as Gofood and Grabfood (Katadata, 2020; CNBC, 2020). Another trend is to pivot their products and services into hygienic and healthy needs, such as masks and selling pandemic kits, one of the ultimate needs during this time of the pandemic.

The development of data on micro, small and medium enterprises (MSMEs) in 2017-2018 in Indonesia is shown in the following table:

Table 1. The number of SMEs business units and number of labors

<b>Indicator</b>	<b>2017</b>	<b>2018</b>
	<b>Amount</b>	<b>Amount</b>
Business unit:		
Micro, Small, and Medium Enterprises (UMKM):	<b>62.922.617</b>	<b>64.194.057</b>
Micro business	62.106.900	63.350.222
Small business	757.090	783.132
Medium Enterprises	58.627	60.702
Big business	<b>5.460</b>	<b>5.550</b>
Total	<b>62.928.077</b>	<b>64.199.606</b>
Labor:		
Micro, Small, and Medium Enterprises (UMKM):	<b>116.431.224</b>	<b>116.978.631</b>
Micro business	105.509.631	107.376.540
Small business	6.546.742	5.831.256
Medium Enterprises	4.374.851	3.770.835
Large business	<b>3.828.953</b>	3.619.507
Total	<b>120.260.177</b>	<b>120.598.138</b>

Data source: Ministry of Cooperatives and Small and Medium Enterprises  
 Compiled from the Central Statistics Agency (BPS), 2020

### **Moslem Entrepreneurship**

Many experts provide definitions of enterprise and entrepreneurship. An entrepreneur is a business owner who seeks to generate value by creating or expanding economic activities by identifying and using new products, processes, or markets (Dhaliwal, 2006; Dvir, Sadeh, and Malach-Pines, 2010). While entrepreneurship is their action in the pursuit and generation of value by identifying and using the creation or expansion of economic activities (Ahmad and Seymor, 2008).

Inácio *et al.* (2014), aligned with Stevenson and Jarillo (1990), define entrepreneurship as the process by which individuals, both as individuals or in organizations, pursue opportunities without regard to the resources they have today. Thus, the definition of entrepreneurship is an entrepreneur who owns a small business owner or works for themselves. Fillion (1999) defines entrepreneurship as a creative individual who has more capacity to achieve goals and always observes opportunities in his environment. However, the lack of consensus about the importance of this word makes it important for researchers to state explicitly what their meaning is while using it. Bygrave and Hofer (1991), for example, offer such meaning by considering, rather than defining, the process of entrepreneurship. According to them, the term "entrepreneur" can be interchangeably used to show the entrepreneurial process involving all functions and activities attached. Several scholars have tried to define a clear meaning for entrepreneurship, the identification of what they think distinguishes entrepreneurship from other forms of thought and behaviour, economics, and management.

The abovementioned concepts include a broad variety of competencies, thus based on the above explanation of entrepreneurship, this paper will discuss strengthening entrepreneurship based on sharia empowerment, which is certainly not inseparable from Islamic business (sharia) and Moslem entrepreneurship. Islam is a framework that fully governs the way of life called *al-Deen* covering all the practices Moslems need to live their lives in this world. Islamic entrepreneurship is a system, process, and practice of doing business (entrepreneurship) in an Islamic way. Islam, through the Quran and as Sunnah, provides concrete guidance for all Moslems, including entrepreneurial activities and practices (Hamid, Che, and Sa'ari, 2011; Mulyaningsih, 2012; Ratten *et al.*, 2017). Hamid, Che, and Sa'ari (2011) explain Islamic entrepreneurship through a four-aspect approach, namely: protection against risk, adherence to sharia, freedom from the elements of oppression, and the role of government.

Islamic Entrepreneurship is an effort for good deeds by utilizing existing resources including production and sale activities based on Islamic values extracted from the *Quran*, *al-Hadith*, and Nabawiyah *sirahs*. While Moslem entrepreneurs are those who try to be in accordance with Islamic values, in their research Fathonih *et al.* (2019) suggested that Moslem entrepreneurs follow three main steps that begin with a belief in Allah SWT, economic activities based on Islamic teachings, and knowledge of Islamic financing principles.

The difference between Islamic entrepreneurship and traditional (Western) entrepreneurship is the philosophical difference between Islamic and Western economic practices. In the western view, entrepreneurial economic activity is usually seen as maximizing individual utility, financial gain is often measured by success, and public welfare is usually not the main motivation for engaging in new business. While there is no religious dimension inherent in entrepreneurship that adheres to ethics and legal requirements, any potential benefits that assist in social or religious objectives are secondary. Islamic practice allows employers and all transactions to fulfil religious requirements in compliance with the moral and ethical principles of Islamic practice. Thus, business practices must fulfil religious duties and contribute to Islam's ultimate aim of benefiting society as a whole (Hassan and Hippler, 2014).

### **Sharia Empowerment**

Aligned with the teachings in Islam, we found that community empowerment understanding is experiencing dynamic developments alongside the times including environmental changes (Boehm and Boehm, 2003; Purnama, 2014; Anggahegari, Yudoko and Rudito, 2018). The concept of empowerment of a sustainable community is based on three aspects: input, process, and output, which are expected to produce results and impacts through the implementation of these three main points. Inputs include resources from individuals; groups, and institutions. Meanwhile, the process includes activities of changing attitudes; increasing knowledge; strengthening skills; and supporting related resources (aspects of funding, marketing, production, partnerships, technology, and others). At the same time, outputs include empowered individuals, empowered families, empowered groups, and empowered institutions.

Based on the above explanations, the concept of empowerment is expected to produce long-term outcomes and impacts, namely improving the welfare and institutional sustainability of the community, institutions, and societies as their main concern. Consequently, community empowerment is expected to be able to survive, grow, live, progress, and develop sustainably to prosper the community both materially and spiritually (Bahri, 2019).

Empowerment is "*a multidimensional social process that helps people to master their lives, or is known as independent*" (Czuba, 1999). Empowerment is the process of what happens and how things can happen. It has basic assumptions about power, assistance, attainment, and success. To start explaining the concept of empowerment, we need to broadly understand it so that this concept is not narrowing the focus of empowerment. In three parts, Czuba (1999) discusses empowerment, namely understanding strength, understanding empowerment, and interconnecting individuals and society.

In understanding the idea of power, we must understand the core concept of empowerment, which depends on two things. First, that empowerment requires the power to change. Secondly, the concept of empowerment depends on the idea which could develop. In understanding empowerment, we need to emphasize that empowerment is a process that promotes strength as the ability to be applied to people, to be used in the lives of individuals, communities, and society, by acting on issues that are deemed important. Third, the interconnection between individuals and communities is needed, as individual change is a prerequisite for community and social change. To create change, we first need to have an awareness of individual change that basically upsurges internally. The next process will then involve other people collaborating or partnering in solving complex problems we face.

Noor (2011) stated that three aspects can be assessed in the context of efforts to empower the community: (1) enabling, namely, creating an atmosphere that allows the community to develop. (2) empowerment, namely strengthening the community's potential through concrete actions related to the provision of various inputs and access to the various opportunities that make up the community (3) to protect, i.e., the interests of the weak community. These 3 concepts were then added by Ramlah (2015) into 5 main concepts showing that (4) supporting and (5) fostering showing that these 5 concepts need to be integratively co-existed and implemented to provide the assurance that empowerment can achieve its focus.

Empowerment is an effort or activity to provide individuals and groups with power, strength, ability, energy, and power to improve the quality of life/well-being from the spiritual, economic, educational, as well as social aspects. The empowerment targets and objectives will vary depending on the empowerment area undertaken. The economic empowerment purpose is not necessarily the same as the empowerment goal in other fields. Economic empowerment is intended to enable the target to manage its business, then market form a relatively stable marketing cycle (Adi, 2008). Although empowerment is more relevant to leadership in the public sector and non-profit institutions, it can also provide a positive lesson in the context of a company/business (Bachrach & Botwinick, 1992). Align with these researches, Spreitzer (1995) has done many researches on

empowering employees and business managers and how empowerment can be done in the economic sector.

## **RESEARCH METHOD**

This study was conducted during the early months of the Covid-19 pandemic in March until July 2020 and then followed by a follow-up and confirmation research from March until July 2021. The study uses qualitative approaches, descriptive methods, and exploratory analysis. Overall, we have managed to assess more than 1000 reliable sources on the MSMEs, empowerment, and sharia financing in the time span of 1990-2020 in the form of books, scientific manuscripts in journals, and verified websites. These secondary data are collected through credible and formal websites such as the Bank of Indonesia (BI), the Financial Services Authority (OJK), the Ministry of Cooperatives and SMEs, the Ministry of Finance, the Ministry of Health, and the Ministry of IBRA and other sources.

We categorized each of these data to understand more about the gaps in the analysis. We are aware of the limitation of the adequacy of the material and related research; thus, we will describe and analyse the exploration of research results and draw conclusions from the data sources and study of the literature.

To strengthen the data, we have also interviewed 4 (four) entrepreneurs that are gaining the benefit of sharia empowerment during the Covid-19 pandemic. Based on the literature and empirical data, we try to provide analysis to reveal how sharia empowerment is implemented in MSMEs in Indonesia, a country with the highest population of Moslem insofar. Thus, it can be of contribution toward the economic strengthening during the Covid-19 pandemic. These four MSMEs were chosen based on several criteria, which is categorized as micro and small enterprise that has a minimum of three years of operation and use a sharia-based mechanism to not only operate their business but also try to empower other as well. We conduct observation of the MSMEs during the given time as well as conduct interviews in order to provide an understanding of the context. In this part, we conduct semi-structured interviews for a minimum 1 hour/interview. We conduct several interviews until we feel there is a saturation of answers.

The interview recordings were then transcribed until we found several aligned themes that could answer the research questions. Another follow-up observation and interview were then conducted to find out the condition during the second year of the pandemic. The first and second observations and in-depth interview results were then elaborated until researchers could grasp the certain context.

## **FINDINGS AND DISCUSSION**

Based on the above review of the literature as well as data collection, we found several main emerging themes under the three main points of input, process, and output as the basis of our framework.

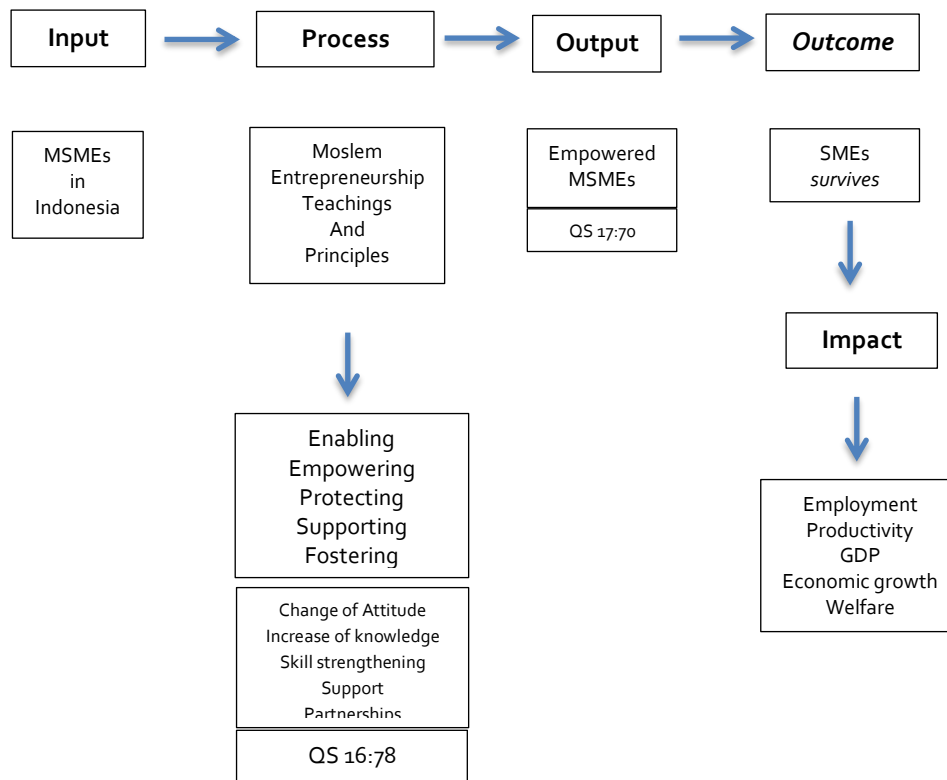


Figure 1. Sharia Empowerment Scheme

The development of entrepreneurship and MSME has become a very strategic sector for strengthening the economy and competitiveness of Indonesia. As has been shown in table 1 above, in 2017 and 2018, the number of MSMEs was 99.99% of all business units; the rest were large businesses. In 2017 MSME absorbed 96.81% of the workforce, and this increased to 96.99% in 2018.

On the other hand, the problems in this sector include the low number (compared to the population) and the quality of MSMEs. The main problems are the low quality of human resources (HR), low access to capital, weak market access, short-term and static business orientation, low access to production technology, and low access to partnerships and cooperation networks. While departing from Bank Indonesia, the problems of MSMEs in Indonesia include motivation, management, marketing, human resources, sources and use of funds, bookkeeping, and operations.

The following research formulates the problems of MSME into challenges or obstacles. Research Chong (2013) revealed the challenges of MSMEs are: difficult to survive, as well as lack of access to funding, managerial skills, and information about potential markets. Generally, MSME constraints in Indonesia are limited access to capital, business information, technology, skilled workers, difficulties in marketing, access to raw materials, and government policies or regulations that are often not friendly to the business environment.

As explained above, at the time of the Covid-19 pandemic, almost 70% of MSMEs were affected. Approximately 35.9% of respondents experienced a decline in turnover of more than 60%, and approximately 27.7% of respondents were forced to stop operating for a while. But on the other hand, there are opportunities because MSMEs are the mainstay to drive the domestic economy in a hit economic situation. As in employment, substituting consumer or semi-finished products. This condition is a momentum for people to buy and consume MSME products/services.



The role of the government in MSMEs, among others, is to determine various regulations, policies, and programs issued by the Ministry of KUKM, Ministry of Finance, BI, OJK, and others. Research by Idris et al. (2019) revealed that several studies show that government support is very important for the development of MSMEs. When the co-19 pandemic attacked Indonesia, the government also issued various regulations, policies, and programs to help MSMEs and recover the economy, including: Government Regulation in Lieu of Law (PERPPU) No. 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling Covid Pandemic -19 and/or in the framework of facing threats that endanger the national economy and/or financial system stability; Republic of Indonesia OJK Regulation Number 11 /POJK.03/2020 concerning National Economic Stimulus as Countercyclical Policy on the Impact of Covid-19 Distribution; and the Ministry of Small and Medium Enterprises (KUKM) is implementing programs and measures to mitigate the impact of Covid-19 on the MSME sector, which is a follow-up of four presidential steps to mitigate the impact of Covid-19 on MSMEs.

Along with the fluctuating number of MSMEs, Islamic Entrepreneurs, some of whom are presented in the literature review above, are business owners who try to produce value through the creation or expansion of economic activities that are always guided by the *Quran* and *as-Sunnah* (obedient to sharia / Islamic teachings) in all entrepreneurial activities and practices. Creative, competent individuals, responsive to opportunities, risk protection, independent and independent, and forge partnerships (including the role of government and related institutions).

Entrepreneurship, from the perspective of religion, is an activity that is highly recommended to improve people's welfare. From the social side, it can affect social conditions by opening up employment opportunities, thereby reducing unemployment. From the economic side, it has an impact on people's income and economic growth.

From the research of Anggadwita et al. (2017), it is shown that 54% of Moslem entrepreneurs in Indonesia have managed micro businesses, 26% have small businesses, 16% manage medium-scale businesses, and 4% manage large businesses. In regard to starting in the business world, 15% have started a business in less than a year, amounting to 25% between one to three years, 30% between four to six years, 15% between seven to ten years, while 15% have managed the business for more than ten years. The Moslem entrepreneur started a business when he was between 25-35 years old. 28.8% started a business when they were under 25 years old. 41.6% of those aged between 25-35 years, 17.6% between 36-45 years, and 12% had reached more than 45 years. Viewed from their educational backgrounds, most of them have obtained higher education degrees. As many as 48% hold bachelor/master / doctoral degrees, 8% have associate degrees, 36% graduate from high school, and 8% have graduated from junior high school. These Moslem entrepreneurs do business in various sectors, where 44.8% in the culinary sector, 33.6% in fashion, 7.2% in the handicraft sector, 2.4% in application technology (mobile applications, games, etc.), 2.4% in design, and the remaining 9.6% other sectors. This shows that most Moslem entrepreneurs in Indonesia have succeeded in building businesses in the culinary sector.

Following the results of research in Europe by Sadeghi and Biancone (2017), from the analysis of the activities of various Islamic economic sectors, global sector trends, and industry player input, the most prominent opportunities have emerged in the Moslem entrepreneurship sector, namely: halal food, Islamic finance, halal travel, fashion, media, and recreation, as well as pharmacy and cosmetics. The results of this study can be used as a reference for developing Moslem entrepreneurship in Indonesia.

Entrepreneurship is seen as a process that leads to the creation/birth of MSMEs (Lucky, 2012); in the literature on entrepreneurship, it is often stated that the development of entrepreneurial spirit in a region reflects the existence or growth of MSMEs in a region. Thus 96% of Moslem entrepreneurship reflects the growth of Moslem MSMEs in Indonesia. Therefore, there are many Islamic teachings and beliefs that have an imperative impact on entrepreneurial activities and practices.

The aspects mentioned above in the literature review are then adopted with three aspects (dimensions) of empowerment in this paper are aspects of sharia-based empowerment, including: enabling, empowering, and partnership (Figure 1). These sharia-based empowerments consist of: (1) Enabling, the process of raising and growing awareness of internal and external potentials that are owned and recognizing the limitations of self to not be used as obstacles. (2) Empowering, the process of realizing and strengthening potential supported by spiritual attitudes, knowledge, and skills so as to produce competence /capacity. (3). Partnership, support, and strengthening to build cooperation/partnerships and networks to be more developed. The dimension of the empowerment of sharia is based on the *Qur'an Surah An Nahl* verse 78, that all humans are endowed with the potential of humans in form of the potential of hearing and seeing to hear and see information, so that reason can be thought of. As well as being endowed with the potential of the heart to believe this information, with these potentials, it is hoped that humans will make the best use of it according to God's guidance. Furthermore, with this potential, humans are ordered to increase their dignity (quality) according to the *Quran surah Al Isra* verse 70.

Since empowerment is a process, in order to be effective in stages, the aim is to prepare yourself to manage empowerment activities. This is in line with what Perkins said. The three stages of the empowerment process include: awareness, capacity building, and empowerment. The stages are in line with the three aspects above, here are examples of concrete manifestations of the three stages: (1) Awareness programs: for example, providing knowledge that is cognition, belief, and healing. The basic principle of this program is to make the target understand/realize that they need to empower themselves and the process starts from within. (2) Capacity building programs: training, workshops, and seminars about organizations, organizational culture, and good governance. (3) Empowerment program: provide capital assistance according to the ability of the recipient. Although there are differences in terms of terms with the authors, basically the three stages have aspects of enabling, empowering, and partnership.

So at the empowerment stage, the target is a change in attitude; at the empowering stage, there is an increase in knowledge and strengthening of skills, then the partnership stage can support related elements. The output of empowerment is the empowered MSMEs, namely SMEs, that are able to be independent by maximizing resources so that MSMEs survive in various circumstances. In the end, these MSMEs will provide contributions such as absorbing labour, increasing GDP and economic growth, as well as community welfare.

MSMEs have a very significant role in supporting economic security, both in Indonesia and internationally. The resilience includes economic production capacity, employment, sustaining welfare in general, and national poverty alleviation programs. Al-Mahrouq's research stated that small and medium enterprises have a successful role in socioeconomic development, innovation, and job creation not only in Jordan but also throughout the world.

Thus, MSMEs must survive and rise from the current conditions so that the economy returns to recovery. This means that 54% of Moslem entrepreneurs, or approximately 34 million as SMEs, play an important role in participating in supporting economic security. Moslem entrepreneurs tend to rise soon because the principles they have adopted become their daily spirit, including doing business. The principle is: to strive, help (ta'awun), and be independent. Trying to change a better fortune is in the *Ar Ra'd* verse 11, that Allah will not change a people before they change themselves. About ta'awun is in *Surah Al Maidah* verse 2 which is to help each other in goodness, covering all kinds and kinds of goods that have been determined by the Shari'a. While independence is contained in *Saba* 'verses 10-11, it tells the story of the Prophet David in order to produce a living independently through his hands (skills) with the resources that God has bestowed.

For this reason, it is necessary to strengthen entrepreneurship so that they survive and rise. BI said that a systematic and comprehensive approach was needed to develop (strengthen) MSMEs. So that MSMEs have stronger resilience in facing any potential financial and economic shocks. Each

country has different MSME characteristics that are influenced by various factors, so the maximum effort is needed to be able to recognize these characteristics so that the potential can be maximized.

The strengthening is with the approach of empowering sharia with the aim that they are independently able to survive, rise, and be empowered by maximizing resources from environmental changes, including sudden changes such as the covid-19 pandemic. Empowerment can be implemented jointly by the government and related communities as facilitators.

Based on Figure 1 and the characteristics of MSME above, the process of empowering sharia in strengthening entrepreneurship is as follows: first, the enabling stage starts with exploring and growing awareness to empower themselves, and the process starts from within. At this stage, to recognize the weaknesses and strengths of potential self/business, strategic management is referred to as environmental observation, in the perspective of religion known as muhasabbah. As stated in the research of Fathonih et al, Moslem entrepreneurs must believe in Allah (belief) meaning that they always involve God in all their activities which then form the mindset, action patterns, and attitude patterns that are guided by Islamic teachings so that there is a change in character (attitude). One example is by way of being grateful; when you are able to recognize strengths will be increased, and when finding weaknesses is not used as an obstacle but minimizes weaknesses and looks for solutions. Other examples are grateful for the gift of existing resources by being managed properly so that they can produce and benefit themselves / their family, business, and society.

Second, empowering this process is to realize and strengthen potentials supported by spiritual attitudes, knowledge, and skills to produce competence/capacity through training programs, workshops, seminars, literacy about the organization and organizational culture and good governance, and so on. This is based on the verse At Taubah verse 122, Allah says about the importance of humans seeking knowledge. Through these various programs, the objects of reinforcement are opportunities and problems faced by each MSME or general issues as stated above. The objects of empowerment if summarized include: improving the quality of human resources in terms of knowledge and skills regarding: access to funding and access to raw materials; management; technology; bookkeeping; business information; marketing; long-term business orientation and innovation; building partnerships and collaborative networks with various elements, and strengthening market access. In terms of the age of the SMEs who are still classified as productive age and have an educational background, the above program will be well received.

The following studies support the above programs, and some provide inspiration. Abdullah's research (2014) suggests Moslem entrepreneurs have their own guidelines in describing the characteristics of successful entrepreneurs. Success in Islamic terminology is called al-Falah, literally understood as success or prosperity in the world and the hereafter. Characteristics of a successful entrepreneur are someone who could include general values and specific values based on the Koran and Sunnah in all related activities. General values include: (1) Complying with the Islamic way of life, (2) Complying with sharia law, (3) Realizing Islamic values, (4) Infaq, and (5) Complying with responsibilities for self, family, and employees. At the same time, specific values include: (1) Creative and innovative, (2) Managing abilities, (3) Forward-looking, (4) Motivated (knowledgeable, responsible, and confident). Al-Mahrouq's research results (2010) identified five main factors that contributed to the success of MSMEs in Jordan, namely: technical and technological procedures, company structure, financial structure, marketing and productivity, and human resource structure.

The results of Yakob's research (2019) show that risk management has positive and significant results on the performance of MSMEs. The results of this study provide input to increase the knowledge of MSME entrepreneurs about the importance of risk management through training, short courses, and skills workshops. Research by Gan and Almsafir (2013), his findings reveal that the determinant of the success of MSMEs in Malaysia is managing financial skills, social networking, business product or service creativity, and entrepreneurship education level. Dewi et al. (2017)

stated that the main obstacles that must be resolved are HR, promotion, managerial finance and administration, location, and marketing. The innovations that most influence purchasing decisions and according to the ability of MSMEs at present are service, organization, business model, supply chain, and marketing innovations. The best strategy formulation that can be done in an effort to increase MSME competitiveness is participation in activities: technical guidance, entrepreneurship exhibitions and seminars, training and promotion of online marketing, and provision of machinery and process equipment. Thus the program on risk management is very relevant to the current conditions where MSMEs suddenly collapsed; social networking (social media) as a means of marketing promotion and building partnerships and networks both in terms of the supply chain of raw materials, means of production, access to alternative funding, and access to entrepreneurship education.

Third, partnerships are the support of all elements involved in building partnerships and cooperation networks, including among MSMEs and with the government, thereby strengthening market access. The basis of the argument of Al Maidah verse 2. Tambunan's Research (2019) concludes several recommendations; namely, government policy must: (1) conduct training that focuses on online marketing, entrepreneurship, management, and improving product quality and business efficiency; (2) provide alternative funding facilities with low-interest rates and not burdensome requirements; and (3) provide direct assistance to new entrepreneurs in the first years of doing business. In line with these recommendations, the government has provided support to MSMEs through the policies and programs above, among others: namely the delay of installments and the release of interest for six months for those who are covid-19 through the Relaxation of KUR (People's Business Credit) Loans and Ultra Micro Relaxation Policy; Helping the promotion of MSME products in the social media Ministry of PUKM, facilitating buyers with MSMEs through cooperatives registered in March - May 2020 period to reach Rp 19 billion.

Various communities both within the scope of academics and independent communities hold webinars, among others: Business Changes Due to Digital Development, Financial Plans, How to Get Rid of Pandemics, How to Successfully Do Business in the Middle of Covid-19 Pandemic, Sharia Products and Banks, and so forth. Regarding online marketing is in line with the Policy Direction and Digital Economic Development Strategy 2020-2024 issued by the Ministry of PPN / Bappenas, one of which is the government encourages MSMEs to enter online businesses. Partnership steps from upstream to downstream have been announced by the Ministry of PUKM in the 2020-2024 RPJMN Policy Direction for MSME and Cooperatives, of course, with expected outcomes that are adjusted to current conditions.

Survey score results in the areas of West Java, Greater Jakarta, and Central Java show that the SMEs, which account for 21% of the total respondents, so far has taken action to survive, and some have even seized opportunities by diversifying their products. Examples include convection entrepreneurs producing mask cloth from resources that can be used, namely patchwork (leftover cloth), or there is also production of hazmat clothing; sanitation equipment production; food entrepreneurs who, before not using the online system, frozen food, then used it or provided delivery services; health food/beverage production; some SMEs use marketing and buying and selling online through Facebook, Twitter, Instagram, and Marketplace.

However, programs to strengthen entrepreneurship based on sharia empowerment are highly needed. First, there are still about 79% of Moslem MSMEs who have not seized the opportunity. Secondly, with this strengthening, MSMEs will be empowered / independent so that they survive in any circumstance and, in the end, will have an impact on accelerating economic recovery in Indonesia and people's welfare.

The nature of empowerment is that where one of them is a program in the form of stages with measurable results toward the lives of independent and prosperous people, it needs to be viewed comprehensively. So empowerment-based entrepreneurship needs to be strengthened so



that MSMEs business owners will be independent and prosperous (Purnomo, Pujiyanto, and Efendi, 2015; Tuan *et al.*, 2015; Sanusi and Iriantara, 2019).

Referring to the above research, we can see a link between economic growth and the welfare of the community (Rawls, 2006; Hessels and Thurik, 2008; Nur *et al.*, 2017). The quality of economic growth has a significant impact on the level of community welfare with a positive direction (Indarti and Langenberg 2014). Edeme (2018) found that, with a view to maintaining the relationship between welfare and economic growth in Nigeria, there is a long-term connection between economic growth and welfare in Nigeria and that environmental and economic welfare have a major effect on Nigeria's economic development.

There are five factors that drive economic development, namely business growth, investment, workforce skills, creativity, and competitiveness. The various uses of labor and efficiency (the amount of labour generates output) specifically affected economic growth, while new jobs are boosting productivity and ultimately driving economic growth (Pambudy, Budi, and Burhanuddin, 2017). In a way, high productivity can promote high economic growth, and the key drivers of the economy are the factors that shape productivity. Those factors are business actors' efficiency, power of production, productivity, creativity, and jobs. The involvement of small and medium-sized enterprises as actors with the power of production, competition, and innovation effect on jobs (Acs, 2006; Tambunan, 2011).

The key success factors of small and medium-sized enterprises in Jordan include operational and strategic processes, business structure, financial structure, marketing and efficiency, and human resource systems (Al-Mahrouq, 2010). In this paper, strengthening entrepreneurship based on sharia empowerment for MSMEs refers to these problems so that the processes and activities can be centred on empowerment.

## CONCLUSIONS

One of the main needs is to support the condition of MSMEs since it has an immediate impact on the overall economy of Indonesia. We found that many Moslem entrepreneurs can impact their surroundings by implementing the sharia way in all aspects of their business. Their ability to cope with the crisis is also based on the point of perseverance that they share with their surroundings. Understanding the Islamic ways of teaching also needed to be elaborated and implemented empirically to help those in need cope with the crises. In practice, the number of Moslem entrepreneurs is quite significant; thus, the concept of *zagh* and *infaq* can also be included in the empowerment scheme. We recommend more study that uses a mixed methodology to learn more about SMEs during the pandemic to provide more reliable results by incorporating more SMEs across Indonesia.

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