

Analysis of the Impact of Empowering MSMEs through Islamic Crowdfunding in Supporting the National Sharia Economy

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Abstract - This research objective to analyze the impact of empowering MSMEs through Islamic crowdfunding in supporting the national Sharia economy. The method used in this research is a mixed method by integrating qualitative methods and quantitative methods as a step to gain a more comprehensive understanding of a phenomenon in this research which is being carried out to predict and estimate the potential for Islamic crowdfunding for MSMEs nationally. The findings reveal that there is a deep understanding of the specific impact of Islamic crowdfunding on the empowerment of MSMEs in the Indonesian context. In recent years, Islamic crowdfunding has emerged as an innovation that not only offers financing but also builds an investment community that is inclusive and based on Sharia values. Further research is needed to analyze specific mechanisms that can increase MSMEs' access to Islamic crowdfunding and its impact on the stability and growth of the Islamic economy in Indonesia.

Keywords –MSMEs, Islamic Crowdfunding, National Sharia Economy

INTRODUCTION

The development of micro, small, and medium enterprises is currently advancing very rapidly, which has an impact on the rate of economic growth [1]. The term shows that the community can create business opportunities independently and they realize this in the form of micro, small, and medium enterprises, the impact

of micro, small, and medium enterprises has had the potential to boost economic growth in our country Indonesia when other economic systems are experiencing a weakening situation, besides that the impact given by Micro, Small and Medium Enterprises is also very significant, namely being able to erode the unemployment rate in Our Country [2].

Table 1. Condition of Indonesian MSMEs

Condition	Year					
	2018	2019	2020	2021	2022	2023
Number of MSMEs (Million)	64,19	65,47	64	65,46	65	66
Growth (%)		1,98	-2,24	2,28	-0,70	1,52

Source : Micra Indonesia, 2024

Data from Table 1 shows that in 2023 MSME business actors will reach around 66 million, and the contribution of MSMEs will reach 61% of the Indonesian economy, this figure

is equivalent to Rp.9,580 trillion and MSMEs also absorb around 117 million workers or around 97% of the total workforce in our country. However, in carrying out their economic activities, many micro, small and medium

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enterprises often face financial difficulties. Lack of access to finance and financing by MSMEs can lead to a lack of innovation and slower economic growth. Many micro, small, and medium enterprises have difficulty meeting credit requirements from banks and other formal financial institutions. As a result, the MSME development process is not running well, this is due to the limited support of the banking world in businesses with a small scale due to risk considerations (*risk profile*) and lack of support with collateral) which causes a relatively large gap with large established businesses.

This large gap gives rise to various investment mechanisms outside of conventional investment and financing from banks [3]. The funding mechanism is urgently needed as a manifestation of a long series in building an entrepreneurial ecosystem which includes regulatory support both in capital to help open markets, business incubators, *angel networks* to other alternative financing mechanisms that are more in favor of the focus on the development of small and medium enterprises [4]. Regarding the funding mechanism, the government is currently making various efforts, such as the People's Business Credit policy and the *crowdfunding*,

Crowdfunding in this case is *Islamic crowdfunding* because *Islamic crowdfunding* has emerged as an innovative financial instrument in recent years [5]-[6], especially in the context of the sharia economy which is increasingly in demand by the Indonesian people. This system offers an alternative based on Islamic values, which not only complies with Sharia principles but is also oriented towards community economic empowerment, especially for Micro, Small, and Medium Enterprises (MSMEs) [7], this was proven in the 2024 KNEKS (National Committee for Sharia Financial Economics) plenary meeting which was also attended by Deputy President Ma'aruf Amin explained that in 2024 the funds that have been rolled out for MSME financing, especially sharia-based, amounted to Rp.161.03 trillion and this figure is equal to 81.66% of the target of the national medium-term long-term plan (RJPMN) and 59.88% of the target of the 2019-2024 Indonesian Islamic economic and

financial masterplan (MEKSI) [8], in supporting the Islamic economy has provided an important foundation for understanding the concepts, challenges, and opportunities related to the use of Islamic crowdfunding as a tool for economic empowerment.

OBJECTIVES OF THE STUDY

This study's objective is to analyze the impact of empowering MSMEs through Islamic crowdfunding in supporting the national Sharia economy.

MATERIALS AND METHOD

The method used in this study uses a mixed method by integrating qualitative methods and quantitative methods as a step to obtain a more comprehensive understanding of a term in this study that is being carried out.

The quantitative approach is related to the measurement of accurate and measurable data from the problems being researched allows statistical analysis of the collected data and helps produce mathematical models that can be used to forecast and estimate the potential for Islamic crowdfunding for MSMEs nationally.

Meanwhile, the qualitative approach uses comparative case studies to obtain a more detailed understanding related to the context and dynamics of Islamic crowdfunding as a funding model that is increasingly in demand by the Indonesian people in a more in-depth and comprehensive manner in the context of the Islamic economy.

The population in this study is MSME business actors who have used the Islamic crowdfunding mechanism in terms of funding in addition to the MSME actors who have received funding with a crowdfunding mechanism for at least one year.

a. Early Stage of Research

Analyzing the impact of Islamic Crowdfunding on the empowerment of MSMEs in supporting the national Sharia economy. The next step is to conduct a literature review to understand related concepts, such as MSME empowerment, Islamic Crowdfunding, and Sharia economics, as well as identify gaps in

previous research to be developed into a basic conceptual framework for research to assist researchers in conducting data analysis.

b. Data Collection Stage

This stage is focused on survey and mapping activities for MSME actors who receive funding with a crowdfunding mechanism, from this stage, it is expected to be obtained and make a description, painting systematically, factually, and accurately based on the facts, the characteristics of the relationship between the problem being researched and the actual conditions, which aims to gain a deep understanding of the benefits and obstacles in the use of crowdfunding. In addition, secondary data in the form of reports on Islamic crowdfunding platforms, government policies, and statistics on the development of MSMEs are collected to complement the primary data. All data is systematically recorded and stored to ensure accuracy and ease of analysis.

c. Data Processing and Data Analysis Stages

For qualitative data, non-statistical analysis will be carried out, by reading the data that has been processed, on quantitative data statistical analysis will be carried out, both descriptive statistical analysis and relevant inferential statistical analysis. The next step is to establish benchmarks or best practices on the survey results. The stakes are allegedly used to determine the process that will be improved continuously, which offers the fastest way to achieve real performance improvements in the development of an optimization model for the development of an Islamic crowdfunding mechanism for MSMEs nationally based on Sharia. At this stage, it is also planned to publish scientific articles in SINTA 2 accredited national journals as a mandatory output for the first year.

RESULTS AND DISCUSSION

This Sharia-based funding offers a fair structure for MSME actors because it prioritizes the principle of profit sharing and avoids usury, speculation (*maysir*), and uncertainty (*gharar*), all of which are prohibited in Islamic law [10]. In this way, Islamic crowdfunding is not only a

means of funding but also an ethical and fair investment mechanism [11]. In addition, the application of sharia principles in crowdfunding reduces the risk of injustice that often occurs in conventional funding [11]-[12], where high interest rates and strict requirements are often an obstacle for MSMEs [13].

Empowerment of MSMEs through *Islamic crowdfunding* It also has a significant impact on building national economic independence. As one of the economic sectors that provides the most jobs [14], MSMEs in Indonesia play an important role in driving economic growth, reducing poverty, and improving people's welfare [15]. *Islamic crowdfunding* allows MSME actors to get the necessary working capital without having to rely on interest-bearing loans or joining adverse partnerships [13]-[16]. Process *crowdfunding* community-based ones also strengthen social solidarity and collective participation in building a more inclusive economy [17]. Apart from the funding aspect, Islamic crowdfunding can create a positive impact in increasing financial literacy and understanding of Sharia economics among the general public [18].

Multiple platforms of crowdfunding are Sharia-based which also provides education about Islamic finance, halal investment, and sound financial management, which ultimately strengthens the foundation of the Sharia economy in Indonesia [19]. Thus, Islamic crowdfunding Not only functions as a funding tool but also as an educational forum that can change people's mindsets regarding ethical financial management. However, the application of Islamic crowdfunding in Indonesia still faces various challenges. One of them is the low level of Islamic financial literacy among MSME actors, which hinders the adoption and optimal use of this platform. Other challenges include regulations that are not fully mature and low public trust in the digital funding system. Therefore, collaboration between the government, Islamic financial institutions, and technology industry players is very important to support the development of Islamic

crowdfunding as a reliable and effective alternative source of funding for MSMEs.

Overall, Islamic crowdfunding provides a great opportunity for Indonesia to strengthen the Sharia economy through the empowerment of MSMEs, which at the same time supports financial inclusion and increases economic stability. With the right development and regulation, Islamic crowdfunding can be an important pillar in supporting Indonesia's vision as a global Sharia economic center and providing sustainable solutions for the growth of MSMEs in the digital era.

Previous research related to the empowerment of MSMEs through Islamic crowdfunding The problem-solving approach in this study will begin with an in-depth literature review to understand the basic concepts of Islamic crowdfunding and relevant Sharia principles. This step will provide a strong theoretical foundation regarding the business model used in Islamic crowdfunding, especially in the context of empowering MSMEs. Through this study, researchers can evaluate how Sharia

principles are applied across various platforms and common challenges faced by MSME actors in accessing Sharia-based financing. Furthermore, an empirical approach with survey and interview methods will be used to collect data from MSME actors and parties involved in the Sharia crowdfunding platform. Through the survey, the research can identify the motivations, obstacles, and needs of MSMEs in utilizing Islamic crowdfunding. In-depth interviews will provide a more personal and detailed picture of their experiences, which will be very useful in understanding the real obstacles faced by MSMEs in the field.

The optimization model for the implementation of Islamic crowdfunding principles aims to overcome economic problems, improve community welfare, support small and medium enterprises, finance social projects, provide access to financing to people who were previously reached, and the last one to help the growth of the Islamic economy. As depicted in the schematic below:

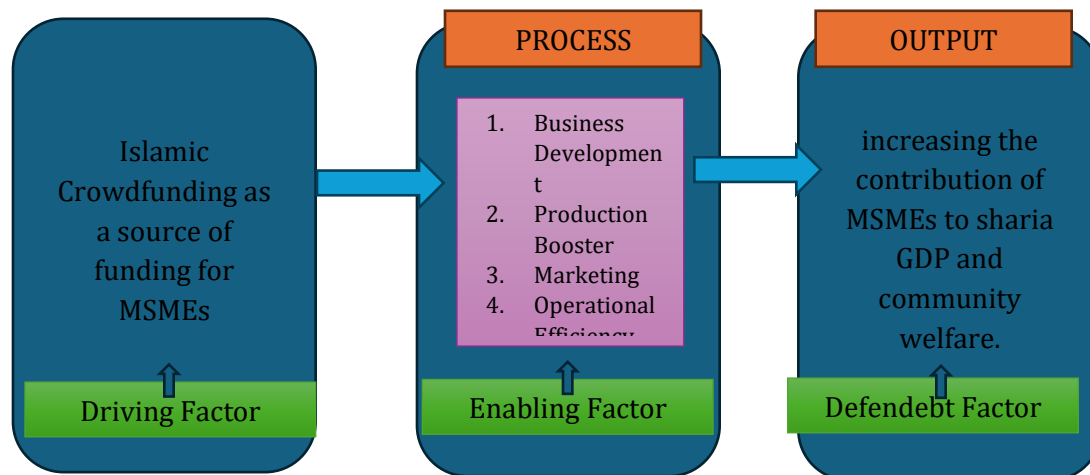


Fig 1. Development of the Islamic Crowdfunding Model

d. Final Stage of Research

At this stage, the findings are concluded and recommendations are made based on the results of the research. Once the quantitative data is statistically analyzed and the qualitative data is

analyzed using thematic methods, the results of the two methods are combined to provide a holistic view. Quantitative findings show the impact of Islamic Crowdfunding on the empowerment of MSMEs through increased

income and business scale. Meanwhile, the qualitative findings provide in-depth insights into the experiences of MSME actors, including the benefits and obstacles faced during the crowdfunding process.

CONCLUSION AND RECOMMENDATION

An in-depth understanding of the specific impact of Islamic crowdfunding on the empowerment of MSMEs in the context of Indonesia, which has the world's largest Muslim population and great sharia economic potential. Recent research shows a significant increase in the use of Islamic fintech and crowdfunding for the MSME sector, but in-depth literature related to its direct impact on national Sharia economic growth is still limited. In recent years, Islamic crowdfunding emerged as an innovation that not only offers financing but also builds an inclusive and sharia value-based investment community. Islamic crowdfunding has great potential to expand financial inclusion and empower MSMEs (2021), further research is needed to analyze specific mechanisms that can increase MSMEs' access to Islamic crowdfunding and its impact on the stability and growth of the Sharia economy in Indonesia.

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