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Empowering the Community Economy through the Enpowerment and Development of Sharia-Based Cooperatives in East Bandung

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Abstract

Sharia-based cooperatives represent a strategic instrument in strengthening the ummah's economy and fostering community economic independence. This study aims to analyze the role of sharia-based cooperatives in empowering the community economy, particularly in the context of social justice, equitable welfare, and financial inclusion. A qualitative approach is employed, incorporating literature review and field data from several Islamic cooperatives in West Bandung. The results indicate that sharia cooperatives serve as an alternative solution for small and medium communities in accessing financing and enhancing business productivity. However, challenges persist, including limited capital, low sharia literacy, and suboptimal cooperative management. Key recommendations include strengthening empowerment policies, continuous coaching, and integrating Islamic cooperatives into the digital economic ecosystem.
Keywords : Sharia Cooperative, Economic Empowerment, Community Economy, Financial Inclusion, Islamic Economics

Introduction

In the context of national economic development, cooperatives play a strategic role as the pillars of the people's economy. Unlike conventional financial institutions, Sharia-based cooperatives offer principles of justice, mutual assistance, and profit-sharing, which align with Islamic values. The Sharia cooperative model is not solely profit-oriented but also prioritizes the overall welfare of its members.

The main challenges in community economic empowerment are limited access to business capital, financial education, and the bias of the formal financial system. Sharia cooperatives offer an

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

inclusive, community-based, and spiritually based alternative solution.

Community economic empowerment is a key foundation for realizing equitable and sustainable national development. Amidst fluctuating global economic conditions and the increasingly complex pressures of everyday life, strengthening the community economy is a strategic agenda that cannot be postponed. Economic inequality, limited access to financing, and limited financial education make small and medium-sized communities the most vulnerable groups. In this context, cooperatives—particularly Sharia-based cooperatives—can provide an inclusive alternative solution that aligns with socio-religious values.

Sharia cooperatives are not only financial institutions, but also educational and transformative vehicles capable of shaping a just, honest, and prosperous economic culture for the community. However, public awareness of Sharia cooperatives remains low. Many people, particularly in rural and peri-urban areas, do not yet understand the concept of Sharia cooperatives and are more familiar with informal financing practices such as mobile banks, illegal banks, or what are known as "bank emok" (emok banks). These institutions often practice high interest rates, inhumane debt collection practices, and worsen families' economic conditions.

The phenomenon of "bank emok" (emok banks) and modern loan sharks has become a real threat to the microeconomic well-being of communities. Many families are trapped in debt with exorbitant interest rates simply to meet basic needs. In these circumstances, Sharia cooperatives offer a strategic solution, offering a system that is not only usury-free but also upholds the principles of justice, transparency, and economic solidarity. The existence of strong Sharia cooperatives, supported by public education, will act as a shield against dependence on harmful informal financial institutions.

The importance of education about Sharia cooperatives cannot be underestimated. Appropriate education will raise public awareness of the benefits of joining a sharia cooperative and build an understanding of the importance of conducting economic activities in accordance with Islamic values. This education also serves as social capital to encourage active community participation in cooperative activities, from savings and loans to productive activities and joint marketing.

Furthermore, the presence of active and institutionally sound sharia cooperatives will have a

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

significant impact on improving community welfare. When communities have easy and fair access to capital, opportunities to develop businesses, increase income, and improve their standard of living will open up. This increased welfare will directly impact families' ability to meet other needs, including education.

Family economic well-being will pave the way for improving the quality of human resources (HR), as communities will be able to finance their children's education to higher levels. Quality human resources ultimately form the foundation for sustainable economic development. Therefore, the synergy between economic empowerment through sharia cooperatives and human resource development creates a mutually reinforcing cycle.

Thus, strengthening sharia cooperatives is not only relevant in an economic context but also serves as a strategic instrument for improving the overall quality of life of the community. Concrete steps are needed from various stakeholders to encourage the growth of healthy, independent, and impactful Islamic cooperatives for the wider community. This research seeks to deeply analyze how Islamic cooperatives can become a driving force for the economic empowerment of the community, while simultaneously formulating a development strategy oriented toward justice, independence, and community welfare.

Community economic empowerment is a crucial instrument in efforts to create sustainable social welfare. In the context of national development, community economic empowerment is not only a priority but also a constitutional obligation to ensure social justice and shared prosperity, as mandated by Article 33 of the 1945 Constitution. Amidst economic inequality and low financial literacy, communities, particularly those in the lower-middle class, are often targeted by detrimental informal economic practices such as mobile banks, emok banks, and loan sharks.

The phenomenon of mobile banks and emok banks has become a serious threat to family economic stability. Communities are often trapped in high-interest debt schemes, inhumane debt collection practices, and intimidation that cause psychological and social stress. In this context, the presence of sharia cooperatives offers a strategic solution that prioritizes the principles of justice, transparency, and collective welfare (Karim, 2018).

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

Sharia cooperatives are a form of microfinance institution that implements Islamic economic principles free from riba (interest), gharar (uncertainty), and maisir (gambling). Sharia cooperatives uphold the values of solidarity, togetherness, and social responsibility, making them a superior alternative in combating exploitative financial practices (Antonio, 2001). However, low public literacy regarding Sharia cooperatives leads to a lack of active participation and trust in these institutions.

Education about Sharia cooperatives is crucial for raising public awareness. This education can be conducted through training, outreach, and community-based mentoring, aimed at introducing Islamic economic values and fostering an economically independent community mindset (Ascarya, 2020). When the public understands the Sharia economic system, they will be more selective and critical of unprofitable loan offers.

Strengthening Sharia cooperatives will have positive implications for improving community welfare. Fair access to capital, Sharia savings and loan programs, and productive economic activities will encourage the emergence of independent and competitive micro-entrepreneurs. In the long term, this increased welfare will impact other aspects such as education, health, and the quality of human resources (HR). When a family's economy is stable, the community will have the ability to finance their children's education, which in turn will create superior human resources and contribute to national development (Yumna & Clarke, 2009).

Therefore, the empowerment of sharia cooperatives is not solely oriented towards economic aspects but also plays a strategic role in social development, education, and the civilization of the community. This study aims to analyze an effective model of sharia cooperative empowerment in improving the community's economy and to formulate strategies for education and strengthening sharia-based cooperative institutions at the grassroots level.

Literature Review

The Concept of Sharia Cooperatives

Sharia cooperatives are microfinance institutions managed based on Islamic sharia principles.

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

According to Antonio (2001), sharia cooperatives avoid riba (usury), gharar (gharar), and maisir (gambling), and prioritize the principles of mutual assistance (ta'awun), justice ('adalah), and shared responsibility. In practice, sharia cooperatives use sharia contracts such as mudharabah, musyarakah, murabahah, ijarah, and qardhul hasan. Sharia cooperatives also have a social function, in addition to their economic function, namely helping their members improve their welfare in a fair and sustainable manner.

Sharia cooperatives are also part of the national sharia financial system, which has continued to grow in recent decades. According to data from the Ministry of Cooperatives and SMEs (2023), the number of sharia cooperatives continues to increase, demonstrating the public's need for financial institutions that align with Islamic values.

Economic empowerment is the process of increasing a community's economic capacity to acquire, manage, and develop economic resources independently and sustainably (Suharto, 2005). From an Islamic perspective, economic empowerment aligns with the maqasid sharia, particularly in the preservation of wealth (ḥifẓ al-māl).

Community economic empowerment is a process that enables communities to have access to economic resources, skills, and independent economic decision-making. According to Kartasasmita (1996), empowerment aims to strengthen the community's bargaining position in economic activities and increase active participation in development. Within an Islamic framework, economic empowerment is directed at realizing social justice and equitable distribution of wealth (Chapra, 2000). This aligns with the maqasid sharia, which focuses on safeguarding wealth (hifdzul mal) and public welfare (maslahah).

Sharia cooperatives are microfinance institutions managed based on Islamic sharia principles. According to Antonio (2001), Islamic cooperatives avoid usury (riba), gharar (gharar), and maisir (gambling), and prioritize the principles of mutual assistance (ta'awun), justice ('adalah), and shared responsibility. In practice, Islamic cooperatives use Islamic contracts such as mudharabah, musyarakah, murabahah, ijarah, and qardhul hasan. Islamic cooperatives also have a social function in addition to their economic function, namely helping their members improve their welfare in a fair

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Vol. 4, No. 2, July - December (2025), pp. 283 - 289

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Community Economic Empowerment

Community economic empowerment is a process that enables communities to have access to economic resources, skills, and independent economic decision-making. According to Chambers (1995), empowerment is an effort to increase a community's ability to manage and develop its economic potential. In the context of Islamic cooperatives, empowerment is carried out through training, microfinance, business mentoring, and the formation of solid business networks among members.

Islamic cooperatives are able to increase the economic independence and productivity of members through participatory economic principles and the principle of syirkah. In Islamic cooperatives, members are not only service users but also owners of the institution, thus allowing direct involvement in decision-making.

Islamic cooperatives are microfinance institutions that operate based on Islamic sharia principles, which are free from interest (riba), speculation (gharar), and gambling (maysir). Transactions are conducted based on contracts such as murabahah, mudharabah, musyarakah, and ijarah (Antonio, 2001).

Islamic cooperatives are microfinance institutions managed according to Islamic sharia principles. According to Antonio (2001), Islamic cooperatives avoid elements of usury, gharar, and maisir, and prioritize the principles of mutual assistance (ta'awun), justice ('adalah), and shared responsibility. These cooperatives typically conduct business activities such as savings and loans, trade, services, or agriculture based on Islamic contracts such as mudharabah, musyarakah, murabahah, ijarah, and so on. This is in line with Siddiqi's (2006) view, which emphasizes that

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

Islamic cooperatives are Islamic social financial institutions oriented towards distributive justice and sustainability.

Sharia Financial Literacy and Inclusion

According to the Financial Services Authority (OJK) (2023), Sharia financial literacy in Indonesia remains relatively low, at around 9.1%, far below conventional financial literacy. Yet, improving financial literacy is a key prerequisite for promoting financial inclusion. Sharia financial literacy encompasses the public's understanding of Sharia-compliant financial principles, products, and services.

Sharia cooperatives can play a strategic role as agents of Sharia financial literacy at the grassroots level, particularly among MSMEs and rural communities. Through a community-based approach, Sharia cooperatives can provide direct and contextual education. Furthermore, Sharia financial inclusion refers to the availability of broad and easy access to Sharia financial products and services for all levels of society. According to KNEKS data (2022), the level of Sharia financial inclusion in Indonesia has only reached 12.1%, indicating a substantial untapped market potential.

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E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

Methods

This research uses a descriptive qualitative approach with a case study method (Yin, 2014) in several sharia cooperatives in Bandung and its surrounding areas. Qualitative research was used because it focuses on exploring the meaning, processes, and social dynamics that occur in the field (Creswell, 2016). The case study was chosen to gain a deeper understanding of the contextual empowerment practices of sharia cooperatives.

Results and Discussion

Case studies at the Mitra Umat Sharia Cooperative and the Bina Mandiri Sharia Cooperative show that economic empowerment through sharia cooperatives has a significant impact on increasing family income, reducing dependence on loan sharks, and increasing women's economic participation. Savings and loan programs based on murabahah and musyarakah contracts provide a fair and sharia-compliant financing alternative.

Obstacles faced include:

- Low sharia financial literacy among members.
- Limited human resources familiar with sharia cooperative management.
- Challenges of digitalization and technological adaptation.

Effective empowerment strategies include:

- Regular community-based training on sharia cooperative principles.
- Increasing managerial capacity and financial literacy for managers.
- Collaboration with Islamic boarding schools (pesantren), mosques, and NGOs as education and mentoring partners.

Economic Empowerment Model through Sharia Cooperatives

The empowerment model implemented by Sharia cooperatives includes:

- Provision of Sharia financing for business capital
- Training in business management and Sharia financial literacy

E-ISSN: 3026-3239
Vol. 4, No. 2, July - December (2025), pp. 283 - 289

- Marketing of members' products through digital platforms
- Development of a community-based business community

Impact on the Community Economy

Positive impacts found include:

- Increased family income
- Opening of new job opportunities
- Increased participation of women in economic activities
- Reduced dependence on loan sharks or conventional banks

Challenges and Obstacles

Some of the challenges faced by Sharia cooperatives include:

- Lack of human resources who understand Islamic jurisprudence (fiqh muamalah)
- Regulations that are not yet optimally supportive
- Weak governance systems
- Limited access to digital technology

Conclusion

Sharia-based cooperatives have proven effective as catalysts for community economic empowerment, particularly for vulnerable groups and small businesses. To strengthen their role, synergy between stakeholders, increased literacy, and innovative cooperative business models based on Islamic values and technology are needed. Sharia cooperatives have proven effective in empowering the community economy. The primary focus should be on Sharia financial education and institutional strengthening. Synergy between the government, educational institutions, and religious organizations is essential.

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