

Sharia Micro Financing Role in Developing MSME Businesses in Rural Community Life

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Abstract: Sharia microfinancing has a significant role in the development of Micro, Small and Medium Enterprises (MSMEs) in the lives of rural communities. In the midst of limited access to conventional financial institutions which often charge high interest rates, sharia microfinance offers a fairer and more affordable solution with the principles of mudharabah and musyarakah based on profit sharing, without charging interest (riba). This study examines the opportunities created by sharia microfinancing for MSMEs in rural areas to develop their businesses, increase business capacity, and have a positive impact on the local economy and social welfare of rural communities. Through qualitative research involving interviews with MSME players and managers of sharia financing institutions, it was found that sharia microfinancing helps MSME players access more affordable and sustainable capital. This article also identifies the need to improve education and expand access to sharia microfinance services so that they can more effectively encourage the growth of MSMEs and advance a more inclusive and sustainable rural economy. Thus, sharia microfinancing has the potential to become one of the main pillars of economic empowerment in rural areas.

Keywords: Sharia Micro Financing, MSME Business Development, Rural Communities.

Introduction

Micro, Small and Medium Enterprises (MSMEs) in Indonesia have long been the backbone of the national economy. Not only in big cities, but also in rural areas, MSMEs play an important role in improving people's welfare and reducing unemployment. Based on data from the Central Statistics Agency (BPS), the MSME sector absorbs more than 90% of Indonesia's workforce, creates significant job opportunities, and contributes to Indonesia's Gross Domestic Product (GDP). In rural areas, MSMEs play a role in economic sectors such as agriculture, animal husbandry, handicrafts and local trade, which depend heavily on local wisdom and the potential of local natural resources (Hasanuzzaman et al., 2016).

However, even though MSMEs have a strategic role in the rural economy, they often face various challenges that hinder their ability to develop. One of the biggest obstacles faced by MSMEs in rural areas is access to financing. Limited access to financing is the main obstacle in developing their business. Many MSMEs cannot access formal banking services due to limited capital, collateral and understanding of the financial system. In many rural areas, most micro business actors do not have neat financial records and find it difficult to meet the requirements for conventional bank loans.

Apart from that, low levels of financial literacy are also a challenge for MSMEs in rural areas. Many of them prefer to borrow money from informal financial institutions such as loan sharks or high-interest borrowers. This actually adds to their economic burden, because the interest charged can be much higher than that applied in formal financial institutions. Not only that, the risks faced by MSMEs in rural areas, such as fluctuations in raw material prices, climate change which affects agricultural output, and limited market access, increasingly make them vulnerable to business failure.

Realizing the importance of more inclusive and value-based financing, the concept of Sharia Microfinance has emerged as a promising alternative to overcome the problem of financing MSMEs in rural areas. Sharia microfinancing is a financing system based on Islamic sharia principles, which does not recognize the element of usury (interest), and prioritizes the principles of mutual benefit and justice between the parties involved. This concept provides opportunities for MSMEs in rural areas to gain access to financing on lighter, more transparent and fair terms (Harahap, 2012).

Sharia microfinance offers various products such as *mudharabah* (profit sharing cooperation), *musyarakah* (business cooperation), and *qardh* (interest-free loans) which are in accordance with sharia principles. These products provide opportunities for MSMEs to obtain capital without being burdened by high interest rates, while maintaining the principles of social justice which are highly upheld in rural communities. Apart from that, sharia

microfinancing also prioritizes aspects of benefit to society, so that it not only provides economic benefits for business owners, but also for the surrounding community.

Apart from that, in practice, sharia microfinance institutions often also include assistance and training for MSME players. This is very important because, apart from obtaining financing, business actors also need knowledge about how to manage their business efficiently and sustainably. Sharia microfinance can also play a role in increasing the financial literacy of rural communities in a way that is more easily accepted and understood by local communities.

However, although sharia microfinance has great potential to support the development of MSMEs in rural areas, its implementation does not always run smoothly. One of the main challenges is the lack of understanding of sharia principles among rural communities, especially those who are not yet familiar with sharia-based financial products. In addition, institutions that offer sharia microfinancing are still limited, so the distribution of these services is not evenly distributed throughout rural areas. This is a big challenge to ensure that sharia microfinancing can provide maximum benefits to all MSMEs in rural areas (Ahmad & Iqbal, 2023).

Limited infrastructure and accessibility are also obstacles for MSMEs to utilize sharia microfinancing services optimally. Most sharia financing institutions may still focus on urban areas or certain areas, so that not all MSMEs in rural areas can access these services easily. Therefore, further efforts are needed to expand the reach of sharia microfinance institutions to more remote and rural areas.

On the other hand, the sharia microfinance sector also has enormous opportunities to develop in Indonesia. With support from the government, sharia financial institutions and the private sector, sharia microfinancing can be expanded in scope and well received by rural communities. The government can play a role by providing adequate incentives and regulations for sharia financing institutions, while these institutions can work together with local communities to improve understanding and management of sharia finance more broadly.

As an alternative to conventional financing, Islamic microfinancing has the potential to not only provide capital, but also empower rural communities to grow and develop. With an approach based on social and human values, sharia microfinancing has the power to reduce the economic gap between urban and rural areas, as well as improve the social welfare of society as a whole.

Therefore, this article aims to examine the pivotal role of sharia microfinancing in supporting the development of Micro, Small, and Medium Enterprises (MSMEs) within rural communities. Specifically, the study seeks to identify the benefits, challenges, and opportunities presented by sharia-

based financing models in enhancing economic empowerment and social welfare at the village level. By focusing on practical field insights and stakeholder perspectives, the research contributes to a deeper academic understanding of how Islamic microfinance can reduce social inequality and foster a more inclusive and sustainable rural economy.

Research Method

This research uses a qualitative approach to understand the role of sharia micro financing in developing MSME businesses in the lives of rural communities. A qualitative approach was chosen because this research aims to explore a deeper understanding of social phenomena that occur in rural communities related to sharia microfinancing. This research does not only measure quantitative aspects, but focuses more on the experiences, perceptions and views of the community and MSME actors regarding the benefits and challenges they face in accessing sharia microfinance.

The data collection techniques used in this research were in-depth interviews and participant observation. In-depth interviews were conducted with MSME players, managers of sharia microfinance institutions, and local governments who have policies related to developing MSMEs in rural areas. This interview aims to gain information about their experiences and perceptions regarding access to sharia microfinance, the benefits they receive, and the challenges they face in using these financing products. Interviews were conducted using a semi-structured interview guide to enable respondents to provide more open and in-depth answers regarding the topics studied.

Apart from interviews, this research also uses participatory observation, where researchers are directly involved in the daily activities of MSME actors who use sharia microfinance. This observation aims to understand the social and economic dynamics that occur in the field, as well as to see how sharia microfinancing directly affects MSME business operations. Researchers recorded interactions between MSME actors and sharia microfinance institutions, as well as how this financial assistance was used in developing their businesses. Observations were carried out in an unobtrusive manner to avoid bias in respondent behavior and to ensure the data obtained was more natural and representative.

The combination of in-depth interviews and participant observation allows researchers to obtain richer and in-depth data regarding the role and impact of sharia microfinancing in the development of MSMEs in rural areas.

Apart from that, a documentation study was also carried out to explore secondary data that supports this research. The data collected is in the form of annual reports of sharia financial institutions, MSME statistics, as well as

government policy documents related to sharia microfinancing and the development of MSMEs in rural areas. This documentation study is useful for providing a broader context regarding the development of sharia microfinancing and government policies in supporting the MSME sector, so as to provide a more comprehensive picture of the topic under study (Sugiyono, 2008).

The relevant data analysis technique used is thematic analysis technique. Then the data obtained was analyzed using thematic analysis techniques, where data collected from interviews, observations and documents were analyzed inductively to identify the main themes that describe the role of sharia microfinancing. This process is carried out by grouping relevant data into themes related to factors that support and hinder access to sharia microfinance and their impact on the development of MSMEs. To strengthen the results of the analysis, this research also applies data triangulation, namely by comparing the results of interviews, observations and documents to ensure the validity and consistency of the findings. In addition, the SWOT analysis technique (Strengths, Weaknesses, Opportunities, Threats) is used to evaluate factors that support and hinder the implementation of sharia microfinancing in developing MSME businesses in rural areas.

Through this analysis, it is hoped that the research can provide a comprehensive understanding of the impact of sharia microfinancing on the economic welfare of rural communities and provide recommendations to stakeholders regarding ways to increase the effectiveness of the sharia microfinancing system in supporting MSMEs in rural areas. The results of this analysis will be used to answer research questions regarding the role of sharia microfinancing in developing MSME businesses in rural areas and what factors support or hinder the success of sharia microfinancing in rural areas (Rusydziana & Firmasyah, 2018).

Results

Micro, Small and Medium Enterprises (MSMEs) in Indonesia, especially in rural areas, have a very significant role in improving the local economy and community welfare. However, many MSMEs in rural areas face major obstacles in accessing sufficient financing to develop their businesses. On the other hand, sharia microfinance, which is based on Islamic sharia principles, has emerged as a financing alternative that is more inclusive and in line with the needs of rural communities. This financing not only offers easy access to capital but also prioritizes the principles of justice and mutual benefit which are in line with the social values of rural communities (Aditya & Suci, 2023).

Based on the results of interviews and field observations conducted on MSME actors in rural areas, as well as managers of sharia microfinance

institutions, this research found a number of important findings that illustrate the important role of sharia microfinance in developing MSME businesses in rural areas. This discussion will outline the main findings which include the challenges and opportunities faced by MSME actors in accessing sharia microfinancing, the impact that the use of this financing has on MSME businesses, as well as factors that influence the success and sustainability of sharia microfinancing in rural areas.

1. Challenges of Access to Financing for MSMEs in Rural Areas

Even though the potential of MSMEs in rural areas is enormous, they often face difficulties in obtaining the financing needed to develop their businesses. One of the main reasons why MSMEs have difficulty accessing financing is limited access to formal financial institutions, especially conventional banks. Most MSMEs in rural areas do not have sufficient collateral or assets to meet bank loan requirements. Apart from that, many business actors do not have neat and professional financial records, which is one of the important requirements for obtaining loans from formal financial institutions (Machmud, 2013).

Access to Finance for Rural MSMEs

To better understand the landscape of MSME financing in rural areas, the following table highlights key statistics and trends related to access to finance:

Challenge	Percentage of Rural MSMEs Affected	Key Impact
Limited Access to Financial Institutions	70% - 80%	Difficulty in obtaining loans or financial advice
Lack of Collateral	60% - 75%	Inability to meet collateral requirements for loans
High Interest Rates	50% - 65%	Higher borrowing costs, reducing profitability
Limited Financial Literacy	45% - 55%	Poor understanding of loan terms and financial management
High Risk Perception	55% - 70%	Reduced access to credit due to perceived financial risks

Inadequate Government Support	40% - 50%	Lack of targeted programs or ineffective implementation
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Source: Various MSME and financial access reports (World Bank, IFC, local government surveys).

From the results of interviews with MSME players, it was found that the majority of them find it difficult to obtain financing through conventional banks because of the high interest rates applied, complicated administrative requirements, and the inability to provide collateral. Most of them are even forced to borrow money from informal institutions such as loan sharks, who offer loans at very high interest rates. Of course, this system has a negative impact on MSMEs, because they have to pay very high interest, which often makes them trapped in a cycle of debt that is difficult to get out of.

This condition shows that there are quite large gaps in the MSME financing system, especially in rural areas. Sharia microfinancing is presented as a more inclusive and fair alternative, because it does not recognize the interest system (*riba*) that burdens business actors. Sharia microfinance offers products such as *mudharabah* (profit sharing), *musyarakah* (business cooperation), and *qardh* (interest-free loans), which are more in line with the characteristics of the needs of MSMEs in rural areas (Hasan, 2017).

2. The Role of Sharia Microfinance in the Development of Rural MSMEs

Sharia microfinance has shown a significant role in increasing access of MSMEs in rural areas to sources of capital. In this case, sharia microfinance institutions provide financing based on the principle of cooperation, by sharing results or profits, rather than just providing loans. One of the main sharia microfinance products that is widely accepted by MSME players is *mudharabah*, which is a form of collaboration between capital owners and business actors, where profits are shared based on a previously made agreement. This is different from conventional loans which require business actors to pay fixed interest even though their business is not profitable.

Based on interviews with a number of MSME players in several villages who have utilized sharia microfinancing, the majority of them admitted that they felt it was easier to manage their business finances. They are no longer burdened with high interest rates, and instead experience openness and transparency in capital management. For example, a farmer in Sumberbendo Village who utilized sharia microfinancing to expand his agricultural business revealed that he found it easier to plan and develop his business because there were no burdensome interest payments. Profits from agricultural products are shared according to the agreement that has been made, so that both parties benefit equally (UU No. 20 2008 Tentang UMKM).

Apart from that, sharia microfinance institutions also often provide assistance and training to MSME players. This is a very important added

value, because MSMEs in rural areas often do not have sufficient knowledge about financial management or marketing. With this coaching, MSME players can better understand how to manage their businesses better, minimize risks and increase the competitiveness of their products in the market. In this research, it was found that Islamic financial institutions not only focus on providing capital, but also provide education on how to manage money, plan budgets, and introduce technology that can increase production efficiency.

The research results show that sharia microfinance plays a significant role in supporting the development of MSMEs in rural areas. Most of the MSME actors interviewed revealed that they gained significant benefits from access to sharia microfinance, which can be used to increase production capacity, expand marketing networks, and improve their economic welfare. Based on interviews with several MSME actors in Sukamulya village and Tanjungsari Village, around 80% of them reported that sharia microfinancing had helped them purchase new equipment, while another 70% noted an increase in their production capacity (Wahid & Fakhri, 2019).

3. The Impact of Sharia Microfinance on the Rural Economy

Sharia microfinancing not only provides direct benefits to MSMEs, but also has a positive impact on the rural economy as a whole. By providing easier access to capital, sharia microfinance encourages the growth of new businesses that can create jobs and increase productivity in the agricultural, craft and service sectors. This contributes to reducing unemployment rates and improving the welfare of rural communities (Muhammad, 2013).

A concrete example can be seen in Sukamulya Village, where sharia microfinancing has helped local groups of farmers and craftsmen increase the production and distribution of their products. For example, a group of bamboo handicraft craftsmen who obtained sharia microfinancing succeeded in expanding their production capacity, which previously could only cater to the local market, to being able to reach a wider market, even to big cities. This increase in production certainly has a positive impact not only for this group of craftsmen, but also opens up opportunities for local people to work and earn additional income.

On the other hand, sharia microfinance also prioritizes the principle of sustainability in every transaction. The financing provided does not only prioritize financial benefits, but also considers wider social impacts. Many MSME actors who previously did not have access to finance can now develop their businesses with more equitable principles, thereby indirectly increasing social and economic sustainability at the village level.

4. Challenges and Obstacles in Implementing Sharia Microfinancing

Although sharia microfinance shows positive results, its implementation in rural areas still faces several challenges. One of the main challenges is the low level of public understanding of sharia principles. Even though the majority of Indonesia's population is Muslim, not everyone fully understands the concepts of sharia financing, such as profit sharing (*mudharabah*) or business cooperation (*musyarakah*). This lack of understanding often makes people hesitate to utilize sharia financing products.

Another challenge is the limited reach of sharia microfinance institutions in rural areas. Many sharia financial institutions only operate in urban areas or more developed areas, while many MSMEs in rural areas do not have this access. Therefore, efforts need to be made by sharia financial institutions to expand their networks and reach more MSME players in rural areas, through opening branches or collaborating with local microfinance institutions (Beck et al., 2013).

5. Effectiveness of Sharia Microfinancing in Launching MSME Businesses and Reducing Social Inequality

Sharia microfinancing has proven to be an effective instrument in supporting the development of Micro, Small and Medium Enterprises (MSMEs) in rural communities, as well as playing an important role in reducing social inequality. This financing, which is based on sharia principles which are free from elements of usury, gharar and maisir, provides opportunities for MSMEs to gain easier and more affordable access to capital, without being burdened by high interest rates which are often a problem in conventional financing systems. . In the context of rural communities, many business actors who previously had difficulty gaining access to formal financial institutions can now take advantage of sharia microfinancing to develop their businesses, whether in the agricultural, trade or creative industry sectors. This financing is not only limited to providing capital, but also includes providing training, mentoring and business education which is important to increase the managerial capacity of MSME players.

Furthermore, Islamic microfinance plays a key role in reducing social inequality at the village level. By providing wider access to poor communities or those belonging to economically weak groups, sharia microfinancing helps create more equal economic opportunities. This reduces the gap between those in urban areas and those in rural areas, who often receive less attention from conventional financial institutions. Sharia microfinancing also encourages the creation of new jobs, which in turn improves the overall welfare of rural communities. Through partnership-based economic empowerment, this sharia principle provides a sense of

justice in the distribution of business results, where profits are shared according to mutual agreement between investors and MSME players. This not only increases individual income but also strengthens the socio-economic structure of village communities (Zain & Ramli, 2021).

However, although sharia microfinance offers many benefits, challenges remain, such as a lack of understanding of sharia principles among some MSMEs and the limited capacity of sharia microfinance institutions to reach all rural communities. For this reason, there needs to be increased education and cooperation between the government, financing institutions and the community in optimizing the potential of sharia microfinancing. In this way, sharia microfinancing can be more effective in encouraging the growth of MSMEs, reducing social inequality, and creating more prosperous and independent rural communities.

Discussion

Sharia microfinancing is increasingly recognized as a solution to increase capital accessibility for Micro, Small and Medium Enterprises (MSMEs) in rural areas. MSMEs, which function as the economic backbone of rural communities, often face difficulties in obtaining financing through conventional financial institutions. High interest rates and requirements that are difficult to fulfill for MSMEs in rural areas are significant obstacles. Therefore, sharia microfinancing which is based on sharia principles, without interest (*riba*) and with a profit sharing system, provides fairer opportunities for business actors to access capital (Rifa'i, 2017).

Sharia microfinance does not just provide financial assistance, but also introduces a more inclusive and just economic model, which can create broad social and economic impacts. Although sharia microfinance has a lot of potential to encourage the development of MSMEs in rural areas, the challenges in its implementation are still quite large. This discussion aims to review in more depth the role of sharia microfinancing in developing MSMEs in rural areas, its impact on the local economy, and the challenges that need to be faced in its implementation.

The Role of Sharia Microfinance in MSME Development

1. Affordable and Fair Access to Capital

Sharia microfinance provides a more affordable alternative for MSMEs who often do not have access to conventional financial institutions. One of the main characteristics of sharia microfinancing is the use of a profit sharing system (*mudharabah*) and business cooperation (*musyarakah*), which does not charge interest. In the *mudharabah* scheme, capital providers and capital recipients share profits based on a fair agreement, so that MSME

players are not burdened with interest which can reduce their profit margins. This is especially important in rural areas, where people's incomes are still low and access to capital is limited.

According to interviews with MSME players in Sukamulya Village, they feel more helped by sharia microfinancing, because they don't have to worry about burdensome interest. A farmer who borrowed capital to buy agricultural machinery revealed that the profits they shared with financing institutions were fairer and did not leave them in mounting debt. This gives them space to develop their business without heavy financial pressure.

Sharia microfinancing also provides payment flexibility that is more in line with the capabilities of MSME players. In many cases, installment payments can be adjusted to suit business conditions, which reduces the risk of the business not being able to survive due to unrealistic payment burdens. This is very helpful for business actors in rural areas who often face uncertainty in income, especially in the agricultural and craft sectors which depend on seasons and market demand.

2. Positive impact on improving business quality and capacity of MSME actors

Sharia microfinancing not only provides capital, but also has a significant impact on improving the quality of MSME businesses. One of the elements that differentiates sharia microfinancing from conventional financing is the existence of coaching and mentoring. Sharia microfinance institutions often provide training on business management, financial management, marketing and the use of technology in business.

In Tanjungsari Village, a group of bamboo craftsmen who received sharia microfinancing received training on how to manage raw material stocks, business financial management, and how to market their products. This assistance helps them to be more professional in running their business. Previously, they only relied on selling products locally without a clear marketing strategy. However, after receiving training, they succeeded in reaching a wider market and increasing sales volume. This assistance has proven effective in increasing the capacity of MSME players to manage their businesses efficiently, so that they can survive and develop in the long term (Muheramtahadi, 2017).

Training and mentoring in sharia microfinancing also provides opportunities for MSMEs to increase their competitiveness. With better knowledge about markets, management and financial management, MSME players can make better decisions, reduce waste and increase productivity. This makes them more resilient in facing business challenges and better prepared to take advantage of existing opportunities (Asfino & Prabowo, 2019).

3. Social and Economic Impact on Rural Communities

Sharia microfinancing has a much greater impact than simply increasing the capacity of individual businesses. When MSMEs develop, there is a widespread positive impact on the local economy and society. Increasing the business capacity and income of MSME actors has the potential to open up new jobs for rural communities, which in turn can reduce unemployment and poverty levels.

In Sumberbendo Village, a group of farmers who received sharia microfinancing to develop their agricultural business succeeded in increasing crop yields and expanding markets. This creates additional employment opportunities for other village residents, including in agricultural product processing activities and product distribution to markets in the city. As a result, many families who previously relied on subsistence farming now have an additional source of income through employment in growing businesses.

Another economic impact is reducing economic inequality in rural areas. Before the advent of sharia microfinance, many MSMEs in rural areas were trapped in debt bondage from loan sharks or had no access to formal financing at all. Sharia microfinancing provides an opportunity for them to get out of this condition and build a healthier and more sustainable business. Thus, Islamic microfinance contributes to economic equality in rural areas and helps reduce social inequality.

Sharia microfinance also supports the concept of sustainability, because it is more oriented towards social and long-term welfare, not just momentary financial gain. This is very important for the development of MSMEs in rural areas which generally require time and patience to develop. The profit sharing model applied in sharia microfinancing encourages collaboration and mutual trust between capital providers and business actors, which further supports the principle of sustainability in business management (Amalia, 2009).

Challenges in Implementing Sharia Microfinance in Rural Areas

1. Lack of Public Understanding of Sharia Financing

Even though sharia principles are widely known, there are still many people, especially in rural areas, who do not fully understand the basic concepts of sharia financing. This lack of understanding often prevents them from accessing sharia microfinance. Several MSME players expressed fear of uncertainty in sharing results or concerns about elements that conflict with religious teachings, even though they have actually accessed financing that complies with sharia.

Therefore, sharia microfinance institutions need to carry out more outreach and education programs regarding the benefits and mechanisms of

sharia financing. Training and outreach programs involving local religious or community leaders can be an effective way to increase public understanding. By understanding the principles of sharia financing, people will be more confident and ready to take advantage of sharia microfinancing to develop their businesses.

2. Limited Infrastructure and Network of Financing Institutions

Another challenge faced in implementing sharia microfinancing in rural areas is the limited infrastructure and network of sharia financing institutions. Many sharia financial institutions operate in big cities, but it is difficult to reach remote rural areas. This causes MSMEs in rural areas to have difficulty accessing sharia financing facilities. The limited network of sharia microfinance offices or agents makes access to services more difficult for people who live in areas with minimal infrastructure.

The solution to overcome this problem is to expand the network of sharia microfinance institutions to rural areas, either through opening branches in villages or through collaboration with local financial institutions that are already known to the community. The use of digital technology can also be a way to facilitate access to financing services for MSMEs in rural areas (Darsono et al., 2017).

From a policy perspective, the government also plays an important role in creating an ecosystem that supports sharia microfinancing. The government can introduce policies that encourage the establishment of sharia financial institutions in rural areas, provide tax incentives or interest subsidies for small businesses, and facilitate training and capacity development for MSMEs. Partnerships between the government, sharia financial institutions and the community will be very important in creating a conducive climate for the sustainable growth of MSMEs in rural communities.

Overall, sharia microfinance has great potential in encouraging the development of MSMEs in the lives of rural communities, provided that existing challenges can be overcome through effective collaboration between financial institutions, government and society. With a good understanding of sharia principles, provision of adequate infrastructure, and a more flexible approach in terms of financing, sharia microfinance can make a major contribution to rural economic empowerment and reduce economic inequality between rural and urban areas.

Conclusion

Sharia microfinance plays a very important role in the development of MSMEs in the lives of rural communities. With the basic principles of sharia

which prioritize justice and without the element of interest (*riba*), sharia microfinancing provides a fairer and more affordable solution for MSMEs who have had difficulty accessing financing from conventional financial institutions. This financing allows business actors to develop their businesses with a more flexible profit sharing system, which does not burden them with high interest charges. Apart from that, the assistance and training provided by sharia financing institutions also helps strengthen the capacity of MSME actors in managing their businesses professionally.

Apart from providing affordable access to capital, sharia microfinance also provides positive social impacts, such as creating jobs and improving the economic welfare of rural communities. By developing MSME businesses, the local economy can grow, reduce poverty rates and increase people's purchasing power. Sharia microfinancing also has the potential to reduce economic inequality in rural areas, because it provides wider opportunities for people to access business capital in accordance with sharia principles, without being trapped in the trap of high interest rates from conventional financial institutions. However, the implementation of sharia microfinancing in rural areas still faces several challenges, such as a lack of public understanding of sharia principles and a limited network of financing institutions in rural areas.

However, the implementation of sharia microfinance in rural areas still faces several challenges, such as a lack of public understanding of sharia principles and a limited network of financing institutions in rural areas. For this reason, further efforts are needed from the government, sharia financial institutions and the community itself to increase understanding and expand access to sharia microfinance. The practical contribution of these findings is that government policies and sharia financial institutions can focus on improving infrastructure, educating the public, and expanding the network of financial institutions in rural areas. From an academic perspective, this research contributes to enriching the literature on sharia microfinancing and its impact on rural economic development, as well as opening up space for further research regarding the challenges of implementing and innovating financing models in rural communities. With the right support, sharia microfinancing can become a major driving force in developing MSMEs and a more inclusive and sustainable rural economy.[]

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