



# The Role of Baitul Muttaqin Sharia Cooperative Improving the Quality of Micro Business Members

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## Abstract

This study was conducted with the aim of analyzing the active role of the Baitul Muttaqin sharia cooperative in improving the quality of member micro-enterprises and to find out the various types of active roles of the Baitul Muttaqin sharia cooperative in improving the quality of member micro-enterprises. The research method used is through a qualitative approach by collecting data through structured interviews, observation and documentation. The results of the study show that the active Baitul Muttaqin sharia cooperative has carried out its role as a sharia cooperative that is able to make the business and economic activities of its members better, while the type of active role that has been carried out by the active Baitul Muttaqin sharia cooperative in improving the quality of micro-enterprises for its members is only in aspects of product marketing and have not touched on aspects of quality service management, product and service product management, financial management and sharia business ethics management.

*Keywords:* Sharia cooperatives, active role of cooperatives, member micro enterprises

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## 1. Introduction

The economy in Indonesia adheres to the principle of togetherness or mutual cooperation by helping one another. This is reflected in the 1945 Constitution Article 33 Paragraph 1 which reads, the economy is structured as a joint venture based on the principle of kinship. The embodiment of economic activity based on the principle of kinship is cooperatives. Because the cooperative itself comes from English, from the word co-operation which means working together. According to Law Number 25 of 1992 concerning Cooperatives, that cooperatives are business entities consisting of individuals or cooperative legal entities with the basis of their activities based on cooperative principles as well as a people's economic movement based on the principle of kinship.

Cooperatives are very appropriate to help improve the economy of the population. In addition, the existence of cooperatives can also support the informal sectors which are currently engaged in by the majority of the Indonesian population.

The economic growth that occurred in Indonesia did not have a significant impact on increasing employment. This is because the developing production sector uses advanced technology that replaces labor. So it is difficult for them to get the expected job in the formal sector. Generally they are engaged in the informal sector such as micro, small and medium enterprises and so on.

Micro, small and medium enterprises (MSMEs) are a micro-economic sector that is mostly run by the majority of Indonesia's population, whether assisted by laborers or not. Based on data from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, the role of MSMEs is very large for Indonesia's economic growth, with the number reaching 99% of all business units. The contribution of MSMEs to GDP also reaches 60.5%, and to employment is 96.9% of the total national employment absorption (Head of Communication Bureau, Information Services et al., 2022).

Even though micro-enterprises have the largest contribution to GDP as a whole, their employment is still lower than large businesses which rank at the top in terms of labor absorption.

Realizing this fact, the Indonesian economy which is based on kinship is very appropriate to become a companion partner for micro businesses. Cooperatives as a form of embodiment of the principles of social justice need to play an active role in improving the quality of micro-enterprises. Moreover, cooperatives that are based on sharia rules certainly emphasize more altruism or the spirit of promoting public interests or upholding social justice.

Cooperatives are economic institutions that aim for common prosperity. In particular, sharia cooperatives that are built on the principles of divinity, brotherhood and justice must have a significant role and concern in improving the welfare of their members who run the business.

This sharia cooperative is assembled with the aim of alleviating poverty. Micro business actors who are members of cooperatives are generally those who are classified as economically weak, so they are only able to run micro-scale businesses. For this reason, the role of cooperatives is needed in improving the quality of the businesses of its members with micro status.

Based on this background, the formulation of the problem in this study is whether Islamic cooperatives play an active role in improving the quality of micro-enterprises and what roles have been played by Islamic cooperatives in improving the quality of micro-enterprises?

Thus the purpose of this research is to find out the active role of the Baitul Muttaqin Sharia Cooperative in improving the quality of micro-businesses and what types of roles have been carried out by the Baitul Muttaqin Sharia Cooperative in improving the quality of the micro-businesses of its members.

## **2. Literature Review**

### **2.1 Definition of Role**

The role is a level device that is expected to be possessed by people who are domiciled in society (Ministry of National Education, 2010). The role can also mean the characteristics that are carried by an actor in a drama stage, which in the social context the role can be interpreted as a function that is carried out by someone when occupying a position in the social structure (Edy Suhardono, 1994). Role theory does not tend to classify its terms according to specific behavior, but based on its clarification on the nature of the origin of behavior and its purpose (motivation).

### **2.2 Definition of Sharia Cooperative**

Sharia Cooperatives are cooperatives whose principles of activities, objectives and business activities are based on Islamic sharia, namely the principles of Islamic law based on fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN MUI). Or the general understanding of Sharia Cooperatives is a cooperative business entity that runs its business with sharia principles. If a cooperative has a savings and loan productive business unit, then all of its products and operations must be implemented with reference to the fatwa of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI).

Based on this, sharia cooperatives are not allowed to do business in fields in which there are elements of usury, maysir and gharar. Besides that, sharia cooperatives are also not allowed to carry out derivative transactions like other sharia institutions.

Sharia Cooperatives aim to improve the welfare of cooperative members in particular and society in general and to build an economic order by empowering the people's economy based on democracy and justice in accordance with sharia principles. The existence of this sharia cooperative is intended to help the community around the cooperative in terms of economic empowerment. With the existence of sharia cooperatives, it is hoped that members/communities within the cooperative environment, especially those with micro, small and medium enterprises, will be able to improve and develop their business activities through the programs provided by these sharia cooperatives.

### **2.3 Functions of Sharia Cooperatives**

Sharia Cooperatives have the goal of increasing the welfare of their members and the welfare of society and participating in building the Indonesian economy based on justice and sharia principles (Nanang Sobarna, 2021). Because every business in the sharia economy must be oriented towards *falah*, namely the welfare and safety of the world and the hereafter (Sobarna, 2022). The purpose of this sharia cooperative is based on the function of sharia cooperatives. As for the functions with the functions of sharia cooperatives, namely:

#### **1. Function of Investment Manager**

Sharia Cooperatives function as investment managers in the sense that Islamic Cooperatives have the function of collecting funds from members which can be used as a source of cooperative capital in the form of savings or deposits, namely in the form of principal savings, mandatory savings and voluntary savings. The operational principles in raising funds carried out by Sharia Cooperatives are the principles of *Wadhi'ah* and *Mudharabah*.

#### **2. Investor Function**

Sharia Cooperatives have a function as investors, namely Sharia Cooperatives act as investors or providers of funds for the business carried out by financing members. Sharia Cooperatives can finance businesses run by members or all the financing needs of members by channeling funds that have been collected from members' savings or savings using the principles of profit sharing, buying and selling or leasing so that the businesses carried out by members become productive. Funds that have been collected from these members are managed by the Sharia Cooperative by channeling funds to finance productive and profitable businesses. In channeling funds to financing members, broadly

speaking, financing products in Islamic cooperatives can be classified into three principles, namely: financing with the principle of buying and selling, profit sharing, ijarah (lease).

The size of the profits obtained by Islamic Cooperatives from the financing distributed to members is largely determined by the expertise, prudence, expertise and professional attitude of the cooperative management. Fund management carried out by Islamic Cooperatives will have direct implications for the development of these Islamic Cooperatives and also the welfare of members.

### 3. Social Functions

Sharia Cooperatives have the function of providing social services to their members as well as to people who are categorized as dhu'afa. In carrying out sharia financial service businesses on a micro and small scale, sharia cooperatives also have social and economic services (Irfan Syauqi Beik, 2011). The embodiment of social functions carried out by Sharia Cooperatives can be in the form of benevolent loans with or without principal repayments which are called Qordul Hasan contracts. This Qordul Hasan contract is solely made to help the dhu'afa, both members and prospective members, which is given in the form of a pure loan to fulfill their living needs or a benevolent loan in order to finance the businesses of members or prospective members who cannot afford it. The qordul hasan contract does not require profit sharing but only returns the principal. Because the source of funds in the qordul hasan contract is social funds originating from Zakat, Infaq, Shodaqoh and Wakaf funds. In order to fulfill this social function, the mandate of the laws and regulations is to provide authority for Sharia Cooperatives to collect and manage Zakat, Infaq, Shodaqoh and Wakaf funds (Permen KUKM Number 16 of 2015 concerning KSPPS and USPPS, 2015).

## 2.4 Micro Business

Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), that Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as stipulated in this Law, namely by the number maximum asset IDR 50,000,000, - (Fifty Million Rupiah) and the maximum turnover is IDR 300,000,000, - (Three Hundred Million Rupiah).

As for some of the characteristics of the business carried out by micro-entrepreneurs based on a study conducted by Bank Indonesia that micro-enterprises have the following characteristics:

1. Product quality does not yet have a standard due to limited knowledge,
2. The availability of non-continuous and unsecured raw materials, less standardized raw materials and others,
3. Have not done simple financial administration,
4. Human resources do not yet have adequate entrepreneurial spirit,
5. The average level of education is relatively low,
6. Generally do not have business licenses or other legal requirements such as NPWP, examples of trading businesses such as street vendors or market traders.
7. The type of business that is classified as micro is a type of business that has a maximum asset of IDR 50 million with a turnover of IDR 100 million (Bank Indonesia, 2015).

## 3. Materials and Methods

The method used in this research is qualitative. Qualitative research is research that is used to investigate, find, describe, and explain the qualities or features of social influence that cannot be explained, measured or described through a quantitative approach. Qualitative research methods can be interpreted as research methods based on post-positivism philosophy, used to research on natural object conditions (as opposed to experiments), where the researcher is the main instrument, data collection is done purposively or snow ball, data collection techniques are triangulation, analysis data is inductive and research results emphasize meaning rather than generalization (Sugiyono, 2010).

The research location is the Baitul Muttaqin Sharia Cooperative in Cibolerang, Bandung City, West Java. The Baitul Muttaqin Sharia Cooperative was chosen as the object of research because this sharia cooperative has a savings and loan unit and sharia financing with the majority members of the Baitul Muttaqin mosque congregation. The data collection method was carried out in two ways, namely, primary data collection was carried out by going directly to the field to meet informant sources, namely interviews, field observations and documentation. Secondary data collection was also carried out by collecting documents about the Baitul Muttaqin Sharia Cooperative through cooperative managers.

The population in qualitative research is a social situation consisting of 3 elements, namely: place, actor and activity (Sugiyono, 2010). Thus the population or social situation in this research is the Baitul Muttaqin Sharia Cooperative as a place, researchers as research actors as well as interviews and field observations as activities. While the sampling technique uses a purposive sampling technique, namely through the selection of data sources with consideration of taking data directly from the management of the Baitul Muttaqin Sharia Cooperative which is considered to best understand the description of micro business actors and the various approaches or efforts that have been carried out so far in improving business quality. micro of members.

## 4. Results and Discussion

Sharia Cooperatives have a noble goal, which is to help and facilitate people to transact using the Islamic economic system. Businesses run by the community can be assisted by the presence of sharia cooperatives, especially micro businesses. Where people can become members of sharia cooperatives to get facilities in the form of financing, so that businesses run by members can progress. Sharia Cooperatives that have a commitment to improve the quality of micro businesses from their members, namely the Baitul Muttaqin Sharia Cooperative.

The Baitul Muttaqin Sharia Cooperative is a consumer cooperative that has two units, namely a shop unit and a savings and loan unit and sharia financing, which was first established based on the Deed of Establishment of Notary A. Badrutamam, S.H. No. 04 July 4 2008 which has been amended by Deed of Establishment No. 18 April 29 2011. The founders consisting of elders of the congregation of the Baitul Muttaqin Mosque have a noble goal by establishing this cooperative, namely to participate in empowering the economy of the people, especially the congregation of the Baitul Muttaqin mosque and the surrounding community in general in order to improve the welfare of members and the community among micro businesses through sharia financing system, increasing the enthusiasm and role of community members by providing for the needs of members and the community through shop units as well as savings and loan units and sharia financing for the development and operation of the Baitul Muttaqin Sharia Cooperative so that it performs reliably and professionally.

The vision of the Baitul Muttaqin Sharia Cooperative is to become a professional, trustworthy Sharia Cooperative and a market leader against competitors.

While its mission, namely:

- a. Providing optimal service to customers with professional services
- b. Build public awareness to strive to improve welfare and develop self-sufficiency based on sharia
- c. Become an institution that provides alternative solutions for the community in an effort to improve welfare through the financing facilities provided
- d. Become an institution that provides alternative solutions for people who want security and growth in their savings funds

The savings products at the Baitul Muttaqin Sharia Cooperative:

- a. Wadhi'ah Savings
- b. Mudharabah Savings

Meanwhile, the Baitul Muttaqin Sharia Cooperative in financing or distributing funds to members generally has several principles, including:

- a. Principles of Buying and Selling
  - a) Bai' Murabahah
  - b) Bai' Salam
  - c) Bai' Istishna
- b. Profit Sharing Principles
  - a) Mudharabah
  - b) Musyarakah
- c. The Principle of Lease
  - a) Ijarah
  - b) Ijarah Mutahiyah Bittamlik
  - c) Ijarah Multi Services
  - d) Hiwalah
  - e) caravan

As for the micro businesses of the members of the Baitul Muttaqin Sharia Cooperative, they vary quite a lot, starting from grocery stalls, basic food stalls, herbal stalls, convection and others.

Based on the results of observations, interviews and documentation that have been carried out with the management of the Baitul Muttaqin Sharia Cooperative, that in general the Baitul Muttaqin Sharia Cooperative has two quite important roles, namely the Baitul Muttaqin Sharia Cooperative in general as a sharia cooperative has a role to help the interests/welfare of the general public especially the community around the Baitul Muttaqin mosque and the second role, namely the Baitul Muttaqin Sharia Cooperative specifically has a role in improving the quality of the micro businesses of its members.

In carrying out roles in general and specifically towards members and the community, the Baitul Muttaqin Sharia Cooperative does this through the implementation of cooperative functions, namely:

- a. Function of Investment Manager

The application of the role of cooperatives for the benefit of members and the public through the investment manager function, namely the Baitul Muttaqin Sharia Cooperative tries to get its members accustomed to carrying out savings and loan activities based on the sharia system through the Baitul Muttaqin Sharia Cooperative. With the provision that the principal deposit amount is IDR 25,000, mandatory savings of IDR 10,000/month and voluntary savings of at least IDR 10,000. This function provides the beneficial role of the Baitul Muttaqin Sharia Cooperative for members and the public to store their assets safely and gives trust to the Baitul Muttaqin Sharia Cooperative to then channel it in the form of financing to businesses that are lawful and profitable.

### b. Investor Function

In order to carry out a special role for members to help the needs of members and improve the quality of micro-enterprises, the Baitul Muttaqin Sharia Cooperative functions as an investor, namely channeling financing in the form of contracts:

- a) Profit sharing, namely mudharabah and musyarakah contracts
- b) Buying and selling, namely murabahah, salam and istisna contracts
- c) Lease/other services, namely ijarah contracts, Ijarah Muntamlik bittamlik, multi-service ijarah, hiwalah, kafalah, to its members.

As for helping members for loan purposes, the Baitul Muttaqin Sharia Cooperative provides loan services in the form of al-Qardh and Qordul Hasan contracts. There is a range of loans or financing disbursed on average starting from IDR 500,000 – IDR 10,000,000 and a maximum financing of IDR 20,000,000.

### 3. Social Functions

In implementing social functions, the Baitul Muttaqin Sharia Cooperative carries out activities in collecting zakat, infaq and almsgiving both from members and the general public which are then distributed to mustahik both among members and the general public. Thus the function of the Baitul Muttaqin Sharia Cooperative is not only to act as an investment manager or investor, but the Baitul Muttaqin Sharia Cooperative also carries out a social role by collecting zakat, infaq or shodaqoh funds and other social funds which are distributed in social activities, education or economic empowerment.

Through the implementation of the function of sharia cooperatives, the Baitul Muttaqin Sharia Cooperative has carried out its role as a sharia cooperative capable of carrying out the economic and social activities of its members who are residents around the mosque to become better and more prosperous, especially for members who have micro businesses.

Based on one study that quality improvement will make micro businesses more competitive. The quality in this research is the connection between micro businesses and information in the form of market access, links, legal sources and economic resources (Prasad, 2009).

While other studies suggest that the concept of special training for micro-enterprises aims not only to improve the entrepreneurship skills of micro-entrepreneurs, but also training that contains elements in the form of instructions on how micro-enterprises remain sustainable. In addition to this, comprehensive elements are also needed which include knowledge in the areas of entrepreneurship soft skills such as creativity, leadership, business ethics and others, management fields including marketing, HR, production, finance and knowledge of access to capital to bank institutions. and non-banks (Nag Debanjan & Das Niladri, 2015).

Referring to the results of these studies, based on field reviews, that the active role of the Baitul Muttaqin Sharia Cooperative in improving the quality of the micro business of its members is by:

1. Marketing the products of its micro business members through shop units owned by the Baitul Muttaqin Sharia Cooperative. The way this is done is by accommodating the products produced by member micro businesses to then be marketed through the shop units owned by the Baitul Muttaqin Sharia Cooperative. In addition to assisting in marketing production directly to store units, the Baitul Muttaqin Sharia Cooperative assists in building marketing links by providing digital marketing training to members of micro business actors. Thus, members are expected to be able to market their products both online and offline

2. Providing capital goods needed by members to produce goods with a murabaha contract. The steps taken, namely by inventorying the production needs of businesses owned by members, then the Baitul Muttaqin Sharia Cooperative provides these capital goods and sells them to members with a murabaha contract, through the installment payment method. Thus, it is hoped that it can alleviate and facilitate payments for these business capital goods.

3. Providing business development capital owned by members with a mudharabah contract, in which the Baitul Muttaqin Sharia Cooperative acts as an investor for businesses run by members.

4. Request that members always be disciplined in managing business finances by setting aside profits earned through savings at the Baitul Muttaqin Sharia Cooperative so that each payment due date can repay loans or financing.

However, these efforts cannot be said to be optimal because there are still other characteristics of micro-enterprises that cannot be handled by the Baitul Muttaqin Sharia Cooperative such as conducting management counseling on good business management resulting in an increase in business turnover. Improving the quality of micro businesses is characterized by increasing business turnover so that it can increase to the level of small businesses. Increasing turnover is not only by linking manufactured goods with wider market access and links but furthermore than that business actors need to be provided with supporting knowledge such as how to meet consumer satisfaction. Consumer satisfaction can only be realized if the product offered is able to exceed consumer expectations for the value of the product being sold. Thus the Baitul Muttaqin Sharia Cooperative needs to create a scheduled training and counseling program on proper entrepreneurship management skills training such as how to maintain product and raw material quality, raw material continuity, standardized quality assurance of goods for example obtaining halal certification from MUI, recognized by BPOM and obtained SNI and even ISO recognition.

## 5. Conclusion

The Baitul Muttaqin Sharia Cooperative has carried out the role of sharia cooperatives in general, namely as a driving force for community economic activities that are in line with the sharia economy. Meanwhile, the special role of the Baitul Muttaqin Sharia Cooperative is in improving the quality of micro businesses owned by its members. General and special roles in order to improve the welfare of members and the community as well as in the context of increasing members' micro businesses are carried out through the implementation of sharia cooperative functions, namely the investment manager function. This function provides the beneficial role of the Baitul Muttaqin Sharia Cooperative for members and the public to store their assets safely and gives trust to the Baitul Muttaqin Sharia Cooperative to then channel it in the form of financing to businesses that are lawful and profitable. Next is the implementation of the investor function, namely the Baitul Muttaqin Sharia Cooperative functions itself as an investor, namely channeling financing in the form of sharia contracts to finance businesses carried out by members. The next is the application of social functions, the Baitul Muttaqin Sharia Cooperative carries out activities in collecting zakat, infaq and almsgiving both from members and the general public which are then distributed to mustahik both among members and the general public. The active role carried out by the Baitul Muttaqin Sharia Cooperative in improving the quality of member micro businesses is carried out by marketing the products of its member micro businesses through shop units owned by the Baitul Muttaqin Sharia Cooperative, providing the capital goods needed by members to produce goods at an affordable price. murabahah contract, providing business development capital owned by members with a mudharabah contract as well as providing motivation and understanding of discipline in managing business finances by setting aside profits earned through savings.

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