Challenges in the Digital Economy Era of Muslim MSMEs Organic Products in Malang City

Sri Muljaningsih
Faculty of Economics and Business,
Brawijaya University
Malang, Indonesia
e-mail: muljaningsih@ub.ac.id

Abstract—Muslim MSMEs that produce food made from organic crops in Malang City engage both creativity and innovations. At present, product innovation is unfortunately insufficient, due to facing obstacles in developing their products. This paper depicts a result on the implementation of the triple helix creative economic model on MSMEs based on Islam spiritual value and principle. This study utilizes mixed methods by engaging Prophetic Leadership and Management Wisdom (ProLM) training. The training was intended for strengthening the spirituality of Muslim MSMEs in organic products, involving several principle of: Siddiq, Amanah, Fathonah and Tabligh. Meanwhile, the analysis tool employs the Hotteling T2 Test. The results demonstrate the difference between those participating in the training and those not participating in the training. Thus, ProLM can strengthen the spiritual value for Muslim MSMEs of Organic Products in Malang City. These MSMEs are persistent in product innovation, despite experiencing obstacles in developing products due to limited network. Therefore, the idea of developing network is vital to carry out marketing innovations to meet the challenge in digital economy era.

Keywords—Muslim MSMEs, organic products, ProLM, digital economy.

I. INTRODUCTION

To encourage the spirit of Muslim MSMEs to produce organic / environmentally friendly products, the visionary is absolutely required both in mindset and real behavior. It is apparent sample as a role model for Muslim MSMEs, the great Prophet Muhammad SAW as uswutan hasanah (the best example) was a successful entrepreneur in his time. Thus, to strengthen this spirit, Prophetic Leadership & Management Wisdom (ProLM) training is required to express the nature of Muhammad the Prophet, in several characteristics of: Siddiq, Amanah, Fathonah and Tabligh. In principle, these characteristics are related to good governance and professionalism [1].

Entrepreneurship training has been conducted on rural women in cooperative members in Greece, based on the participants’ perceptions of of improving skills [2]. Similarly in Malaysia, women’s entrepreneurial success is influenced by family support, social relations and internal motivation [3]. Endeavors are devoted to empower the poor, regarding capabilities to change a positive mindset. The result is expected to increase their (the ProLM participant) productivity to live independently, acting as “merchant” / entrepreneurs [4]. Therefore, entrepreneurship education and training in female farmers is considered a meaningful moment [5]. Thus, to strengthen the spirit of Muslim-based MSMEs, a Prophetic Leadership and Management Wisdom (ProLM) training was conducted.

Referring to such conditions, the problem of this research deals with how the influence of the results of Prophetic Leadership and Management Wisdom (ProLM) training on the persistence of Muslim MSMEs to produce organic products? Furthermore, the study aims to determine the effect of Prophetic Leadership and Management Wisdom (ProLM) training result on the persistence of Muslim MSMEs to produce organic products.

II. ABBREVIATION

ProLM stands for Prophetic Leadership and Management Wisdom.

MSME stands for Micro, Small & Medium Enterprises.

III. LITERATURE REVIEW

A. Spiritual Capital to Grow the Spirit of Muslim SME Entrepreneurship

The Prophet Muhammad has the virtues and qualities that are very noble. Therefore, in running a business or entrepreneurship, the characteristics of the Prophet such as Siddiq, Amanah, Fathonah, and Tabligh are advised to be applied. This is in accordance with the following words of Allah SWT, uttering that: “Verily there is in himself the Messenger of Allah who is a good example for you, and for those who hope for the mercy of Allah and the coming of the Day of Judgment and he calls Allah.” [Al Ahzab 21][6]

B. Siddiq (Righteous and Honest)

Ash-shidq indicating righteous is the conformity of something with reality, whether in the form of words, attitudes, or actions. In our language, another term is honest. Ash-shidq has a very important position in personal, family, community and national life. Rasulullah SAW said, “Let all of you be honest, because honesty...
brings goodness and goodness brings to heaven." Narrated by Bukhari the related hadith, the Messenger of Allah exerted that, "Having the four desirable traits, will allow the beholder not harm everything, yet, they will assist you in: maintaining trust, true speech, good morals, and clean from greed." (HR. Ahmad). [7]

C. Amanah (Trustworthy)

Amanah indicates trustworthy, responsible and credible, marking the desire to fulfill or accomplish certain deeds in accordance with the provisions among the values associated with honesty as one of the moral beliefs. A businessman must have the character of trustworthy because Allah mentions the nature of believers who are fortunate who can maintain the mandate given to him. The consequence of trust is to return every right to the owner, either a little or a lot, not to take more than he has, and not to reduce the rights of others, whether in the form of sales, service commissions or labor costs.

Amanah also has responsibility in carrying out the duties and obligations given to him, portrayed in openness, honesty, and optimal service to customers. The nature of this mandate will establish high credibility and a responsible attitude to each Muslim individual. A collection of individuals with high credibility will bear a strong society based on mutual trust between its members. Trustee plays a fundamental role in the economy and business, as the absence of credibility, responsibility, economic and business life will bring more harm than good. A person's integrity will be formed from the extent to which the person can maintain the trust given to him. A good businessman is one who is able to maintain his integrity encouraging trusting for customers, business partners, and even all stakeholders in a business.

D. Fathanah

Fathanah can be interpreted as intellectual, ingenuity or wisdom. A fathanah company leader means a leader who understands, understands and lives deeply in everything that is his duty and obligation. The nature of fathanah can be seen as a strategy for the life of every Muslim, because to reach the creator, a Muslim must optimize all the potential given by God. The most valuable and most expensive potential that is only given to human beings is intellectual property. Therefore, Allah in the Qur'an always insinuates people who reject the call to return (repentance) to Him with the phrase "Do you not think? Do you not use your mind? God created day and night, mountains, different plants as a sign of His greatness for those who think. And He, is the Lord who spread the earth and made mountains and rivers to it. And make him all fruits mate. God closed the night to noon. Surely, there are signs for the people who think" (QS Al–Ra’d [13] : 3) [6].

In business, the economic implication of fathanah nature is that all activities in the management of a company must be sustained with intelligence, by optimizing all the potential potentials that exist to achieve the goal. Being honest, true, and responsible are insufficient to manage business professionally. Sharia business people must also have fathanah nature, such as being smart, smart, and wise to endeavor more effective and efficient efforts to analyze competitive settings and changes in the future. This fathanah nature will also foster creativity and ability to conduct various useful innovations.

E. Tabligh

Tabligh is essentially da’wah. Someone who has a tabligh character never hides the truth by conveying the truth, and inviting people to follow it. In business, there are sellers who convey their merchandise to others, thus people know what they are doing in business. The basic value of Tabligh is communicative, being a service for the public, being able to communicate effectively, giving a good example, and being able to delegate its authority to others.

The nature of Tabligh (communication, openness, and marketing) is a technique of Muslim life due to the responsibility of da’wah, which is to call, invite, and inform. This ingrained character in every Muslim, especially those engaged in economy and business, will encourage economic and business actor as a strong marketer. This is due to the nature of Tabligh as the principle of communication science (personal and mass), marketing, advertising, sales, mass opinion formation, open management, and climate of openness.

IV. METHODOLOGY

A. Experimental

Research design of this study was conducted with post-treatment observations (education and training) with Muslim MSMEs as object, trained by ProLM and groups without the training. The design of this study was utilized after treatment (posttest only) with the experimental group and the control group [8]. According to [9], the experimental method is a research procedure carried out to reveal a causal relationship of two or more variables, by controlling the influence of other variables by giving intentionally independent variables to the research object to find out the consequences in the dependent variable. The purpose of the experimental method is to test the effectiveness and efficiency of a treatment.

B. Validity and Reliability Test

- Validity Test

Validity test aims to measure the level of reliability or validity of a measuring instrument [10]. If the instrument is considered valid, it means that the measuring instrument to obtain the data is valid, indicating that the instrument is used to measure what should be measured [11].

- Reliability Test

Reliability test refers to the understanding of whether an instrument can measure something that is consistently measured from time to time. Thus, the keyword for the qualification requirements of a measurement instrument is consistency, or non-change. In conducting reliability testing, SPSS for Windows 18.00 computer program tools are utilized by using the alpha cronbach model if items are deleted. The testing criteria of the data is said to be reliable if α > 0.6.
**Hotelling T² Test**

According to [12], the t test is a statistical analysis technique to determine the difference in the average of two groups of mutually independent populations with one dependent variable (univariate). When both populations have two or more dependent variables (multivariate) observed, the technique used is the Hotelling T2 test. When associated with this research, the population covers the respondents who are the object of research grouped based on their participation in ProLM training.

To guarantee the validity of the Hotelling T2 test, there are several assumptions that must be fulfilled by the population [13] which are multivariate normal spreads and a general covariance matrix (\( \Sigma_1 = \Sigma_2 = \Sigma \)). The influence of ProLM training on cognitive Muslim MSMEs is indicated by the significance of Hotelling T2 test statistics compared to the critical point at the level of \( \alpha \) (5%).

V. FORMULA

\[
T^2 = \left( \bar{X}_1 - \bar{X}_2 \right) \left( S \left( \frac{1}{n_1} + \frac{1}{n_2} \right) \right)^{-1} \left( \bar{X}_1 - \bar{X}_2 \right) = \frac{\left( n_1 + n_2 - 2 \right)}{n_1 n_2} \left( \frac{(n_1 - 1)S_1 + (n_2 - 1)S_2}{n_1 + n_2 - 2} \right)
\]

by which:

\[
\bar{X}_1 = \begin{bmatrix} \bar{X}_{11} \\ \bar{X}_{12} \end{bmatrix}; \quad \bar{X}_2 = \begin{bmatrix} \bar{X}_{21} \\ \bar{X}_{22} \end{bmatrix};
\]

\[
S = \frac{(n_1 - 1)S_1 + (n_2 - 1)S_2}{n_1 + n_2 - 2}
\]

\( n_1 \) = size of population sample 1

\( n_2 \) = size of population sample 2

with the critical point of:

\[
\frac{(n_1 + n_2 - 2)}{n_1 n_2 - 3} F_{(2, n_1 + n_2 - 3), \alpha}
\]

According to [14] on Manova (Multivariate Analysis of Variance), the number of dependent variables is more than one and the independent variables can be one or more. SPSS provides 4 kinds of multivariate significance tests such as Pillai Trace, Wilk Lambda, Hotelling Trace and Roy's. This study utilizes Hotelling Trace, as stated in the explanation above. The model for the Hotelling T2 test is:

\[
X_{ni} = \mu + \tau_j + e_{ij}
\]

\( l = 1, 2 \)

\( i = 1, 2, \ldots, n \)

VI. RESULT AND DISCUSSION

Prophetic Leadership and Management Wisdom (ProLM) Model is endeavored to achieve success by being financially, emotionally, socially, physically, intellectually and spiritually balanced through the application of the nature of the Prophet Muhammad, such as:

1) **Siddiq** (integrity) which is the most important element in forming superior personal or personal excellence. **Siddiq** does not only mean true, but more importantly, the character of **Siddiq** requires the beholder to always reside with the truth and have the soul's resilience.

2) **Amanah** (trustworthy) which is very useful in interpersonal interactions. Excellence between individuals in society will only be established if we have capital between inter-personal capitals. Trustworthy will appear when we interact with other people.

3) **Fathonah** (professionalism, quality and competence) is also required by every organization. This advantage is absolutely beneficial for good governance and professionalism as the backbone and keyword for success in any institution.

4) **Tabligh** (visionary & communicative leadership) is strongly necessary for every visionary leader in responding the minutes of transformation. **Tabligh** is defined as a leader who has a vision of the future and is able to communicate it effectively. Rasulullah SAW is thus an effective communicator (Jawamiul Kalim).

VII. RESULT OF VALIDITY AND RELIABILITY TEST

From the results of the reliability test above, the variables such as Shiddiq, Amanah, Fathonah, and Tabligh, on the indicators in Cognitive, have alpha Cronbach's values of more than 0.60, indicating invalidity but is reliable.

To find out the effect of ProLM training, the author conducted a different test analysis by utilizing the Hotelling T2 Test analysis, described as follows:

\[ T^2 \text{Hotelling Test Result} \]

1. Assumption Test

In conducting an independent sample t test, there are assumptions that must be fulfilled, such as: data spread normally. The assumption of normality is fulfilled if each aspect of the shiddiq, trustworthy, tabligh and fathonah variables spread according to the normal distribution which can be determined based on the P-P plot.

2. T-test RESULT with INDEPENDENT SAMPLE

It is apparent that Sig. of the three aspects of shiddiq variable on the cognitive indicator is < \( \alpha = 0.05 \), indicating that there are differences in shiddiq characteristics in terms of cognitive aspects between respondents who attended and did not attend the training, with \( \alpha = 0.05 \), marking that
there is no difference between those who attended and did not attend the training.

Basically, ProLM training has an impact on the thinking or mindset of Muslim MSMEs to become a pious person, presenting a balanced, emotional, social, physical, intellectual and spiritual integration. This has become the basic capital for Muslim MSMEs to survive and persevere in their endeavors.

In addition, Muslim MSMEs organic products in Malang City have also engaged the social media; with the majority of transactions is conducted offline. Learning in communicating on ProLM training is conducted on the tabligh variable. In principle, ProLM training emphasizes more on the basis of a persistent personality to be grateful. Thus in the millennial era, it is undeniable that digital marketing media plays an essential role. In fact, for Muslim MSMEs organic products in Malang City, online marketing provides further challenge.

VII. CONCLUSION

The results of the Hotteling $T^2$ test analysis indicate that the ProLM training influences the persistence of the entrepreneurial spirit of Muslim MSMEs to support their efforts. This is consistent with the expression of Muslim SMEs in environmentally friendly products after participating in the ProLM training. In addition, ProLM training has an influence on Shiddiq variables. This becomes the basic rationale for Muslim MSMEs to better understand the training material.

VIII. RECOMMENDATION

To develop a business, Muslim MSMEs should have organic products in Malang City to enhance their skills in the field of digital marketing.

ACKNOWLEDGMENT

This research was conducted with funding from the Ministry of Higher Education, Research and Technology (Kemenristek-Dikti) DRPM in the PTUPT scheme. Therefore, unlimited gratitude for the funding shall be addressed.

REFERENCES