

## Local Wisdom and Islamic Economics: Warung Madura MSME Success Strategy

Erwan Aristyanto<sup>1\*</sup>, Aditya Surya Nanda<sup>2</sup>

<sup>1,2</sup> Economic, Universitas Wijaya Putra, Surabaya, Indonesia

Email: [erwanaristyanto@uwp.ac.id](mailto:erwanaristyanto@uwp.ac.id)<sup>1\*</sup>, [adityasuryananda@uwp.ac.id](mailto:adityasuryananda@uwp.ac.id)<sup>2</sup>

**Abstract.** *Micro, Small and Medium Enterprises (MSMEs) have an important role in the Indonesian economy, including Warung Madura MSMEs. This research aims to analyze the development strategy of Warung Madura MSMEs from an Islamic economic perspective. This research uses a qualitative approach. Data collection techniques through in-depth interviews with Warung Madura owners and economic observers. A literature study was also carried out to explore the concept of Islamic economics and its application in developing MSMEs. The results of the research show that Warung Madura's MSME development strategy from an Islamic economic perspective offers a holistic and sustainable approach. By applying the principles of justice, sustainability, business ethics, human resource development and access to appropriate financing, Warung Madura can increase its competitiveness and contribute more to the local economy. It is hoped that this research can provide insight for stakeholders in formulating more effective MSME development policies and programs.*

**Keywords:** *MSMEs, Warung Madura, Islamic Economics, Development Strategy.*

### 1. INTRODUCTION

The National Medium Term Development Plan (RPJMN) 2020-2024 has targeted the development of MSMEs in 2024, including the national entrepreneurship ratio of 3.9 percent, the contribution of MSMEs to GDP of 65 percent, the proportion of SMEs forming partnerships to increase to 11 percent, the MSME credit ratio of total banking credit became 22 percent, entrepreneurial growth was 4 percent, there were 30 new SME centers outside Java, and the value of People's Business Credit distribution reached IDR 325 trillion. To achieve this target, there are three recommendations for developing MSMEs in Indonesia. First, strengthening the role of the Ministry of KUKM as implementing coordinator of MSME development programs, incentives for partnering companies, strengthening consultants and MSME mentoring institutions, developing MSME platforms, and developing program funding innovations. Second, the strategic partnership replication program, development of the Small Industry Environment (LIK), expansion of the Integrated Business Service Center (PLUT), expansion of market access, development of financing innovation, and development of MSMEs based on regional thematics. Third, Draft Implementing Regulations (RPP) for the Mandate of the Job Creation Law by improving MSME data collection through a single MSME database, formulating MSME criteria, facilitating business permits, integrated management of MSMEs, and developing business incubation (Indonesia et al., 2021). Economic growth helps the country improve the people's economy, reduce poverty, and increase national growth (Pahlawi & Dharin, 2021). Apart from that, one thing the government is focusing on is reducing unemployment (Habibi et al., 2022). To overcome this, one method that the government can

implement is to increase Micro, Small and Medium Enterprises (MSMEs). MSMEs have an important role in contributing to economic growth and employment, so as to reduce unemployment (Halim, 2020). The growth and development of MSMEs is very large in Indonesia, because the manufacturing process is relatively easy and does not require official permits. So it can be said that MSMEs play an important role as providers of a national safety net, especially for low-income communities to carry out productive economic activities (Pahlawi & Dharin, 2021). Local/traditional wisdom in foreign languages is often interpreted as local policy (local wisdom), local knowledge (local knowledge) or local intelligence (local genius). That is, the lived experiences of a particular community and the continuous practices within this group over generations are what lead to local knowledge. Local/traditional wisdom refers to components and aspects of a particular community's heritage or culture that are seen as positive and wise (Sapir et al., 2014). Warung Madura provides color and dynamics to the community's economy to purchase daily necessities at affordable prices and are easy to find, so that they can compete with modern minimarkets and supermarkets and the development of internet technology has changed the shopping behavior of consumers who used to shop offline or traditionally. to shop online. The use of internet technology can quickly influence changes in human behavior. Previously, consumers shopped at Madura stalls. Nowadays, consumers can shop via the internet, which is called e-commerce. In the long term, the existence of traditional stalls is starting to be abandoned by consumers. This condition is very worrying, because Madura stalls are one of the sectors that support the country's economic growth, MSMEs which should be of concern to the government. However, with the existence of the Digital Market or online marketing in modern minimarkets/supermarkets, their business profits have decreased significantly. The competition that occurs between traders in Madura stalls and modern minimarkets/supermarkets is a problem that needs to be resolved (Muhzinat & Achiria, 2019) (Yohanna Meilani Putri et al., 2023)

## **2. LITERATURE REVIEW**

### **Local Wisdom and Madurese Warung**

Local wisdom is a multidimensional concept defined by various scholars, thinkers and figures in various scientific disciplines (Devika et al., 2020). In anthropology, sociology and cultural studies, the concept of local wisdom highlights the knowledge, values, traditions and practices inherent in a particular community group. Saparinah Sadli, a social anthropologist, emphasized that local wisdom is a cultural heritage which includes norms, values and practices accumulated in a society. In his view, local wisdom is the result of historical experience, social

interaction, and adaptation to the environment. This concept also emphasizes that local wisdom is not static, but dynamic, continues to develop and adapts to changing times (Fatmawati, 2021).

Meanwhile, figures such as Nurcholish Madjid, an Islamic intellectual, highlight local wisdom as a unity of cultural values that are internalized in the religious teachings, traditions and customs of a society. For Madjid, the importance of local wisdom lies not only in understanding and preserving it, but also in the ability to relate these local values to changing times in order to maintain their relevance in the dynamics of globalization (Fatmawati, 2021). Sudjiwo Tedjo, an artist and cultural observer, emphasizes the practical aspects of local wisdom. For him, local wisdom includes cultural values such as mutual cooperation, deliberation and mutual respect which are the basis of community life in the context of local culture. Tedjo also highlighted the close relationship between local wisdom and natural wisdom, where people maintain balance with the natural surroundings as an integral part of their local life and culture (Fatmawati, 2021).

Local wisdom can be understood as the knowledge, values, traditions and practices that exist in a community, which are obtained from experience and interaction with the surrounding natural and social environment. Local wisdom can include knowledge about nature, natural resources, ecological systems, culture, history, religion, traditional technology, local food systems, and sustainable ways of living that have been passed down from generation to generation (Kartikawangi, 2017). Research conducted by Kartikawangi shows that local wisdom values have an important meaning in inclusive and sustainable economic development, environmental preservation and maintenance of cultural diversity. Recognition, respect and preservation of local wisdom values can help to maintain cultural identity, improve socio-economic welfare, and maintain environmental sustainability and even biodiversity. Warung Madura has become a symbol of existence, not only as a place to obtain daily necessities, but also as a center for social interaction and guardian of traditional Madurese values. This form of Madurese local wisdom in the context of grocery stalls can be seen in several aspects including social etiquette, family values, as well as wisdom in trade and community. Socially, grocery stalls are a central point for social interaction in the Madurese community in Jakarta. People often gather at grocery stores to talk, share stories, and provide help to each other with their daily needs. This reflects the strong family values in Madurese culture where solidarity and mutual cooperation are the main principles in living daily life (Kees van Dijk, 1995).

Not only that, the grocery stall also reflects local Madurese wisdom in trade. Grocery shop owners tend to apply the values of honesty, trust and a responsible attitude in running

their business. They maintain good relationships with customers, often offering credit services based on trust between individuals, which is a common practice in Madurese culture. In addition, the products sold in grocery stalls often come from local production, supporting the local economy and maintaining Madurese cultural traditions (Jonge, 1989).

### **Development Strategy**

Strategy comes from the Greek word Strategos with the roots stratos and ag, stratos means "military" and ag means "to lead" (Murdifin Haming, 2022). The word strategy means choosing how resources may be used effectively to achieve a stated goal. Strategies are planned to adapt to the internal and external environment. Expressed another way, strategy states which factors will be emphasized in achieving goals (Terry, 2021). According to Christensen, the meaning of strategy can be viewed from a military, political, economic and corporate perspective. From a military perspective, strategy is the placement of army units or forces on the battlefield to defeat the enemy. From a political perspective, strategy is the use of national resources to achieve national goals. From an economic perspective, strategy is the allocation of resources that are rare or limited. Meanwhile, from a company perspective, strategy is the rules for making decisions and determining guidelines (Supriyono, 1998).

Strategy places the parameters of an organization in the sense of determining the place of business and how the business competes. Strategy shows the general direction that an organization (company) wants to take to achieve its goals. This strategy is a big plan and an important plan. Every well-managed organization has a strategy, even if it is not stated explicitly. A strategy is said to be a development strategy if the organization deliberately designs a strategy that wants to increase its status, capacity and resources which will ultimately give birth to a new, different organizational posture in the future. The organization is completely laid out and operated in development mode.

Bryson added that a strategy is said to be a development strategy if the strategy seeks to create a new, better future. The choice of this strategy can only be implemented if support from the organization's external environment is adequate. He even added that a formal planning system can be used to provide guidance in designing this type of strategy (Muhammad, 2012).

### **Micro and Small Enterprises**

Micro and Small Enterprises are one of the fields that make a significant contribution in spurring Indonesia's economic growth. This is because MSEs have a very large absorption capacity for labor and are close to the small people. The Central Statistics Agency (BPS) provides a definition of SMEs as a form of business which, seen from its scale, is that household businesses and small businesses only have a number of employees between 1-19 people.

Meanwhile, medium-sized businesses have 20-99 employees (Jauhari, 2010). According to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs): 1) micro businesses are productive businesses owned by other individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law, 2) small businesses are productive economic businesses that stand alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet the criteria Small Business as intended in this Law, and 3) medium business is a stand-alone productive economic business, carried out by an individual or business entity which is not a subsidiary or branch of a company owned, controlled, or part of it either directly or indirectly with Small Businesses or large businesses with the amount of net assets or annual sales proceeds as regulated in this Law.

### **Businessmen**

Economic development is largely determined by success in the real sector. To achieve this success, it is necessary to empower economic businesses that involve business actors. According to Law Number 8 of 1999 concerning consumer protection, it does not use the term producer but uses the term business actor, as stated in article 1 number 3, which means every individual or business entity, whether in the form of a legal entity or non-legal entity, established and domiciled or carry out activities within the jurisdiction of the Republic of Indonesia, either individually or jointly through agreements to carry out business activities in various economies. Decree of the Minister of Tourism, Post and Telecommunications Concerning Business Provisions and Classification of Restaurants, in the general understanding chapter, article 1 explains that a restaurant leader or producer is one or more people who lead and are responsible for the running of a restaurant business on a daily basis. From these two definitions it can be concluded that in the author's opinion, a producer or business actor is one or more people who run a business.

### **Islamic Economics**

The word economics comes from the Greek words, namely *oikos* and *nomos*. The word *oikos* means household (house-hold), while the word *nomos* means to regulate. So, broadly speaking, economics is defined as household rules, or household management. In reality, the economy does not only mean the household of a family, but can also mean the economy of a village, city and even a country (Fauzia Ika et al., 2015). In general, economics is a social science that studies human activities related to the production, distribution and consumption of

goods and services. Islamic economics or sharia economics has been defined by Muslim scholars with various definitions.

According to Monzer Kahf, he explained that Islamic economics is part of economics which is interdisciplinary in nature in the sense that the study of sharia economics cannot stand alone, but requires good and in-depth mastery of the supporting sciences as well as sciences that function as tools of analysis such as mathematics, statistics, logic and ushul fiqh. M.A. Mannan defines sharia economics as a social science that studies people's economic problems inspired by Islamic values.

Yusuf Qardhawi defines sharia economics as an economy based on divinity. The essence of this economic system has its starting point from Allah Azza Wa Jalla, the ultimate goal is Allah Azza Wa Jalla, and utilizes means that cannot be separated from Allah Azza Wa Jalla's law. According to Umar Chapra, Islamic economics is a branch of science that helps humans realize their prosperity through the allocation and distribution of various scarce resources in accordance with the goals set based on sharia without excessively curbing individual freedom, creating macroeconomic and ecological imbalances, or weakening family solidarity. and social and moral bonds that exist in society (Prasetyo, 2018).

### **Sharia Business Ethics**

Qardhawi believes that business and morals (ethics) are interrelated because morals are very important in Islamic life. Without morals in business, Muslims will be arbitrary in running business regardless of whether it is halal or haram (Agustin, 2017). According to Qardhawi, the principle of business ethics is one of the principles that can be a reference for business people in running their business. Apart from Qardhawi, there are many other principles of business ethics that are explained by Islamic economists. In general, the principles of Islamic business ethics can be seen from the ASIFAT unity, namely: Aqidah (obedience to Allah Ta'ala), Shiddiq (righteousness), Fathanah (intelligent), Amanah (honest/trustworthy) and Tabligh (communicative). Apart from that, do not carry out practices that are contrary to sharia. Islamic business ethics aims to ensure that every business activity is carried out in accordance with Islamic sharia for the safety of life in this world and the hereafter (Agustin, 2017). The principles of sharia business ethics can be explained as follows: 1) Creed Aqidah is a tool for Muslims to maintain their behavior in business. By surrendering to Allah, business people will always protect their actions from things that are prohibited by sharia. The three main principles held by business people in their faith are, Allah is the owner of the world and everything in it, Allah is the creator of all living things, and belief in the Day of Judgment. 2) Siddiq Muslim entrepreneurs must have siddiq or true qualities that can be trusted and responsible. With the

Siddiq character, Muslim entrepreneurs will be responsible by always safeguarding human rights and the rights of Allah without forgetting their obligations as social humans and creatures created by Allah SWT. 3) Fathanah Fathanah is generally defined as intelligence, skill, or mastery of a particular field, as well as having strong determination. Fathanah includes two parts consisting of business management matters relating to neat recording or bookkeeping activities, and matters of capturing buyers' tastes relating to goods and assets.<sup>35</sup> 4) Trustworthy/honest Honesty in conducting business in accordance with what the Prophet practiced. This honesty can be seen in Rasulullah who is a successful and professional entrepreneur teacher who always prioritizes honesty in his transaction relationships with all his customers. In sharia business, honesty is the most important value in business transactions. An honest business person will say the good and bad of the goods he sells so that trust arises between the seller and the buyer. 5) Tabligh One of the roles of the tabligh attitude which is one of the akhlaqul karimah characteristics of the Prophet is conveying the truth through role models and deep feelings of love. In practice, it is possible that business ventures provide information that will mislead consumers. This is where spiritual intelligence is important for every business venture, so that it can control all actions that violate Islamic sharia (Agustin, 2017). Based on the background above, the main problems that occur and become the focus of research can be formulated, namely:

1. What are the strategies and implications of local wisdom-based MSME development in increasing the competitiveness of Warung Madura in East Java according to an Islamic economic perspective?
2. What sustainability strategies can be applied to Warung Madura in East Java according to an Islamic Economic Perspective?

### **3. METHODS**

This type and approach to research uses qualitative methods, where a research mechanism relies on descriptive descriptions of words or sentences that are arranged systematically starting from collecting data to reporting research findings (Sugiyono, 2021). According to Sudyaharjo, qualitative research is a set of planned and careful problem solving methods with a fairly loose design, soft data collection, and focused on developing theories that are concluded through direct induction (Ahyar et al., 2020). Descriptive qualitative research is intended to provide as precise data as possible about people, conditions or other phenomena. Especially to confirm hypotheses, so that they can help in strengthening old theories or in the framework of developing new theories. Data collection techniques through

in-depth interviews with Warung Madura owners and economic observers. Literature studies were also carried out to explore the concept of Islamic economics and its application in developing MSMEs (Aristyanto, Erwan and Edi, Agus Sarwo and Asj'ari, 2023).

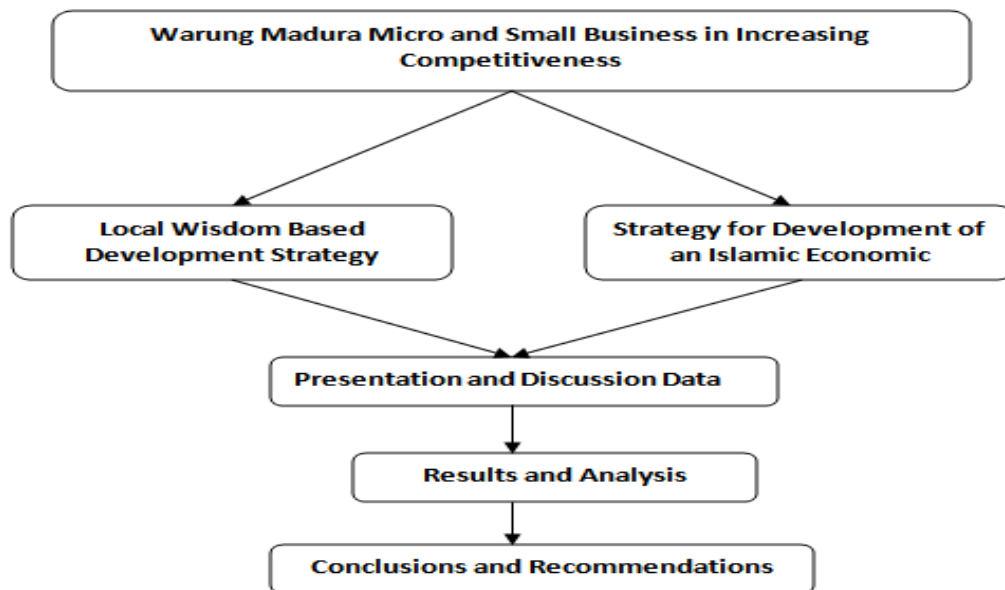


Figure 1. Framework Research Model

#### 4. RESEARCH AND DISCUSSION RESULTS

##### Application of the Principles of Justice

Islamic economics emphasizes the importance of fairness in transactions. Warung Madura can implement this principle by ensuring fair prices for consumers and suppliers. This can increase customer loyalty and create mutually beneficial relationships.

##### Business Sustainability

In an Islamic economy, sustainability is key to ensuring that businesses can survive in the long term. Warung Madura needs to adopt environmentally friendly and sustainable business practices, such as using local raw materials and good waste management.

##### Business Ethics

Ethics in business is one of the pillars of Islamic economics. Warung Madura owners must apply the principles of transparency and honesty in all aspects of business, including financial management and relationships with customers.

##### Human Resource Development

Training and education for Warung Madura employees and owners is very important to improve managerial abilities and technical skills. By improving the quality of human resources, MSMEs can adapt to market changes and increase productivity.

##### Access to Financing



Obtaining access to financing in accordance with sharia principles is a challenge in itself for MSMEs. Solutions such as profit-sharing or partnership-based financing can be profitable alternatives and are in line with Islamic economic values.

## 5. CONCLUSION

Warung Madura's MSME development strategy from an Islamic economic perspective offers a holistic and sustainable approach. By applying the principles of justice, sustainability, business ethics, human resource development and access to appropriate financing, Warung Madura can increase its competitiveness and contribute more to the local economy. It is hoped that this research can provide insight for stakeholders in formulating more effective MSME development policies and programs.

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