

Sharia-Based Cooperatives: Empowering Indonesian Workers in Pulau Pinang, Malaysia

Ina Indriana¹, Muhamad Taqi¹, Tri Lestari¹, Windu Mulyasari¹, Andini Ekasari¹, Irawati¹, Imam Hidayat¹, Nawang Kalbuana¹

¹University of Sultan Ageng Tirtayasa, Serang, Banten, Indonesia, 42118

Corresponding Author: Muhamad Taqi



Abstract – The sharia cooperative formation assistance programme for the Indonesian migrant worker (TKI) community in Pulau Pinang, Malaysia, implemented by the Faculty of Economics and Business, Sultan Ageng Tirtayasa University, is a strategic international community service effort in providing sustainable solutions for economic management based on sharia principles. In three days, 50 participants who are MSME players from various sectors and are members of the Pertubuhan Masyarakat Indonesia di Pulau Pinang (PERMAI) participated in a series of intensive seminars and workshops on the main concepts of sharia cooperatives, such as profit-sharing systems (mudharabah), business cooperation (musyarakah), and efforts to avoid the practice of riba, gharar, and maysir. The participants were given an in-depth understanding of the practical steps of establishing a cooperative, from forming the establishment committee, drafting the articles of association, collecting initial capital, to opening an account at an Islamic bank. In addition, to strengthen the competitiveness of cooperatives in the digital era, participants were also introduced to the application of digital marketing strategies aimed at expanding the market network and increasing the visibility of Islamic cooperatives. While the programme succeeded in providing applicable insights and concrete steps in the establishment of cooperatives, the main challenges faced were limited understanding of Islamic financial terminology as well as limited access to Islamic financial services in Pulau Pinang. The programme proved to have a positive impact in improving the economic capacity of the community, with the hope of continued mentoring and ongoing collaboration with Islamic financial institutions in Malaysia, to ensure the sustainability and development of Islamic cooperatives as an inclusive economic model that can sustainably empower migrant workers.

Keywords – Sharia Cooperatives, Digital Marketing, Economic Empowerment, Islamic Financial Services, MSME Development.

I. INTRODUCTION

Community service is one of the main pillars in the Tri Dharma of higher education. Through proactive interaction with the community, universities play a role in transferring knowledge and technology to improve the welfare of society. Sultan Ageng Tirtayasa University has carried out this role through various programmes such as seminars, workshops, training, and teaching activities that aim to empower the community and increase their capacity.[1], [2]

Pertubuhan Masyarakat Indonesia di Pulau Pinang, Malaysia (PERMAI), is a non-political and non-governmental organisation that actively represents the Indonesian community in the region. As an official association, PERMAI serves to strengthen social and cultural relations among community members, which include migrant workers, traders, small entrepreneurs, lecturers, teachers, students, and students residing in Malaysia. The organisation also serves as a platform to strengthen solidarity and collaboration among the Indonesian community in Penang[3], [4].

In the midst of global economic challenges and technological developments, small businesses, including Indonesian workers, face pressure to increase capacity and competitiveness[5]. The need for effective economic services, improved product quality, and adaptation to modern technology are crucial issues that must be addressed. In addition, Indonesian workers need systematic support to manage their resources collectively to achieve better welfare.[6]

As part of the effort to support economic sustainability and community empowerment, the Faculty of Economics and Business of Sultan Ageng Tirtayasa University conducted international community service activities in Penang, Malaysia. One of the

programmes carried out was assistance in establishing sharia cooperatives for Indonesian migrant workers (TKI). This programme is designed to provide practical solutions in managing economic resources collectively based on sharia principles, which is expected to improve the welfare of the migrant worker community in Pulau Pinang[7].

II. THEORY

Sharia Cooperative

According to Mohammad Hatta, a cooperative is a joint venture that aims to improve the economic fate of the community by promoting the principles of mutual assistance and family principles. In the context of sharia cooperatives, cooperatives carry out their activities by adhering to Islamic principles, which avoid the practices of usury (interest), gharar (uncertainty), and maysir (speculation). Islamic cooperatives have several key characteristics, including a profit-sharing system where profits are shared based on members' contributions and agreements, rather than through interest. In addition, Islamic cooperatives emphasise the importance of the family principle, which encourages cooperation and mutual assistance among members to achieve mutual prosperity. The operational foundation of these cooperatives adheres to the teachings of the Qur'an, Hadith, and Islamic principles such as mutual help (ta'awun) and mutual support (tafaqul). Islamic cooperatives not only function as economic institutions, but also have a social mission to improve the welfare of its members and the wider community, while adhering to Islamic values in every aspect of its operations[5], [6], [8], [9].

Establishment of Islamic Cooperatives

The procedure for establishing an Islamic cooperative begins with the formation of a preparatory committee that has a deep understanding of the principles of sharia and cooperatives. This committee is tasked with planning and strategising the establishment of the cooperative. After that, a co-operative establishment meeting is held attended by prospective members, where the meeting produces minutes that include the purpose of establishment, membership, and preliminary agreements. Next, the articles of association of the cooperative are drafted, including information on the name and purpose of the cooperative, membership criteria, management system and capital, as well as sharia principles that will guide the cooperative's operations. The initial capital collected from members is also an important step in the establishment of a cooperative, with a minimum capital requirement of IDR 15 million for primary cooperatives and IDR 50 million for secondary cooperatives[10], [11], [12].

After the articles of association are drafted, the co-operative can submit an application for establishment to a notary, attaching the minutes of the establishment meeting, attendance list of members, and photocopies of ID cards of all members. After obtaining an endorsement from a notary, the next step is to submit the endorsement of the cooperative's deed of establishment to the Ministry of Cooperatives and SMEs so that the cooperative is legally recognised. Finally, the co-operative must open an account at an Islamic bank for initial capital management and financial transactions, to ensure that all financial activities of the co-operative are in accordance with sharia principles[13].

Digital marketing of Islamic Cooperatives

In facing the digital era, Islamic cooperatives must also be able to utilise digital marketing to introduce their products and services to the wider community. Digital marketing allows Islamic cooperatives to access a wider market and build closer relationships with their members. By utilising social media, websites, and other digital platforms, Islamic cooperatives can increase their visibility and interact directly with members and potential members. In addition, digital marketing can be an effective tool to promote the underlying sharia principles of the cooperative, such as the profit-sharing system and usury-free transactions, which are the main selling points of Islamic cooperatives in the eyes of consumers who care about Islamic values[14].

Some of the strategies that Islamic cooperatives can take to maximise digital marketing include building strong relationships with other MSME players, creating marketing content that is engaging and relevant to emerging trends, and collaborating with consumers through various activities such as sponsorship offers or becoming resource persons in seminars[15], [16], [17]. By paying attention to changes in consumer behaviour that increasingly prioritise convenience and efficiency, Islamic cooperatives can increase competitiveness and remain relevant in an increasingly competitive market. The implementation of digital marketing is expected to not only improve the performance of Islamic cooperatives, but also increase consumer awareness[18].

III. RESEARCH METHODS

The methodology of this international community service activity was designed with a participatory approach, involving active collaboration between the service team from the Faculty of Economics and Business, Sultan Ageng Tirtayasa University and Pertubuhan Masyarakat Indonesia di Pulau Pinang Malaysia (PERMAI). The activity was carried out for three days, with a focus on assisting the formation of sharia cooperatives for MSME players in the migrant worker community in Penang. The subjects of the activity consisted of MSME players who were part of the PERMAI community.

Economic assistance is carried out through interactive seminars that discuss the formation and management of Islamic cooperatives as a means of sharia-based economic empowerment. The resource person provided material on the benefits of Islamic cooperatives, formation procedures, and management practices in accordance with Sharia principles. Data collection techniques in this activity include direct observation to observe the enthusiasm of participants, documentation of activities for evaluation, and collection of feedback through questionnaires and interviews. The implementation stage began with preparation, including preparation of materials and coordination with PERMAI, followed by the implementation of seminars and education, and ended with an evaluation to measure the success of the activity. The data obtained was analysed descriptively to provide an overview of the impact of the activities as well as recommendations for future community service programs[7], [19], [20].

IV. RESEARCH RESULTS AND DISCUSSION

The sharia cooperative formation assistance activity in Pulau Pinang, Malaysia, took place over three days, involving 50 participants from the migrant worker community who are members of PERMAI. The participants consisted of MSME players in various sectors, such as culinary, handicrafts, and services, who have an urgent need for collective and sharia-based economic management solutions. This activity not only provided theoretical insights but also facilitated practical steps to establish a sharia cooperative.

Sharia Cooperative Education Seminar

This seminar served as a foundation to provide participants with an in-depth understanding of the basic principles of Islamic cooperatives. The material covered key concepts such as mudharabah (profit-sharing system based on contributions) and musyarakah (business cooperation), which distinguish Islamic cooperatives from conventional ones. The discussion also highlighted the importance of avoiding *riba*, *gharar*, and *maysir* in cooperative operations.

The enthusiasm of the participants was evident from the high intensity of questions during the Q&A session. Several participants asked specific questions, such as how to determine fair profit sharing between members, strategies to avoid financial conflicts, and ways to adapt sharia concepts in their small businesses. This reflects a strong interest in the direct application of sharia concepts in daily economic activities[21], [22].



Figure 1: Sharia Cooperative material presentation

Workshop and Co-operative Committee Formation

This workshop became an important momentum in implementing theory into real practice. Participants agreed to form a cooperative establishment committee consisting of five members. This committee is tasked with arranging the initial steps, including the collection of capital, drafting the articles of association, and managing the legality of the cooperative. The name of the co-operative has also been determined, reflecting the identity of the community as well as the sharia values on which it is based[12].

The drafted articles of association cover aspects of membership, management system, capital management, and profit utilisation. The focus was on how the initial capital could be managed collectively to finance members' productive endeavours. The decision to open an account with an Islamic bank demonstrates the co-operative's commitment to adhere to Islamic principles in all its financial operations.



Figure 2: Islamic Cooperative Workshop

Challenges Faced

Although this activity went well, some challenges need further attention. One of the main challenges was the poor understanding of technical terminology in the Islamic financial system by some participants. For example, some participants admitted that they had difficulty understanding the difference between mudharabah and musyarakah contracts, as well as their implications in cooperative management. This suggests the need for more intensive follow-up mentoring to strengthen participants' understanding.

In addition, limited access to sharia-based financial services in Pulau Pinang is a structural constraint. Not all participants have easy access to Islamic banks, which requires strategic cooperation between the newly formed cooperatives and Islamic financial institutions operating in the area. Differences in business scale and business needs among participants also pose a challenge in aligning co-operative objectives, requiring a flexible approach that is still based on sharia principles.

Digital Marketing as Support for Islamic Cooperatives

As part of the cooperative development strategy, digital marketing was introduced to increase the visibility and competitiveness of Islamic cooperatives. Participants were given insights on how to utilise social media, websites, and other digital platforms to expand their markets and attract consumers. Some participants, who had previously used social media to market individual products, were now encouraged to integrate their marketing strategies with co-operative activities[14], [18], [21], [22].

Digital marketing serves not only as a promotional tool, but also as a means to introduce sharia values to the wider community. Marketing content that highlights the advantages of profit-sharing systems and usury-free management is one way to attract consumers who care about Islamic values. By adopting digital marketing, Islamic cooperatives are expected to expand their market share while strengthening their identity as sharia-based economic entities.

Activity Outcomes and Impacts

This activity showed significant results in improving participants' understanding and engagement. The formation of a cooperative establishment committee was a concrete first step, marking the community's commitment to realising an Islamic cooperative. In addition, participants now have a clearer picture of how an Islamic cooperative can serve as a collective solution to the economic

challenges they face.

However, the sustainability of this programme depends largely on the follow-up actions taken. Sultan Ageng Tirtayasa University's Faculty of Economics and Business is expected to continue supporting through additional training, regular monitoring, and cooperation with Islamic financial institutions in Malaysia. With a structured and sustainable approach, this pioneering sharia cooperative has the potential to become an effective, inclusive, and Islamic-compliant model of economic empowerment among the migrant worker community in Pulau Pinang.

V. CONCLUSION

The sharia cooperative formation assistance programme for the migrant worker community in Pulau Pinang, Malaysia, has had a significant impact in empowering MSMEs based on sharia principles. The programme not only increased the participants' understanding of the concept of sharia cooperatives, but also successfully facilitated the initial steps of establishing a real cooperative. The educational seminars and workshops provided an in-depth understanding of the principles of Islamic cooperatives, such as profit-sharing systems, avoidance of usury, gharar, and maysir, which form the basis of Islamic cooperative operations. Participants were also encouraged to formulate practical steps, including the formation of an establishment committee, the drafting of articles of association, and a cooperative management plan that promotes the principle of kinship.

The high enthusiasm shown by the participants, who came from various business backgrounds, is an indicator of the real need for a collective economic management system that is in accordance with sharia values. However, the implementation of this activity also revealed a number of challenges, such as participants' limited understanding of Islamic financial terminology and differences in business needs that affect the alignment of cooperative objectives. In addition, constraints on access to Islamic financial services in Pulau Pinang point to the need for stronger institutional support to streamline co-operative operations.

Integrating digital marketing as part of the sustainability strategy of Islamic cooperatives became one of the key points in this activity. Through the utilisation of social media, e-commerce platforms, and other digital marketing strategies, Islamic cooperatives are expected to expand their market reach, improve their competitiveness, and promote sharia principles more effectively. Participants who had previously only utilised social media individually now gained new insights into how cooperatives can become a more powerful collective tool to reach consumers.

Overall, this activity showed a positive impact in providing understanding, skills, and concrete first steps to establishing an Islamic cooperative. However, to ensure the sustainability of the programme, follow-up training is needed in sharia financial management, cooperative legality, and digital marketing strategy development. Regular monitoring and evaluation programmes are also needed to monitor the progress of the cooperatives and provide solutions to challenges that arise in the future.

The Faculty of Economics and Business at Sultan Ageng Tirtayasa University is expected to continue to collaborate with the migrant worker community in Pulau Pinang and Islamic financial institutions in Malaysia. This support will not only accelerate the legality and operation of the cooperative, but also strengthen Islamic cooperatives as an inclusive and sharia-based economic empowerment model. With this step, Islamic cooperatives can be a strategic solution to improve the welfare of migrant worker communities abroad, while promoting Islamic values in the context of the global economy.

VI. CONFLICT OF INTEREST

All authors declare no conflicts of interest.

VII. AUTHORS CONTRIBUTION

Authors have equally participated and shared every item of the work.

REFERENCES

- [1] H. Elfaki and N. A. Che Embi, "Islamic Cooperatives: Operations and Evidence From Organization of Islamic Cooperation (Oic) Countries," *Int. J. Islam. Bus.*, vol. 8, no. 1, pp. 1–14, 2023, doi: 10.32890/ijib2023.8.1.1.
- [2] R. Hassan, R. R. Samad, and Z. Shafii, "Shari'ah governance practices in credit cooperatives in Malaysia," *Al-Shajarah*, no. Special Issue: ISLAMIC BANKING AND FINANCE, pp. 89–110, 2018.
- [3] Z. Ghulam, "Implementasi Maqashid Syariah Dalam Koperasi Syariah," *Iqtishoduna*, vol. 7, no. 1, pp. 90–112, 2016.
- [4] M. Apriyana and S. Hasbi, "Preferensi Koperasi Dalam Melakukan Konversi Menjadi Koperasi Syariah: Studi Kasus Pada Koperasi di Wilayah Bogor," *J. Islam. Econ. Financ. Stud.*, vol. 1, no. 2, pp. 173–190, 2020, doi: 10.47700/jiefes.v1i2.2115.
- [5] D. Abdurohman, H. M. Putra, and H. Ahyani, "Sumber Dan Norma Ekonomi Syariah Dalam Lembaga Keuangan Syariah (LKS) Perbankan Syariah Dan Koperasi Syariah," *Ecobankers J. Econ. Bank.*, vol. 3, no. 1, p. 22, 2022, doi: 10.47453/ecobankers.v3i1.667.
- [6] R. Marlina and Y. Y. Pratami, "Shariah Cooperatives as a Solution for the Application of a Legal Syrikah Agreement," *Amwaluna J. Sharia Econ. Financ.*, vol. 1, no. 2, pp. 263–275, 2017.
- [7] M. Taqi, T. Ismail, Meutia, Sabaruddinsah, Dharmendra, and N. Kalbuana, "Marketing Development Strategy Of Milkfish Satay Business Using Analytical Hierarchy Process Method," *Int. J. Progress. Sci. Technol.*, vol. 46, no. 1, pp. 161–167, 2024.
- [8] M. W. R. Hutagalung and S. Batubara., "Peran Koperasi Syariah Dalam Meningkatkan Perekonomian dan Kesejahteraan Masyarakat Di Indonesia," *J. Ilm. Ekon. Islam*, vol. 7, no. 03, pp. 1494–1498, 2021, [Online]. Available: <http://jurnal.stie-aas.ac.id/index.php/jiedoi:http://dx.doi.org/10.29040/jiei.v7i3.2878>
- [9] A. J. Salam, "Kajian Hukum Islam dan Pranata Sosial," *J. Media Syari'ah*, vol. 14, no. 1, p. 247, 2012.
- [10] H. N. Utami, D. N. Sari, and S. N. Wiyono, "Value co-creation through digital technology and business relations: A case study in an agribusiness cooperative company Islamic' education-based," *BIO Web Conf.*, vol. 123, 2024, doi: 10.1051/bioconf/202412303006.
- [11] A. Nurdany and A. C. Prajasari, "Digitalization in Indonesian Cooperatives: Is It Necessary?," *J. Dev. Econ.*, vol. 5, no. 2, p. 125, 2020, doi: 10.20473/jde.v5i2.19447.
- [12] R. N. Ichsan, M. Syahbudi, and V. F. H. Nst, "Development of Islamic Human Resource Management in The Digital Era For MSMEs and Cooperatives in Indonesia," *IQTISHODUNA J. Ekon. Islam*, vol. 12, no. 2, pp. 497–512, 2023, doi: 10.54471/iqtishoduna.v12i2.2336.
- [13] A. Baharuddin, W. S. Oudina, Y. R. Seppa, N. A. Putra, and A. S. Iskandar, "Improving Marketing Performance through Digital Marketing for Micro Business Actors in the Trade Sector Registered at the Cooperatives and SMEs Service Office," *PINISI Discret. Rev.*, vol. 5, no. 2, p. 411, 2022, doi: 10.26858/pdr.v5i2.32443.
- [14] Naimah, A. Z. Maulida, and A. Mahfuzah, "Strategic Management Analysis Of Sharia Cooperative Problems In South Kalimantan In The Digital Era," *Tasharruf J. Econ. Bus. Islam*, vol. 9, no. 2, pp. 102–129, 2024.
- [15] B. Kurnianto, A. Abdusshomad, and N. Kalbuana, "Faktor-Faktor Yang Mempengaruhi Pengungkapan Sustainability Report," *Manag. Stud. Entrep. J.*, vol. 4, no. 4, pp. 3620–2628, 2023, doi: 10.24912/jpa.v4i4.21328.
- [16] L. Uzliawati, N. Kalbuana, T. Budyastuti, R. Budiharjo, Kusiayah, and Ahalik, "The power of sustainability , corporate governance , and millennial leadership : Exploring the impact on company reputation," *Uncertain Supply Chain Manag.*, vol. 11, pp. 1275–1288, 2023, doi: 10.5267/j.uscm.2023.3.020.
- [17] Z. Kurniawati, B. Kurnianto, A. Abdusshomad, N. Kalbuana, and B. Prasetyo, "Utilization of Zoom Application as An Online Learning Media During the Covid-19 Pandemic at Politeknik Penerbangan Indonesia Curug," *JIIP (Jurnal Ilm. Ilmu Pendidikan)*, vol. 6, no. 2, pp. 1268–1274, 2023, [Online]. Available: <https://jiip.stkipyapisdompu.ac.id/jiip/index.php/JIIP/article/view/1660>
- [18] T. Handayani, S. HS, and P. D. Priyatno, "Digital Marketing Development Strategy of Sharia Cooperative," *Int. J. Business, Technol. Organ. Behav.*, vol. 2, no. 6, pp. 732–746, 2022, doi: 10.52218/ijbtob.v2i6.248.

- [19] M. Taqi, T. Ismai, M. Meutia, and S. Sabaruddinsah, "Short-Dated Products Marketing Strategies, Analytic Network Process Approach," *Jt. Proc. 2nd 3rd International Conf. Food Secur. Innov. (ICFSI 2018-2019)*, vol. 9, pp. 62–67, 2021, doi: 10.2991/absr.k.210304.049.
- [20] M. Taqi, A. S. Rusydiana, N. Kustiningsih, and I. Firmansyah, "Environmental accounting: A scientometric using biblioshiny," *Int. J. Energy Econ. Policy*, vol. 11, no. 3, pp. 369–380, 2021, doi: 10.32479/ijeep.10986.
- [21] T. Handayani, S. HS, P. D. Priyatno, N. Matondang, and Y. N. Supriadi, "Digital Marketing Development Strategy for Sharia Consumer Cooperatives with Business Model Canvas," *Int. J. Business, Technol. Organ. Behav.*, vol. 3, no. 5, pp. 347–354, 2023, doi: 10.52218/ijbtob.v3i5.290.
- [22] N. I. Riwijanti and Fadloli, "Mosque-Based Islamic Cooperative for Community Economic Development," *Rev. Integr. Bus. Econ. Res.*, vol. 8, no. 2, pp. 196–208, 2019.