Development of Islamic Human Resource Management in The Digital Era For MSMEs and Cooperatives in Indonesia

Reza Nurul Ichsan 1*, Muhammad Syahbudi 2*, Venny Fraya Hartin Nst 3

1 Faculty of Economics, Universitas Pembinaan Masyarakat, Indonesia
2 Department of Islamic Economics, Faculty of Islamic Economics and Business, Universitas Islam Negeri Sumatera Utara, Indonesia
3 Faculty of Economics, Universitas Darma Agung Medan, Indonesia

ABSTRACT

Islamic human resource development through training and human resource management not only in terms of increasing intellectual abilities, but also emphasizing moral depth that comes from spiritual or religious origins. Therefore, the material in training or development must contain the values of Etqan, Ihsan, and al-Falaf and also is aimed at to determine the role and also the impact of coaching, training and mentoring from Indonesian Ministry of Cooperatives and SMEs in improving the business performance of their assisted MSMEs through the Fast Track of Digitalization of 1000 Dignified MSMEs. The Implementation Method is chosen at this training. By taking 1000 assisted MSME actors who participated in the coaching, training and mentoring program provided by Indonesian Ministry of Cooperatives and SMEs for 3 months. This training is carried out directly through the process of training and mentoring MSMEs and other supporting things obtained online and offline.

Keywords: Islamic human resource management, digital era, MSMEs, cooperatives

Article history:
Received May 16, 2022
Revised July 20, 2023
Accepted September 9, 2023
Available online on October 1, 2023

© 2023, the author(s) Published by LP3M-IAI Syarifuddin. This is an open access article under the CC BY 4.0 license.
INTRODUCTION

Economic development is marked by the growth of its business including cooperatives and MSMEs. They will thrive if they continue to collaborate and keep up with changing developments. In the industrial era 4.0, all economic activities have gone towards digitalization, so MSMEs and cooperatives must be able to become mainstays in turning the wheels of the economy.

This is reflected in data from the Ministry of Cooperatives and SMEs (Kemenkop UKM) in 2021. In 2019, the number of active cooperatives was 123,048 units with a business volume of Rp154 trillion and a total of around 22 million members. Meanwhile, in December 2021, the number of active cooperatives was 127,124 units with a business volume of IDR 174 trillion and the number of members was around 25 million people with the ranking of cooperatives in Indonesia with the following picture:

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumatera Selatan</td>
<td>3992</td>
</tr>
<tr>
<td>Aceh</td>
<td>4102</td>
</tr>
<tr>
<td>Bali</td>
<td>4193</td>
</tr>
<tr>
<td>Banten</td>
<td>4216</td>
</tr>
<tr>
<td>Sulawesi Selatan</td>
<td>4535</td>
</tr>
<tr>
<td>DKI Jakarta</td>
<td>4542</td>
</tr>
<tr>
<td>Sumatera Utara</td>
<td>5033</td>
</tr>
<tr>
<td>Jawa Tengah</td>
<td>10270</td>
</tr>
<tr>
<td>Jawa Barat</td>
<td>15621</td>
</tr>
<tr>
<td>Jawa Timur</td>
<td>22845</td>
</tr>
</tbody>
</table>

Figure 1 Number of 10 largest cooperatives in Indonesia

Based on the picture above, Java still dominates because it has the most cooperatives and North Sumatra is the fourth cooperative unit in Indonesia.

Based on a report by the Central Bureau of Statistics (BPS) Indonesia, the number of MSMEs in Indonesia in 2023 is 4,209,817 businesses. Central Java is the province with the highest number of MSMEs, namely 898,162 businesses. East Java occupies the second position with the number of MSMEs as many as 828,482 businesses. Followed by West Java with the number of MSMEs as many as 625,943 businesses. Next, the number of MSMEs in Bali was recorded at 149,516 businesses. While in DI Yogyakarta, the number of MSMEs is 137,499 businesses. Meanwhile, the province with the least number of MSMEs is West Papua, which is 4,558 businesses. Above it are North Kalimantan and Papua with 4,963 businesses and 12,094 businesses, respectively.

Data shows that the number of MSME businesses in Indonesia is concentrated in Java Island with a percentage reaching 63.11% of the total MSMEs in the country.
While the number of MSMEs on the islands of Maluku and Papua was recorded the least, which was only 1.25% of the total. Based on type, the food industry is the most MSME type compared to other industry groups with a total of 1,518,924 businesses.

The least number of MSME businesses is the computer, electronic and optical goods industry, which is only 866 businesses with the following description as cooperatives:

<table>
<thead>
<tr>
<th>Region</th>
<th>MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nusa Tenggara Barat</td>
<td>104588</td>
</tr>
<tr>
<td>Banten</td>
<td>107677</td>
</tr>
<tr>
<td>Sumatera Utara</td>
<td>120163</td>
</tr>
<tr>
<td>Sulawesi Selatan</td>
<td>126489</td>
</tr>
<tr>
<td>Nusa Tenggara Timur</td>
<td>136054</td>
</tr>
<tr>
<td>DIY Yogyakarta</td>
<td>137499</td>
</tr>
<tr>
<td>Bali</td>
<td>149516</td>
</tr>
<tr>
<td>Jawa Barat</td>
<td>625943</td>
</tr>
<tr>
<td>Jawa Timur</td>
<td>828482</td>
</tr>
<tr>
<td>Jawa Tengah</td>
<td>898162</td>
</tr>
</tbody>
</table>

Source: Data processed, 2023

Figure 2
Development of the Number of MSMEs in Indonesia 2023

The development of cooperatives and MSMEs also has its own challenges, so efforts need to be made to strengthen the role of cooperatives. Related to the management of institutional management, increasing the capacity of cooperative human resources, the use of technology and information systems both in cooperative management and in running their business, it is necessary to conduct coaching and mentoring and partnerships. One of the efforts that can be made to overcome the challenges faced is through cooperative modernization.

The target of growing modern cooperatives in 2024 is as many as 500 cooperative units. To achieve this target, as well as facing the challenges of cooperative development, several strategies carried out by the Government, especially the Ministry of Cooperatives and SMEs, include through inclusive closed loop-based cooperatives developed as "Multi-Party" cooperatives, cooperative focus in the real sector, financing, amalgamation, namely mergers among cooperatives and mergers with cooperative business units, and digitalization efforts.

In this digital era, digitalization of cooperatives and MSMEs is increasingly important. Of course, this is a golden opportunity because currently the digital market in Indonesia is 44 billion US dollars, and in 2025 it is predicted to be around 125 billion US dollars. If all these cooperatives were digitized, with more than 25 million members, it would be a tremendous value.

Meanwhile, the Government has encouraged the development of cooperatives through regulations with the issuance of the Job Creation Law in 2020 to make it easier for cooperatives and MSMEs to develop and be competitive.
In the Job Creation Law, simplification of cooperative founding members has been regulated, namely primary cooperatives can be formed at least 9 people from the previous 20 people, member register books can be in the form of written or electronic documents with the aim of facilitating the administration of member lists more quickly and accurately, Member Meetings can be carried out online and / or offline, cooperative businesses can be carried out singly or all-round businesses, and the basic regulation of sharia cooperative law where cooperatives can carry out activities based on sharia principles and sharia cooperatives are required to have a sharia supervisory board.

In addition, PP Number 7 of 2021 as the implementing regulation of the Job Creation Law also provides more detailed regulations regarding convenience, protection and empowerment for cooperatives and MSMEs. Especially in terms of empowering cooperatives and MSMEs, by establishing policies in institutional, marketing, production, finance, innovation and technology aspects, as well as cooperative development policies in certain sectors through the empowerment of cooperatives and MSMEs in Indonesia.

The problems that caused many cooperatives to collapse in North Sumatra and it was assumed that due to the lack of human resource management, there are challenges and HR problems that must be faced by cooperatives in this digital era, including the following:

1. Limited human resources for quality cooperative managers, resulting in cooperative management that does not use a professional business management approach.
2. The lack of young people in Indonesia who are interested in cooperatives. This is because the cooperative model, which is considered less adaptive and modern, is run by older people. This has an impact on cooperative governance that does not keep up with developments or has not fully used technology and business models that are more in line with developments. Therefore, cooperatives must be able to attract young people as potential targets to enter the cooperative and MSME ecosystem as well as creativity that can be capital for cooperatives to have competitiveness and new business model initiatives. In addition, young people who enter the cooperative ecosystem can accelerate the process of regeneration of cooperative human resources. According to BPS data in 2020, the percentage of young people (15-24 years old) who are not in school, working or attending training is only 24.28 percent. Minimnya pengetahuan UMKM binaan koperasi tentang manajemen bisnis yang baik, sehingga hanya fokus memproduksi barang tanpa memikirkan bagaimana strategi ekspansi bisnisnya.
3. In general, cooperative-assisted MSMEs rarely have business mentors, causing MSMEs to have difficulty in developing their business.
4. Partial development of MSMEs so far has not provided maximum results for improving MSME performance, wider economic development has resulted in our level of competitiveness lagging behind compared to our neighboring countries such as Malaysia. Therefore, the policy for MSMEs is not because of
their small size, but because of their low productivity.\textsuperscript{1}

The North Sumatra Office of Cooperatives and Small and Medium Enterprises (KUKM) will create 1000 MSMEs with the theme "ENTREPRENUER HUB: Growing the Entrepreneurial Ecosystem through Fast Track Digitalization in order to Realize Established, Innovative and Sustainable Entrepreneurship".\textsuperscript{2}

In addition to providing education and training, The Head of the North Sumatra Cooperatives and SMEs Office, revealed that in early 2023, his party would provide education and training to 1000 entrepreneurial groups (MSMEs) "They are netted/selected by a mentoring team appointed by the Cooperative and SME Office, then entrepreneurial training will be carried out. The participating group was selected again by an independent team to receive training.

The entire series of digitalization fast track events is designed to meet the needs of KUKM actors to be able to understand the digitalization mindset, enter the digital ecosystem (onboarding in e-commerce), get digital tools facilitation to HR innovation strategies to win the digital market. So this activity is an extraordinary opportunity for both us as organizers and selected MSMEs to participate in these activities as safely researched by Ichsan and Lukman (2022), Ichsan et al. (2022), Altındağ (2020), Asfahani (2021), Kundu (2021), Anastasiu. (2020), Camuffo (2019), Choi. (2019), Jasi (2019), Ployhart. (2019), Qamari (2019) and Wassell (2020).

Increasing productivity in MSMEs will have a broad impact on improving people's welfare because MSMEs are where many people depend on their sources of life.\textsuperscript{3} One alternative in increasing the productivity of MSMEs is to modernize the business system and its systematic policy tools so that it will have a wider impact in increasing regional competitiveness.\textsuperscript{4}

The problem of MSME actors in North Sumatra is in addition to insufficient funds, counseling or training that needs to be carried out on an ongoing basis so that it can provide them with provisions in facing competition in the future.

In addition, it provides them with entrepreneurial knowledge that has business ethics, handling customer complaints and how to manage good finances (Suci, et al., 2017).

This 3-month Fast Track Digitalization training activity in 2023 aims to develop and improve the entrepreneurial spirit of MSME players' human resources, increase knowledge of compiling MSME Business plans and Mastery of Information Technology for MSME actors.

Based on the background above, the importance of human resource development by cooperatives and MSMEs by writing an article entitled Development Of Islamic Human Resource Management In The Digital Era For MSMEs And Cooperatives In Indonesia.

---


\textsuperscript{2} Soft Launching fast Track Digitaliasai (FTD) https://diskopukm.sumutprov.go.id/index.php?mod=single-post&id=536

\textsuperscript{3} Sudianto, A, dkk. (2021). Pelatihan pembinaan UMKM berbasis Teknologi Informasi untuk meningkatkan SDM pelaku UMKM. ABSYARA: Jurnal Pengabdian Pada Masyarakat

METHODS

The methodology in this paper is a descriptive qualitative approach by hammering several experts who are used as participants then triangulation to check the correctness of the data and compare with data obtained from other sources, at various phases of field research, at different times.\(^5\)

RESULT AND DISCUSSION

Digitalization of cooperatives and MSMEs is increasingly important. Of course, this is a golden opportunity because currently the digital market in Indonesia is 44 billion US dollars, and in 2025 it is predicted to be around 125 billion US dollars. If all of these cooperatives are digitized, with more than 25 million members, it will certainly be an extraordinary value and is current with various types of cooperative and MSME digital businesses as follows

![Figure 2: Development of the Number of MSMEs in Indonesia 2023](image)

The development of human resources has been determined through the Presidential Regulation of the Republic of Indonesia Number 18 of 2020 concerning the National Medium-Term Development Plan 2020-2024. A derivative of the vision of National Development Year 2005-2025, namely "Indonesia that is advanced and independent, just, and democratic, as well as safe and united in the forum of the Unitary State of the Republic of Indonesia". To achieve this vision, the National Development Mission 2005-2025 contains one of the missions related to policies in the field of Cooperatives and MSMEs, namely: 1) Improving the Quality of Indonesian People; and the president's directive, namely "Human Resource Development" which is included in the national development plan with a development agenda, namely "Improving quality and competitive human resources"

The 2005-2025 Long-Term National Development Plan (RPJPN) is translated into 4 (four) stages of medium-term development. The 2005-2025 RPJPN has entered stage IV, namely the Medium-Term Development Plan (RPJMN).

The year 2020-2024 which is the last stage of the RPJPN so that it is very important in efforts to achieve long-term national development goals. The 2020-2024 RPJMN target is aimed at realizing an independent, advanced, just, and prosperous Indonesian society through accelerating development in various fields by emphasizing the building of a strong economic structure based on competitive advantages in various regional fields supported by quality and competitive human resources.

The form of the project structure of Integrated Management of Cooperatives and MSMEs in improving human resources (Facilitators / Training Institutions / Cooperative Managers) and the Cooperative Training Curriculum is improving the quality of human resources through:

1. Strengthening entrepreneurship which includes entrepreneurship development patterns, structuring entrepreneurship curricula in formal educational institutions, and expanding support, especially for technology-based entrepreneurs (technopreneurs);
2. Increased access to integrated business training and services to cooperative managers and certification of cooperative managers.

The results of this analysis will later be carried out to support the direction of national policy based on Presidential Regulation Number 18 of 2020 concerning RPJMN 2020-2024, national policies in the field of MSMEs and Cooperatives in 2020-2024 are directed to: Strengthening Entrepreneurship, Micro, Small and Medium Enterprises. The vision of the Deputy for Human Resources Development of the Ministry of Cooperatives and SMEs for 2020-2024 is: "Realizing Resilient and Independent Cooperative and MSME Human Resources and Playing a Role in the National Economy" directed to support the realization of the mission, namely: Increasing the Human Resources Capacity of Cooperatives and MSMEs by analyzing the design of strategic targets and performance indicators for the development of Cooperative and MSME human resources in Indonesia.6

Human resource development was carried out in this workshop during three months of training where the participants were MSME actors from various regions, especially in North Sumatra such as Medan, Binjai, Deli Serdang, Serdang Bedagai and other regions. Before the activity was carried out, coordination meetings were held among the KUKM team and speakers along with program coordinators from motivators and MSME assistants as shown in the picture below:

From the results of the researchers' analysis and consideration of facilities, it was decided that training activities would be carried out in the hall of the Cooperative and UMK Office, Hotels and PLUT North Sumatra. On the first day of training, 1000 MSME participants were attended, on the first day MSME participants were given training in finance, marketing (E-Commerce) and information technology. For this activity, the Information Technology training and the KUMKM Office brought really competent resource persons such as Merry Riana (Motivator), Naslindo Sirait (Head of the Economic Bureau of Setda Provsu) and Airlangga Putra Aridharma (Digital Marketer). as seen in the picture For MSME HR competency training as shown in the picture below:

The next development of MSME competence is the food safety of MSME products given by experts who are experts in their fields. As seen in the image below:
Based on the results of the evaluation during the implementation of the activity and the answers of participants during the training activities, it can be seen that there are changes in the knowledge and skills of trainees regarding how to use information technology in marketing and developing businesses, especially social media. This proves that the spirit of entrepreneurship can be developed through the use of technology, this is in line with the results of Rahayuningsih's dedication to finding that the use of digital technology can improve entrepreneurial abilities and skills.\(^7\)

In addition, from several interviews with MSME participants who participated in the training, this technology-based MSME coaching activity is considered to have positive value because of its benefits, especially for MSME actors. For MSME players who have provisions and understand the importance of information technology will continue to develop their business by utilizing technological developments. Continuous assistance of MSME actors can help increase the ability and income of MSME actors so that they can MOVE UP or “Naik Kelas”.\(^8\)

Islam views training and development not only in terms of increasing intellectual abilities, but also emphasizing moral depth that comes from spiritual or religious origins. Therefore, the material in training or development must contain the values of *Etqan, Ihsan, and al-Falah*. The concept of *Etqan* emphasizes the awareness to improve oneself in an effort to complete a better job. The spirit of self-improvement will emerge when employees

---


realize that every work done in the organization is directly supervised by Allah SWT. This means that workers are required to always do better and increase their contribution and work results by learning new skills and acquiring new knowledge. Efforts to improve oneself require passion to lead to excellence or in Islam known as the principle of victory (al-Falah). Because of these values, the desire to excel in personal and professional matters is encouraged in Islam.

CONCLUSION
The target of growing modern cooperatives in 2024 is 500 cooperative units and 1000 MSMEs. To achieve this target, as well as facing the challenges of cooperative development, several strategies carried out by the Government, especially the Ministry of Cooperatives and SMEs, include through inclusive closed loop-based cooperatives developed as "Multi-Party" cooperatives, focusing on cooperatives and MSMEs in the real sector, financing, mergers among cooperatives and mergers with cooperative business units, and digitalization efforts with human resource development namely Kick Off Fast Track Digitalization is designed to meet the needs of KUMKM actors to be able to understand the digitalization mindset, enter the digital ecosystem (onboarding in e-commerce), get facilitation of digital tools to innovation strategies. In addition, training on the development of cooperatives and MSMEs is expected to be able to increase the human resources of cooperatives and MSMEs by strengthening entrepreneurship which includes entrepreneurial development patterns, structuring entrepreneurship curricula in formal educational institutions, and expanding support, especially for technology-based entrepreneurs (technopreneurs) so that they can increase their business productivity to be able to MOVE UP or “naik kelas”.

Author's Contribution
Reza Nurul Ichsan: Contribute to formulating research ideas, collecting data, processing data, and interpreting data.
Muhammad Syahbudi: Contributing to writing systematics, research methods.
Venny Fraya Hartin Nst: Contributing to analyzing interpretation results, the language proofread.

Acknowledgements
The author is grateful to those who helped in the completion of this article, especially during the data collection process and article review.

Declaration of Competing Interest
The author declares that there is no conflict of interest.

REFERENCES


Anastasiu, L. 2020. Is human capital ready for change? A strategic approach adapting porter’s five forces to human resources. Sustainability (Switzerland), 12(6), ISSN 2071-1050, https://dx.doi.org/10.3390/su12062300


Assem, M. V. 2019. Developing insights in the environmental performance of organizations; Testing a tool that provides insights in the results of environmental management systems of companies with the ISO 14001: 2015-certificate.


Dastmalchian, A. 2006. Implications of trust and distrust for organizations Role of customer orientation in a four-nation study The Authors Heh Jason Huang,


Firdaus, Achmad 2014 *Maslahah Performa (MaP): Performance System to Realize a Prosperous Organization*, Yogyakarta: Deeppublish,


Lorincová, S. “Sustainability in business process management as an important strategic challenge in human resource management”. Sustainability (Switzerland), 12(15), ISSN 2071-1050, https://dx.doi.org/10.3390/SU12155941


Partington, D., Pellegrinelli, S., &; Young, M. “Attributes and levels of programme management competence: an interpretive study”. International Journal of Project Management, 23(2, 2005), 87-95.

Qamari, I. “Strategic human resources roles and knowledge sharing: How do enhancing organizational innovation?”. Quality - Access to Success, 20(168, 2019), 86-92, ISSN 1582-2559,


Rambe, M., Sugianto, S., & Syahbudi, M. Implementation of Pottery Making and Digital Marketing methods in improving the creative products of sustainable pottery MSMEs in Tanjung Morawa Deli Serdang District in an Islamic economic perspective. Journal of Accounting Management (JUMSI), 3(2, 2023), 978-986


Sharma, S. “Innovation and employee turnover in biotechnology companies: Rethinking the role of strategic human resource management. World Review of


