



Empowering Communities Through Ethical Financial Practices

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ABSTRACT

The country's economy now focuses on welfare. The state is present to ensure welfare, justice, and equality for its people. A symbiotic mutualize between the government, society, and the state is necessary to achieve welfare. Therefore, more than direct government assistance is required from the community. These communities must be empowered. As a comprehensive teaching, Islam has implemented community empowerment from the beginning. Where the messenger unites supporters and supporters and encourages them to achieve prosperity. Descriptive literature research is used in this type of research. The results show that some of the principles applied by the messengers in the effort of da'wah Islamiyyah show that the empowerment of people in society is evenly distributed. Justice, equality, participation, anard, and ta'awun are the principles. To achieve the three dimensions of Muslim society: faith, science, and social, the empowerment model uses a partial-continuous and structural approach.



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1. Introduction

Community well-being is becoming increasingly important in an era of globalization and an ever-evolving economy. The concept of empowering communities through ethical financial practices is one interesting approach. It underscores the importance of integrating moral and ethical values into the financial system to achieve sustainable and inclusive development. Beyond providing access to financial services, empowering communities involves fair, transparent, and sustainable practices.

Ethical financial practices seek to generate financial returns and positive social and economic impacts for society. Ethical finance is financial management that is conducted in ways that are honest, transparent, and responsible. Ethical finance must also consider other aspects, such as fairness, equality, and sustainability (Lestari et al., 2023). Honest and transparent ethical finance must be conducted honestly and transparently. All financial information must be presented accurately and completely so that all interested parties can understand it. Responsible Ethical finance should be conducted responsibly. All financial decisions should be taken considering the likely impact on all interested parties. Fair and equitable ethical finance

should be conducted fairly and equitably. All interested parties should be treated fairly and equally, regardless of differences in background or social status. Sustainable Ethical finance should be conducted sustainably. All financial decisions should consider their long-term impact on the environment and society.

Ethical financial behavior is essential, as it can benefit all interested parties. In such a situation, cooperatives and inclusive financial institutions are essential in creating a financial environment that supports equitable economic growth. Ethical financial practices help reduce social disparities and develop sustainable local economies by emphasizing fairness, transparency, and participation. (Masnita et al., 2020)

This method recognizes that financial policies affect people's daily lives in addition to the economy. Therefore, financial practices need to consider ethical values and ensure that the profits earned are enjoyed by a handful of individuals and the entire community. (Widjajanti, 2011)

In such a situation, efforts to promote ethical financial practices to empower society have created a new paradigm where finance is not only a means to accumulate wealth but also a tool to realize equitable, sustainable development. Therefore, society can experience inclusive and sustainable economic growth by understanding the ethical values embodied in financial practices. This results in an environment where everyone has equal access and opportunity to thrive.

2. Method

The method used in writing this article is the literature study method or heirloom study. Literature study is conducting research by studying and reading literature related to the problems that are the object of research (Syamsul, 2021). So that literature study or literature study is a research method carried out by collecting data, concepts, theories, and studies related to the phenomena discussed in this article, namely concepts, theories, studies related to phenomena and problems regarding corporate social responsibility for community development based on a social work perspective.

3. Result and Discussion

Definition of community and empowerment (new empowerment)

Society conceptually refers to a group of individuals who live in a particular area or environment and interact with each other. The concept involves social relationships, norms, values, and structures that shape a community or group life together. Here are some critical dimensions in understanding the meaning of society.

The word "power" is the etymology of "empowerment". Empowerment gives power to the powerless. Empowerment is helping disadvantaged groups or individuals compete and work effectively because everyone has an equal opportunity to compete in a "game," where all players have a chance to "win."

Learning is not a given; instead, it is a process to develop a way of thinking. A transition from a sense of helplessness to an active and independent life with reality to acquire the ability to take action and take initiative for the environment and the future. Furthermore, building a sense of community as a fellow group that must always be empowered so that a conducive environment is formed to work together to build a standard strength, then meet the basic needs (material and spiritual) will always be met so that they can lead themselves to an empowered and prosperous life order. (Widjajanti, 2011) (Nizar Nazarullah, 2021)(Noor, 2011)

The concept of community empowerment in Indonesia

Discussing welfare is a subject of discussion in the country's economy, which means that the state must provide equitable and fair welfare to all its citizens. This is stipulated in the 1945 Constitution, which states that Indonesia will protect all the people of Indonesia and the entire

Indonesian homeland, improve the general welfare, improve the people's lives, and contribute to a global order based on independence, lasting peace, and social justice. Development and equitable welfare for all Indonesians, regardless of profession and position, has always been a priority at every change of leader.

Furthermore, Chapter XIV of the 1945 Constitution Article 33 stipulates that the economy should be established as a family business. In addition, the state must control the wealth and economic resources related to the livelihood of many people, such as electricity, oil, and other resources. More importantly, all-natural resources on land and at sea that are under the control of Indonesia must be used for the prosperity of the people. (Widjajanti, 2011) (Permata, 2017).

In Indonesia, to improve community welfare, there are three models of community empowerment programs, including:

First, the growth-derived national development model focuses only on the growth of national income figures, which means an increase in GNP output every year to 7% or more. As a result, the development process is concentrated on production. At the same time, eliminating poverty, unemployment, and injustice comes second, and this can only be achieved through the "pull-back effect" theory.

Furthermore, the basic needs-focused development model concentrates on the poor section of the population and emphasizes that marginalizing people from the development process is the source of the current poverty problem. Basic needs, such as access to education, health, clean water, transportation, lighting, and other public services, can be met with this model. This basic needs fulfillment model arises mainly because many people lack productive assets other than physical strength, work desire, and essential intelligence. Then there is the level of need that incomes cannot reach and the rising standard of living of the poorest, which takes a long time, making them often unable to work.

Third, the human-centered development model emphasizes that development is not only about increasing economic growth and national income and meeting basic needs but also efforts to increase community participation in various life activities to encourage increased productivity.

Many people consider the latter empowerment model more appropriate as it focuses on people and allows communities to participate in their empowerment. The community is the main focus in forming awareness about the importance of participation in development. It has shown that communities, from being passive and reactive, become more active participants in the development process, allowing them to contribute to the process in the hope of providing an enabling environment for actualizing the potential and growth of the community.

The Indonesian government has campaigned on various policies to reduce poverty through community empowerment. Empowerment also focuses on social movements to form the nation and state's independence. The fact that they have tremendous strength to survive is recalled to the community. They are gathering a sense of responsibility and sadness to face various challenges, especially to escape the shackles of poverty. To avoid being colonized again in the current era of globalization, communities must reconsider the importance of their strengths.

The concept of community empowerment from an Islamic perspective

The Prophet Muhammad has implemented the concept of empowerment by modeling justice, equality, and participation in society. Since the Prophet's reign, an actual tolerant perspective has been applied, which results in the principle of hard work and mutual help (ta'awun) for every citizen to carry out religious teachings. There are no longer economic and social differences between one another when there is equality and opportunity to strive.

There is a very close relationship between these principles, which will be explained more precisely as follows:

Principle of fairness

The word justice in the Qur'an is mentioned in the third place after the words Allah and 'Ilm. This shows how this basic value has a very glorified weight in Islam. Justice means freedom with Islamic morals, which if interpreted as unlimited freedom, will destroy the social order in human empowerment

وَلَقَدْ أَرْسَلْنَا رُسُلَنَا بِالْبَيِّنَاتِ وَأَنْزَلْنَا مَعَهُمُ الْكِتَابَ وَالْمِيزَانَ لِيَقُومَ النَّاسُ بِالْقِسْطِ وَأَنْزَلْنَا الْحَدِيدَ فِيهِ بَأْسٌ شَدِيدٌ وَمَنْفَعٌ لِلنَّاسِ وَلِيَعْلَمَ اللَّهُ مَنْ يَنْصُرُهُ وَرُسُلَهُ بِالْغَيْبِ إِنَّ اللَّهَ قَوِيٌّ عَزِيزٌ

"Verily, We have sent Our Messengers with clear proofs, and We have sent down with them the Book and the balance (of justice), that men may execute justice; and We have created iron, in which there is great strength and many benefits for humanity, (that they may use it) and that Allah may know who helps Him and His Messengers, and Allah does not see him. Verily, Allah is strong and mighty" (al-Hadid [57]: 25).

Social justice in a Muslim society applies to the entire population in various ways. An actual Muslim society provides absolute justice for all human beings, preserves their dignity in the fair distribution of wealth, provides equal opportunities for everyone to work according to their abilities and fields, and obtains the fruits of their labor and efforts without colliding with the power of those who can steal the fruits of their efforts. When justice is implemented in every Muslim community around the world, people no longer worry about being powerless and oppressed by those who are more fortunate. (Widjajanti, 2011)

Principle of equality

The same creed, and as a result of the principle of justice, the principle of equality is fundamental. Islam sees each person as an individual, not a community living in a state. All human beings are servants of Allah; there is no difference in the position of human beings or their rights and obligations. Although every basic human need has been thoroughly regulated, it is possible for each individual to fulfill his or her secondary and tertiary needs according to their capacity.

In the principle of equality, no part is better than another in terms of creation or origin. Ability, talent, charity, and effort are the only things that distinguish occupations from other professions. Furthermore, Islam does not see social hierarchy as a difference. The factor of elevation differentiates degrees of devotion to Allah. Thus, all humans have the same opportunity to be empowered."

Participation principle

In the community development approach, participation is an essential component as it is a continuous interactive process. According to the principle of participation, people should actively and directly participate in decision-making to develop themselves, their lives, and the environment. Participation, a voluntary endeavor that fosters a sense of self-worth and enhances dignity, creates a feedback loop that expands the zone in providing an enabling environment for community growth.

Society is educated to build and uphold the state and regulatory values as the ideal society of the Prophet's time. At that time, it relied on moral principles that ensured a balance between the rights and duties of the individual and the rights and duties of society.

Community empowerment in Islam must continually develop and strengthen the ability of the community to always be involved in the dynamic development process. Thus, participation has been well inculcated in the Muslim community at the time of the Prophet and had an excellent impact on the balance of empowerment among the community at that time."

The principle of rewarding work ethic

Ethos is the traits, attitudes, habits, and beliefs unique to a person or group. "Work" includes any action or occupation that brings benefits and goodness to oneself, family, the surrounding community, and the country. The work ethic in Islam stems from a Muslim's belief that work

has a connection to his or her purpose in life, which is to earn the pleasure of Allah SWT. Thus, Islam is essentially a religion of charity or work. Islamic teachings strongly encourage its people to work hard and contain the spirit and encouragement to build a high work culture and ethic. Therefore, human beings must be empowered to learn to recognize themselves and their position to help themselves with their efforts.

"*A hand up is better than a hand down* (HR. Bukhari and Muslim), " the Prophet warned.

Thus, it is evident that Islam does not separate between man and his existence as a human being, as well as his existence as a human being with his personality. Therefore, Islam encourages its people to work, seek sustenance, and strive so that humans are always empowered. Even Islam has made the law of seeking sustenance as *fardhu*. The Prophet also said: "No one eats anything better than he eats from the labor of his own hands." (HR. Bukhari, No. 2072)

The principle of helping (ta'awun)

"*Mutual aid*," or *ta'awun*, comes from Arabic and means to do good. However, in terms of terms, it means actions or actions carried out with a conscience and solely to gain the pleasure of Allah SWT.

By transforming its selfish society into the opposite, Islam can offer practical solutions to contemporary economic problems. All people are encouraged to work together to build an economic system based on the principles of equality and justice, which results in the principle of mutual aid. Everyone should be a beneficial part of others; therefore, if people cannot work, Islam obliges those around them to help them—giving aid to under-empowered communities as proof of their concern and as a fortunate party towards those who are deprived. Starting from his descendants and his heirs, or if no one is obliged to bear, then the closest person who has an obligatory role in fulfilling his needs. (Widjajanti, 2011)(Nizar Nazarullah, 2021)(Ir. Hendra Hamid, 2018)

The effect of ethical financial practices on community empowerment

Ethical Community Financial Institutions (CFIs) can significantly assist community empowerment with ethical financial practices. Ethical financial practices have several critical effects on community empowerment, including:

- a) Justice and Equality: Fair Approach: Ethical financial practices promote a more fair and equitable approach to providing financial services. This can help reduce economic disparities and ensure everyone has equal opportunities.
- b) Transparency and Accountability: Transparency in Transactions: Ethical financial practices emphasize transparency in every financial transaction. This increases transparency and improves people's understanding of their financial management.
- c) Access to Inclusive Finance: Providing Access to All Levels of Society: Ethical financial practices tend to provide financial access to all levels of society, including those previously hard to reach by conventional financial institutions.
- d) Productive Financing: Support for Micro and Small Enterprises: Ethical financial practices support productive financing, especially for micro and small enterprises (MSEs). This promotes economic growth at the community level.
- e) Financial Education and Literacy: Financial Education Programs: Financial education programs are often associated with ethical financial practices. These programs increase people's knowledge about finance to make better financial decisions.
- f) Women's Empowerment: Support for Women's Businesses: Ethical financial practices may support women-owned and operated businesses. This can increase women's participation in economic activities.

- g) Sustainable Investment: Funding Sustainable Projects: Ethical financial practices often support investments in sustainable and environmentally friendly projects, which generate long-term value for society.
- h) Active Community Participation: Shared Decision Making: Ethical financial practices can encourage communities to actively participate in the financial decisions that affect them actively, fostering a sense of ownership and responsibility for their choices.
- i) Welfare Improvement: An ethical LKS can improve the welfare of society by providing fair and transparent financing, reducing poverty levels, and improving living standards.
- j) Economic Sustainability: Ethical LKS focuses on sustainability and can help build a sustainable economy by supporting environmentally friendly and impactful projects.
- k) Local Community Empowerment: Ethical LKS can help strengthen local communities by providing funds and resources for infrastructure and social projects that empower communities.
- l) Increased Social Empowerment: Ethical LKS can help build a more aware and responsible society. (Muheramtohad, 2017) (Ardila, 2018) (Permata, 2017) (Shofia Nailul Muna Firdausi, 2019)

4. Conclusion

The result of the discussion is that community empowerment is a deep and complex concept involving justice, equity, participation, work ethic, helping hand, and ethical financial practices. Empowerment is not just giving power but also a development process that creates a favorable environment for people's progress and well-being.

In the Indonesian context, the 1945 Constitution emphasizes the importance of protecting and improving the general welfare. It establishes the principle of kinship in the economy and the management of natural resources for the prosperity of the people as the foundation for community empowerment.

According to Islam, justice, equality, participation, help, and respect for the work ethic are the basis of community empowerment. The Prophet used these concepts to build a just and empowered society.

In addition, applying these principles enables ethical community financial institutions to promote community empowerment. Ethical financial practices promote fairness, transparency, inclusive access to finance, productive financing, financial education, women's empowerment, sustainable investment, greater community participation, improved welfare, economic sustainability, and empowerment of local communities.

Therefore, throughout the discussion, the importance of incorporating the values of fairness, participation, and ethics is an effort in community empowerment. This is, therefore, emphasized from the perspective of law, religion, and financial practices.

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