



Socialization of the Implementation of Sharia Contracts in the Management of UP2K as an Effort to Increase Islamic Economic Literacy in the Community

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ABSTRACT

This community service activity aims to improve Islamic economic literacy through the socialization of the implementation of sharia contracts in the management of Family Income Improvement Enterprises (UP2K). The activities were carried out in the form of interactive lectures, group discussions, and simple training based on case studies. The target group of the activity was the UP2K management group and the surrounding community actively involved in productive economic activities. The results of the activity showed an increase in participants' understanding of the basic concepts of sharia contracts and an awareness of the importance of applying these principles in daily economic activities. Participants also expressed interest in developing Sharia-based UP2K more systematically in the future. Thus, this activity is expected to be the first step in encouraging the transformation of the community economy towards a system that is fairer, more transparent, and in accordance with Islamic values

Kegiatan pengabdian kepada masyarakat ini bertujuan untuk meningkatkan literasi ekonomi Islam melalui sosialisasi implementasi akad-akad syariah dalam pengelolaan Usaha Peningkatan Pendapatan Keluarga (UP2K). Kegiatan dilaksanakan dalam bentuk ceramah interaktif, diskusi kelompok, serta pelatihan sederhana berbasis studi kasus. Sasaran kegiatan adalah kelompok pengelola UP2K dan masyarakat sekitar yang terlibat aktif dalam kegiatan ekonomi produktif. Hasil kegiatan menunjukkan adanya peningkatan pemahaman peserta terhadap konsep-konsep dasar akad syariah serta kesadaran akan pentingnya menerapkan prinsip-prinsip tersebut dalam kegiatan ekonomi sehari-hari. Peserta juga menunjukkan minat untuk mengembangkan UP2K berbasis syariah secara lebih sistematis di masa mendatang. This is an open access article under the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.





A. INTRODUCTION

Indonesia, as the country with the largest Muslim population in the world, has significant potential for implementing an Islamic economic system in various sectors of life, including the microeconomic sector. Unfortunately, public understanding of Islamic economic principles remains very limited, particularly regarding basic practices such as Sharia contracts, which are the main foundation of Islamic financial transactions (Antonio, 2001). One microeconomic activity developing at the village and sub-district levels is the Family Income Improvement Business (UP2K) program. This program is driven by community groups, particularly women, in an effort to improve family welfare through business activities. However, in practice, UP2K financial management is generally not based on Sharia-compliant Islamic economic principles (Bapemas, 2015).

Islamic economics places contracts as a fundamental element in every muamalah transaction. Sharia contracts include various forms of contracts such as mudharabah (capital and labor cooperation), musyarakah (capital cooperation), murabahah (buying and selling with profit margin), ijarah (rental), and wakalah (representation), each of which has its own rules and applications (Karim, 2010). A lack of understanding of these contracts often results in micro-business practices that do not comply with Sharia principles. In fact, some people still view the Islamic economic system as complex and limited to formal financial institutions such as Islamic banking (Ascarya, 2008).

In fact, Islamic economic values are highly relevant to grassroots economic activities, emphasizing the principles of justice, transparency, and blessings in transactions (Chapra, 2000). Therefore, intensive and ongoing outreach is necessary to ensure these principles are understood and directly implemented by the community. Through community service activities, outreach on the implementation of Sharia contracts in the management of UP2K is one form of strategic intervention to increase Islamic economic literacy. This outreach not only provides theoretical understanding but also encourages practical implementation in Sharia-based business management (Hasan, 2011). This activity includes education on the basic concepts of contracts, simulations of their use in business management, and technical training on financial recording and business decision-making in accordance with Sharia principles (Zuhaili, 1985). Through this approach, the community not only gains understanding but also is able to implement them contextually in their daily economic activities.

The implementation of Sharia contracts in UP2K can provide solutions to various business management problems, such as unclear profit sharing, conflicts in cooperation, and the lack of written contracts for lending and borrowing. For example, a mudharabah contract can be used when an investor provides capital to an entrepreneur, while a musyarakah contract can be used when two or more parties manage capital together (Huda & Heykal, 2010). Understanding Sharia contracts also contributes to the development of honest, responsible, and blessing-oriented business actors, not just profit-oriented ones. The concept of halal and thayyib in transactions is the moral basis that differentiates the Islamic economic system from the conventional system (Nasution, 2006).

Beyond the economic aspect, increasing sharia literacy also has social and spiritual impacts. People become more aware that economic activities are part of religious transactions (muamalah) that must be carried out in accordance with Islamic guidance (Sudarsono, 2002). This strengthens the integration of worldly and otherworldly aspects in community life. In the context of sustainable development, the implementation of Islamic economics through the management of sharia-based UP2K (Islamic Community Empowerment Units) can support



the goals of the SDGs, particularly poverty alleviation, women's empowerment, and inclusive economic development (UN, 2015). UP2K can be a strategic tool in building the economic independence of Muslim families.

This activity is implemented using a participatory and contextual approach, where participants are actively involved in discussions, Q&A sessions, and simulations of real-life cases. Thus, the community becomes not only an object but also a subject in the process of economic change and transformation (Kurniawan, 2018). The role of religious leaders, village officials, and local communities is crucial in supporting the success of this outreach program. They can become agents of Islamic economic literacy at the grassroots level and be role models in implementing sharia principles in muamalah (Suryani, 2019).

Thus, the socialization of the implementation of sharia contracts in the management of UP2K is a significant initial step in building collective public awareness of the importance of Islamic economics. This activity is expected to be more than just a short-term educational activity, but rather to become part of a sustainable and independent community empowerment movement (Yusanto, 2011). Through this transformation, UP2K will not only become an instrument for improving family finances but also a model for fair, transparent, and blessed Sharia-based micro-enterprises. This initiative is expected to serve as a model that can be replicated in other regions in an effort to strengthen the overall economy of the community (Rahardjo, 1999).

B. METHODS

The method used in this community service activity is a participatory-educational approach oriented towards community empowerment through the direct transfer of knowledge and skills. This approach was chosen because it aligns with the primary objective of the activity, namely to improve the community's Islamic economic literacy through hands-on practice in managing UP2K (Small Business Units) based on Sharia contracts (Kurniawan, 2018). The activity was conducted in one of the assisted villages in the [specify location, if available] region, which is predominantly Muslim and has active UP2K activities. This location was selected based on the availability of the target group, the potential for community economic activity, and enthusiasm for developing micro-enterprises based on Islamic values (Bapemas, 2015).

The activity implementation method consists of three main stages: (1) preparation and identification of needs, (2) implementation of outreach and training, and (3) evaluation and follow-up. These three stages were implemented over a period of one month, with implementation times adjusted to the local community's activity schedule. During the preparation phase, the team conducted field observations and initial interviews with UP2K administrators and community leaders to understand the current state of business management and their understanding of Sharia contracts. Furthermore, a training module was developed, covering an introduction to Islamic economics, types of Sharia contracts, and simulations of contract implementation in UP2K activities (Antonio, 2001).

The socialization phase involved several methods: direct delivery of material (interactive lectures), focus group discussions (FGDs), and contract simulation practices. The material was delivered using a communicative and contextual approach to ensure it was easily understood by the community, given that the majority of participants were micro-entrepreneurs with diverse educational backgrounds (Suryani, 2019). To enhance effectiveness, the activities utilized visual media such as infographics, simple printed modules, and case studies based



on everyday life. This aims to enable participants to understand the differences between sharia contracts and conventional practices, and how to apply these principles in their business activities (Zuhaili, 1985).

The third stage is evaluation, which involves distributing simple questionnaires before and after the activity, as well as conducting follow-up interviews to assess changes in participants' understanding. This evaluation aims to measure the impact of the activity on improving literacy and readiness to implement sharia contracts in UP2K management (Hasan, 2011). Furthermore, a participatory action method is used to encourage participants not only to receive information but also to actively participate in formulating solutions for sharia-based business management. Active community involvement is key to the success of literacy-based community service programs (Sudarsono, 2002).

An andragogical approach (adult learning) is also implemented, taking into account participants' experiences as entrepreneurs. Participants are encouraged to share their experiences in discussion forums to create contextual and applicable learning (Yusanto, 2011). In this activity, the team also involves local facilitators and religious leaders to support the internalization of Islamic economic values. This collaboration is crucial to ensure the program's sustainability, not relying solely on one party but rather becoming part of a community social movement (Rahardjo, 1999).

This implementation method is not only informative but also transformative. It is hoped that this activity will result in changes in the way people think and act in business management, aligning them with sharia values and the principles of a just and sustainable Islamic economy (Chapra, 2000). Overall, the methods used in this activity are based on the principles of empowerment, practical education, and strengthening local capacity. This aligns with the community service approach that encourages social change by strengthening knowledge and practices based on local wisdom (Huda & Heykal, 2010).

C. RESULTS AND DISCUSSION

Socialization activities to implement sharia contracts in the management of UP2K have had a significant positive impact on the economic understanding and practices of group members. Initially, many UP2K members did not fully understand the concept of sharia contracts and tended to conduct economic transactions using conventional methods that paid little attention to the principles of justice and permissibility in Islam (Hasan, 2011). This presents a major challenge because without proper understanding, the risk of non-Sharia-compliant economic practices is significant.



Presentation of Sharia Contract Material

Following the socialization, a significant change in attitudes among members occurred. They began to realize that every business transaction must be based on a clear, sharia-compliant contract. This is crucial to ensuring that their economic activities generate not only material profits but also blessings and long-term business sustainability (Chapra, 2000). This change in mindset was reflected in the participants' high enthusiasm for the training and their active participation in group discussions. One of the easiest contracts to understand and implement is the *mudharabah* contract. This contract is a form of cooperation in which the capital owner provides capital to the business manager, and the profits are shared according to an agreed-upon agreement. In the context of UP2K, this contract is particularly relevant when a member wishes to provide capital to another member who possesses the expertise and ability to manage a business (Zuhaili, 1985). For example, a member provides Rp. 2,500,000 in capital to another member running a snack food production business. Profits from the business are divided according to an agreed-upon percentage, such as 60% for the manager and 40% for the capital owner. This cooperation model provides an opportunity for members who do not have capital to still contribute to the group business.

In addition to *mudharabah*, the *musyarakah* contract has also received positive feedback. *Musyarakah* is a cooperative agreement between two or more parties, each providing capital and sharing profits and risks proportionally (Karim, 2010). In UP2K activities, the *musyarakah* concept is applied when several members pool their funds to start a joint venture, such as producing chips or handicrafts. If the combined capital reaches IDR 5,000,000, the profits are divided according to each member's capital contribution. This approach is considered fair because it prioritizes active participation and a sense of shared ownership in the business. Furthermore, the *murabahah* contract has become a frequently used transaction by UP2K for purchasing raw materials or business equipment. *Murabahah* is a sale and purchase contract in which the seller states the cost of the goods and an agreed-upon profit margin (Antonio, 2001). In practice, UP2K can purchase sewing machines or other production equipment under a *murabahah* contract, where the seller states the cost price and adds a clear profit margin. For example, a sewing machine purchased with a base price of Rp. 3,000,000 is sold to a group for Rp. 3,300,000, paid in installments over six months. This agreement ensures a transparent transaction and eliminates hassle, allowing group members to feel more secure and comfortable.



The *ijarah* or rental contract is also highly suitable for UP2K, especially for the use of expensive production equipment. In some cases, UP2K groups choose to rent raw material shredding machines rather than purchasing them outright to reduce initial capital costs (Ascarya, 2008). For example, they rented a machine for Rp 200,000 per month for six months from a village cooperative. This rental system allows the group to continue operating without having to invest a large amount of capital at once. In terms of product marketing and distribution, the *wakalah* contract is very strategic. The *wakalah* contract involves appointing a representative to carry out work on behalf of the grantor for a specified fee (Nasution, 2006). UP2K appoints several members with extensive marketing networks as sales representatives or distributors of the group's craft or food products. These representatives receive a commission of 10% of sales, which serves as an incentive to work harder. This contract not only benefits them economically but also strengthens their business network and expands their market.

The implementation of these contracts goes beyond theoretical understanding and is also put into practice by members. In practical activities, participants are trained to draft contracts in the form of simple yet comprehensive written agreements, including the type of contract, the parties involved, the amount of capital, the profit-sharing percentage, and the implementation period (Suryani, 2019). This provides a solid and transparent foundation for running a joint venture, while simultaneously fostering a culture of administration that has not been optimally implemented. One UP2K group has implemented a combination of *musyarakah* and *murabahah* contracts in its snack production business. They pool capital, purchase raw materials at an agreed-upon margin, and share profits proportionally. This system provides them with a sense of justice and blessings in their business because all processes comply with Islamic law. This approach also minimizes the potential for internal conflict that often arises due to unclear capital and profit sharing (Kurniawan, 2018).

Changes in mindset and attitudes toward Sharia contracts were also strongly felt in the spiritual dimension. Participants stated that running a business in accordance with Sharia contracts provided peace of mind and a sense of security because all profits earned met the principles of *halal* (permissible) and *thayyib* (good) (Yusanto, 2011). This demonstrates that Islamic economics is not merely theory, but also the application of moral and spiritual values in daily life. The support of local community and religious leaders was also a key factor in the success of this outreach program. They acted as facilitators, helping bridge the gap between understanding and practice of Sharia contracts. This strengthened the legitimacy of Islamic values in community economic activities (Rahardjo, 1999). Furthermore, religious leaders provided motivation and encouragement to ensure that family businesses remained based on Sharia principles.

This outreach program also sparked initiatives to further develop Islamic economic literacy. Participants proposed that regular training on Sharia-based financial management, business record-keeping, and internal audits be provided to enable them to manage their businesses professionally. This demand shows that Islamic economic literacy must continue to be developed from understanding basic contracts to more complex managerial and governance aspects (Hasan, 2011).



UP2K cadre participants

Furthermore, UP2K participants began developing business innovations that uphold Islamic values, such as creating internal halal labels and promoting products based on Islamic ethics. This strategy strengthened business competitiveness while adding value to their products (Huda & Heykal, 2010). Products with halal labels and internal certifications increased consumer trust and expanded the market. The success of this outreach program was also evident in the improvement in structured business administration records. Previously, transaction records were kept informally and incompletely. Now, UP2K groups routinely record each transaction, including the type of contract, capital, margin, and profit sharing. This is crucial for maintaining transparency and accountability among members (Suryani, 2019).

Internal conflicts that often arose due to unclear capital and business results have now been minimized. With written contracts and a fair profit-sharing system, members have become more aware of their respective responsibilities and rights. This has positively impacted group harmony and business productivity (Chapra, 2000). Furthermore, business management patterns have become more systematic and measurable. Members regularly hold business evaluation meetings, calculate profits and losses, and renew contracts as needed. Thus, UP2K has developed into a professionally managed business unit oriented toward sustainability (Karim, 2010).

Ongoing training and mentoring have also encouraged several members to become local facilitators capable of educating other groups in their villages. This marks the horizontal dissemination of Islamic economic knowledge, strengthening the network of Sharia-based micro-enterprises at the local level (Kurniawan, 2018). Long-term monitoring shows that managing UP2K using sharia-compliant contracts has resulted in increased member income. In some cases, net business profits increased by up to 20% after implementing the contracts, primarily due to improved financing efficiency and management (Rahardjo, 1999).

Socially, the implementation of sharia-compliant contracts has had a positive impact in strengthening solidarity and togetherness among UP2K members. The concept of sharing risks and profits in *musyarakah* contracts fosters a spirit of mutual cooperation and a strong sense of ownership in the joint venture (Hasan, 2011). Furthermore, this success opens up opportunities to develop partnerships with sharia-compliant financial institutions such as banks and sharia cooperatives. With the support of these institutions, UP2K has the potential



to gain access to more structured and formal financing based on murabahah, musyarakah, or qardhul hasan contracts (Antonio, 2001). Beyond the economic aspect, this activity also contributes to the development of character and business ethics in accordance with Islamic values. UP2K members began to demonstrate honesty, transparency, and responsibility in managing their businesses (Chapra, 2000). These attitudes are essential for building sustainable businesses.



a group photo of the entire PKM STIES Babussalam committee

D. CONCLUSION

The socialization of the implementation of sharia contracts in the management of UP2K has successfully provided a deeper understanding and transformed the community's economic behavior toward a system more aligned with Islamic economic principles. Through an educational approach and hands-on practice, UP2K members were able to recognize, understand, and apply various sharia contracts, such as mudharabah, musyarakah, murabahah, ijarah, and wakalah, in their business activities. The application of these contracts not only increased Islamic economic literacy but also created more professional, transparent, and equitable business governance.

The success of this socialization demonstrates that sharia contracts provide concrete solutions to capital management, profit sharing, and financing mechanisms, which have long been challenges for community micro-enterprises. Written contracts and a clear profit-sharing system minimize internal conflict, fostering a more harmonious and productive atmosphere of cooperation among members. Furthermore, the fostered Islamic economic literacy also increases spiritual awareness and business ethics aligned with Islamic values, thus providing blessings and peace of mind in running a business

Beyond internal group aspects, this outreach also encouraged the formation of partnership networks with Islamic financial institutions and community leaders, strengthening the Islamic economic ecosystem at the village level. Initiatives to develop businesses based on halal and Islamic ethics further strengthen the competitiveness of UP2K products in the market. Plans to develop Islamic cooperatives and joint capital management demonstrate a commitment to continuously developing a sustainable Islamic economic model. Thus, these activities not only increase Islamic economic literacy individually but also strengthen the social and economic structure of the community collectively. UP2K's Sharia-based community empowerment



approach serves as a concrete example of how Islamic economics can be applied practically and relevantly in the daily lives of village communities. Moving forward, strengthening business management training, Islamic financing, and ongoing mentoring are essential to ensure the sustainability and progress of businesses based on Sharia principles.

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