

## Enhancing the Capacity of Women-Based Microfinance Groups in Margamulya Village, Lebak Regency

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### Article Information

Article history

Received: September 23, 2024

Revised: May 25, 2025

Accepted: May 30, 2025

Keywords: Entrepreneurial Capacity;  
Family Welfare; Productive Zakat

### Abstract

A women's community in Margamulya village, Cileles district, Lebak Regency, is a Women-Based Microfinance Group (KKMBP) forum member. This group receives capital assistance from zakat funds for business capital, but they are often unable to return the loan because the loan funds run out for daily food costs because the business is not profitable. The main problems are: 1) lack of understanding of the status of the loan funds for members who get loans from zakat funds, and 2) the level of ability of residents to manage businesses so that the business is not profitable. Therefore, community service is needed to increase the retention and understanding of partners about the status of loan funds sourced from Zakat so that participants can increase their capacity on how to manage the trading business that has been run and how to increase business profits so that they can improve the family economy which is further avoided by loan sharks who continue to try to provide loans with a very burdensome interest burden. The result of this service is in the form of increasing residents' business capacity, as evidenced by the ability of residents to open and manage businesses in the form of two meatball stalls, two seblak stalls, and two fritter stalls. The six stalls can operate and provide benefits to residents so that they can improve the family economy.

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### INTRODUCTION

The village of Margamulya in Cileles Subdistrict is known to have difficult road access, with not all four-wheeled vehicles able to traverse the access road to the community settlement due to rocky and muddy road conditions when flooded by rainwater. These conditions also hinder community activities. In addition to the geographical distance from the main road, the access road to the village is approximately 5 kilometers long, with a dirt and rocky surface. However, some asphalt has already deteriorated and peeled off. Furthermore, the educational level of the zakat recipients (the community receiving Zakat) still includes some who cannot read or write, with an average elementary school education level. Therefore, efforts to provide understanding must be done through an approach that is easy to comprehend. One such approach is participating in religious activities such as religious study sessions. This village is far from development efforts as it is located in the middle of oil palm and rubber tree plantations.

The village has very limited mobile phone coverage and severely damaged roads. Moreover, during rainy conditions, the roads are impassable for four-wheeled vehicles. Transportation for the villagers relies on motorcycle taxis, whose costs are a significant burden for the villagers. The villagers' income comes from agricultural produce or working as laborers in the palm oil and rubber plantations in the village, with a small portion migrating to work in major cities.

Research conducted in the village indicates that its residents receive productive zakat funds managed by the Harapan Du'afa Zakat Management Institution (LAZ HARFA). The distribution of productive Zakat by LAZ HARFA takes the form of empowerment programs through three aspects: sanitation improvement, self-reliance programs, and backyard land utilization programs (Husain & Maria, 2023). In the self-reliance program, zakat empowerment is carried out through loaning funds (qardul hasan) as business capital to its members

under the guidance of the Women-Based Microfinance Group (KKMBP). The group's administrators and members manage a very simple gathering place. However, residents often cannot repay the loans because the loan funds are spent on daily living expenses or used for business capital that does not generate profitable income. The issues are: 1) lack of understanding among borrowers about the status of the loan funds and 2) residents' limited ability to manage businesses, resulting in unprofitable ventures. The above issues residents face require community service programs to enhance the capacity of village residents to manage their established businesses and improve business profitability, thereby boosting family economics and avoiding loan sharks who continuously offer loans with extremely burdensome interest rates.

Empowerment through productive Zakat is an alternative solution to address Zakat recipients' challenges. Productive Zakat is Zakat given to the poor, whose purpose is not merely consumptive or temporary but primarily aimed at ensuring that the Zakat funds have a lasting impact on improving living standards over the long term.

The distribution of productive Zakat in the form of capital assistance, training, and mentoring for beneficiaries is in accordance with Law No. 23 of 2011 on Zakat management and MUI Fatwa No. 4 of 2003 on the Use of Zakat Funds for Investment. This law permits the distribution of Zakat to improve the quality of the community. Meanwhile, the MUI Fatwa permits the distribution of Zakat for investment purposes (*al-Istitsmar*) as long as it aligns with activities that do not contradict Islamic Sharia (*ath-thuruq al-Masyru'iyah*) and there is no urgent need for the beneficiaries (*Gumiri & Alghifari, 2020; Nazaruddin, 2022*). Based on the above discussion, productive efforts in zakat empowerment include providing capital, training, and mentoring (*Fathullah, 2015; Lubis, 2022*).

The capital structure of productive zakat empowerment can take the form of *Qardul hasan* or a free grant that does not require the *mustahik* to repay the capital (*Hasan et al., 2021*), a form of loan with no additional charges upon repayment (*Abdullah, 2015*). Capital provision can also be done in the form of *Mudharabah* or investment, where the recipient is required to share the profits if the business is profitable, although this form is still very limited (*Mubasirun, 2013*). Some financial institutions have applied the concept of *qardul hasan* in the distribution of productive Zakat. *Baitul Mal al-Hasanah* in East Lampung provides financing through *qardul hasan* in accordance with Sharia principles (*Yulianto, 2018*). *Mudharabah* is one of the methods used for poverty alleviation through the Islamic microfinance framework (*Ali et al., 2019*). The concept of *mudharabah* is also a form of Islamic financial inclusivity that is culturally and religiously

acceptable in Islamic countries worldwide. *Mudharabah* helps entrepreneurs continue growing and developing through access to capital (*Choudhury et al., 2019*).

The method to address partner issues is to enhance their capacity by actively involving them. This method is often called Participatory Rural Appraisal (PRA) (*Chambers, 1994; Narayanasamy, 2009*). The participation involved begins from the stages of socialization, training, and mentoring. The PRA method is implemented through observation, socialization, counseling, training, and mentoring. The socialization or counseling provided aims to disseminate information and change the community's behavior in their surroundings (*Amelia et al., 2024*). This is because socialization leads to meaningful knowledge acquisition that can alter daily behavior (*Rangkuti et al., 2020*).

## MATERIALS AND METHODS

Participatory Rural Appraisal (PRA) is used in this community service. The PAR method emphasizes the active involvement of the community in all stages of the program, from problem identification to evaluation, to provide solutions to community problems (*Table 1*).

The socialization stage involved the Women-Based Microfinance Group (KKMBP) to conduct socialization with its members. Next is the training stage; at this stage, training will be given to members of the KKMBP group in *Margamulya* village, which is divided into three villages: *Sengkol*, *Cimerak*, and *Kaungsari*. The training material certainly presents competent instructors. The training materials are as follows:

- 1) Production: the trainees are given material on producing goods or services that can make money. The business here is limited to producing goods in the form of fried food production, meatballs, and seblak.
- 2) Management: the participants receive training on managing the business that will be run, starting, determining, implementing, evaluating, controlling, and improving.
- 3) Marketing: participants will receive training on finding a place and marketing their business products. Whether visiting places where people gather, for example, in the school environment, religious activities, community activities, etc.

The final stage involves mentoring and evaluation. Most of the group members are housewives with a relatively low level of education, which is why assistance is necessary. The mentoring will take place over 8 weeks, carried out by students involved in this community activity. The mentor's role is to monitor the progress of the program. Evaluation will be conducted monthly to assess the effectiveness and outcomes of the activities.

**Table 1.** Problems, solutions, and outputs

Problems	solutions	outputs
Partners get a loan from Zakat (without interest) to be used as business capital, but the funds cannot be returned by the due date.	Socialization to members of the Business group in the form of: 1) Religious approach: Obligation to return loan funds is a requirement of the Islamic religion 2) Social approach: Funds used in productive Zakat revolving in nature.	Partners are aware and understand that funds received must be returned to be rolled over and used by others. The benchmarks are returning funds on time.
The level of understanding of partners in managing a business. The funds were disbursed to improve the family economy through trade, but the loan funds used for business did not generate a decent profit, and the loan funds were used for daily needs because the ability to create and manage a business was minimal.	Conduct training in the form of the ability to manage a trading business. The training materials are: 1) Skills to manage a successful and blessed business. 2) Skills to manage business finances so that the business does not end up bankrupt. 3) Skills to produce merchandise such as meatballs, seblak, and fried foods.	Trade business opening and assistance in the form of: Two meatball stalls, two seblak stalls, and two fried food stalls

## RESULTS AND DISCUSSION

### Implementation of Community Service Activities

This partnership-based service activity was carried out in Margamulya Village. Observations have been implemented with KKMBP members and facilitated by the head of Margamulya village. This observation was carried out to obtain information on the problems faced by residents and their resolution plans (Fig.1). Furthermore, a location survey was conducted in villages that have the potential to improve the economy of residents through an entrepreneurship program in the form of opening a community trading business. The village government and residents were enthusiastic when this plan was presented and ready to participate in this entrepreneurship capacity-building program.



**Fig. 1.** Implementation of observation and consolidation

Entrepreneurship capacity-building socialization and training activities were conducted on Thursday, September 19, 2024, at the Margamulya Village Hall in Cileles Subdistrict, Lebak District. The event was attended by the Margamulya Village Head and members of the KKMBP, with approximately 30 participants (Fig. 2). The socialization materials covered the following topics:

1. Increasing household income: Increasing household income by leveraging potential income sources through business activities, thereby improving family finances.
2. Upholding trust: It is important for residents who receive revolving business loans from productive zakat funds (qardhul hasan) to uphold trust, as borrowers have an obligation to repay the loans. Similarly, families need to protect themselves from the temptations of loan sharks offering extremely usurious loans.
3. Entrepreneurial skills: It is important for families, especially women, to have entrepreneurial skills through business ventures and the ability to produce goods. Managing a business depends on three main elements:
4. Production: Participants in the training are provided with materials on producing goods or services that generate income. The business here is limited to producing fried foods, meatballs, and seblak.
5. Management: participants receive training on business management, including planning, implementation, evaluation, control, and improvement.
6. Marketing: participants receive training on how to find locations and develop marketing strategies for their products. This includes visiting places where people gather, such as schools, religious activities, community events, etc.



The training materials provided to participants are as follows:

1. Financial Management Skills: Managing a business, including financial management and marketing strategies. It has become common for residents to run businesses without proper financial management, leading to bankruptcy and closure. Regarding marketing strategies, business managers receive training on proper marketing through promotions on social media platforms such as Facebook and Instagram.
2. Skills in producing merchandise such as meatballs, seblak, and fried snacks (Fig. 3). This training equips participants with the knowledge to produce meatballs, seblak, and fried snacks. The training includes recipes for making meatballs, seblak, and fried snacks and hands-on practice in preparing them. Participants take turns trying to make and serve these goods, making them appealing to buyers and generating significant profits.



Fig. 2. Socialization activities to increase entrepreneurial capacity



Fig. 3. Training activities for making meatballs, seblak, and fried foods

### Opening a Trading Business and Capital Assistance

After the participants received socialization and training, six selected participants were allowed to open a business, with two opening meatball

businesses, two opening seblak businesses, and two opening fried food businesses (Table 2). The six participants were expected to put into practice what they had learned from the training.

Table 2. Participants who opened a business

Name	Address	Type of Business	Business Name
Rukiyah	Kp. Cimerak	Meatballs	Bakaso 3R Berkah
Lusi	Kp. Cimerak	Meatballs	Bakso Mamah Kembar
Suryati	Kp. Kadupocol	Seblak	Seblak prasmanan WJR
Imas	Kp. Cilatak	Seblak	Seblak Mamah Imas
Suheni	Kp. Kadupocol	Fritters	Gorengan The Eni
Edah	Kp. Singa Agung	Fritters	Gorengan Ceu Endah

To facilitate the implementation of commercial activities, all selected participants who opened commercial businesses received equipment assistance, which was handed over directly to the participants in the presence of the local village government (Fig. 4).



Fig. 4. Handover of capital assistance for business equipment

On September 20, 2024, six villages in Margamulya village simultaneously launched a business consisting of two meatball vendors, two seblak vendors, and two fried food vendors (Fig. 5). The opening of the business was witnessed by the head of Margamulya Village Wawan Irawan, members of the KKMBP, and the initiators of this community service program. The enthusiastic residents who opened their businesses were immediately swamped by buyers, including housewives, office workers, schoolchildren, and residents who had received promotional coupons distributed earlier. The vendors were very happy because they could sell their goods by applying the knowledge gained from the socialization and training they had participated in. They were happy because their businesses received a warm welcome from other residents. They hope they can continue selling to help support their families' economies.



**Fig. 5.** Businesses in the form of stalls spread across six villages

### Evaluation and Mentoring

The business venture, which six business partners have run, was monitored and assisted for approximately eight weeks. The monitoring involved observing the consistency of the traders in opening

their businesses, implementing business strategies, providing the best possible service to customers, and other related activities. The community service activities successfully assisted the partners in repaying their loans through religious and social outreach. Training in business skills, finance, and product production enhanced the economic empowerment of the partners, who successfully opened two meatball businesses, two seblak businesses, and two fried food businesses, generating profits and innovative empowerment (Table 3).

An evaluation was then conducted through a Focus Group Discussion (FGD). The discussion involved merchants, village officials, the community service team, and other volunteers. Each merchant shared an overview of their business operations over the 8 weeks. They discussed the empowerment gains they had achieved, the challenges faced during business operations, and other factors that could enhance their business operations.

**Table 3.** Changes after intervention

Initial Condition	Intervention	Condition Change
Partners are unable to repay loans.	Socialization through religious and social approaches	Partners can set aside business profits to repay loans.
Level of understanding in managing a business.	Conducting training in a) Business management skills, b) Financial management skills, c) Skills in producing goods such as meatballs, seblak, and fritters.	Economic empowerment; obtaining business profits.  Innovation empowerment: Partners can produce goods and open and run businesses, namely two meatball businesses, two seblak businesses, and two fried food businesses.

Mamah Imas, a seblak vendor, is grateful to have a business because she can set aside profits for her children's snacks. The empowerment gained is: a) Economic empowerment; through her business, she can set aside profits for her children's education savings and business development; b) Innovative empowerment by opening a seblak business with sales tools such as a cart and business signs/banners, the community has become more familiar with it, leading to increasing requests/orders for boxed rice



and Smashed fried chicken for family and community celebrations; c) Challenges: The challenges faced include unpredictable weather and the distance required to procure raw materials.

Seblak vendor WJR. This is one of the vendors that has developed quite rapidly among others. This is due to good customer service and the use of social media to engage with customers; a) Economic Empowerment: The seblak business has generated high profits due to disciplined financial management. These profits are reinvested as capital for the business, offering a wide variety of seblak toppings; b) Innovation Empowerment: The WJR seblak business has seen an increase in the number of vendors daily due to its attractive promotional system, including a free sweet iced tea program for every 5 seblak portions purchased, a free 1 portion for every 10 portions purchased, a Friday Blessing program, a delivery and pickup service program, and other innovations; c) Challenges: Location and sales space are challenges as the number of customers continues to grow while the business premises remain limited. We hope for future expansion into a larger, more representative, and comfortable business space.

Ceu Edah's Fried Snack Vendor: Initially, the fried snack business was located on the side of the road, but over time, the business location was moved closer to the house for easier monitoring. The distance between homes in the village challenges business expansion, but the fried snack business continues to operate. a) Economic Empowerment: Helping with family finances by providing daily necessities; b) Innovation Empowerment: Producing a variety of fried snacks according to consumer needs; c) Challenges: Procuring raw materials requires traveling to the large market in the district town.

Eni's Fried Snacks. The opening of the business with a cart and a business signboard has boosted confidence in running the business. Through the business near the school, Eni's Fried Snacks has found: a) Economic Empowerment, which is in the form of setting aside profits for future capital and children's education needs. Eni is able to save money in her child's school savings account, ensuring strict discipline in the use of funds. b) Innovation Empowerment: the Friday Blessing Program is Eni's mainstay, ensuring that her goods sell out on Fridays. c) Challenges: theft of goods by certain individuals occurs, but Eni continues to sell and operate her business.

Bakso 3R Berkah, operating a business near a school, has its unique appeal because most customers are schoolchildren, so the prices of goods are adjusted to suit the consumers. a) Economic Empowerment: the Bakso 3R Berkah vendor earns a profit, though not a large one, but there is enough to set aside. b) Innovation Empowerment: the vendor can create products tailored to consumers'

purchasing power, so ongoing innovation is necessary. c) Challenges: The presence of ice cream and other beverage vendors prevents the Bakso 3R Berkah vendor from expanding their business into beverage sales.

Bakso Mamah Kembar. A meatball stall operating in a madrasah school area must be smart in adjusting prices to customers' purchasing power. The stall's operating hours, which align with the madrasah schedule, have not yet been optimized. a) Economic Empowerment: Although the profits are not very large, the business continues to operate in line with the school schedule. However, it provides minimal economic support for the family, at least for the children's snacks. b) Innovation capacity: Since the majority of customers are madrasah schoolchildren, innovative pricing is needed to make it affordable for buyers. c) Challenges: Weather plays a significant role, as some items, like ice cream, do not sell well during the rainy season. The madrasah school schedule also poses a challenge, making the stall's operating hours less than optimal.

## CONCLUSION

The community service conducted in Margamulya village has improved the knowledge and skills of residents in producing merchandise. This is evidenced by the opening of six businesses, including two meatball businesses, two seblak businesses, and two fried food businesses. The turnover of these businesses has increased because they use proper service management and financial management. These benefits have significantly helped family economies, such as for children's snacks, school fees, and kitchen needs.

The limitations of this community service initiative include the remote location of the village, challenging road access, and weak internet connectivity, which have impacted the procurement of raw materials for business products and limited mentoring support. Future community service activities can be conducted with continued mentoring to help partners build consistency in using professional management in running their businesses and assist in raw material production machines and digital communication infrastructure.

## ACKNOWLEDGEMENTS

We thank Serang Raya University, the Margamulya village administration in the Cileles subdistrict, Lebak regency, and KKMBP Margamulya partners.

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