

STRENGTHENING MSME GOVERNANCE BASED ON SHARIA ECONOMIC VALUES (INDEPENDENT INTERNSHIP STUDY ON THE PANCONG LAVA CAKE BUSINESS AS AN IMPLEMENTATION OF ISLAMIC BUSINESS ETHICS)

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Abstract: This study aims to analyze the strengthening of Micro, Small, and Medium Enterprises (MSMEs) governance based on sharia economic values in the Pancong Lava Cake business. The research employs a qualitative descriptive method with data collected through direct observation, in-depth interviews, and documentation during internship activities. The findings reveal that the implementation of Islamic business ethics in the Pancong Lava Cake business is carried out consistently and integrated into every operational aspect. This is reflected in the application of the principles of honesty (ʿiḍq), trust (amānah), and blessings (barakah) within business governance, from transparent financial management using a double entry recording system, humanistic production patterns and human resource management grounded in the values of ‘adl (justice) and ukhuwah (brotherhood), to marketing strategies that emphasize truthful product representation. Furthermore, this business demonstrates a strong commitment to social responsibility by allocating a portion of its profits for charity (ṣadaqah) and community welfare activities. In conclusion, strengthening sharia value based MSME governance not only enhances business professionalism but also generates broader barakah (blessings) and benefits for employees, consumers, and the surrounding community.

Keywords: MSME Governance, Sharia economics, Islamic business Ethics, Pancong lava cake, Blessings.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) are independent productive business units owned by individuals and business entities in accordance with the criteria set by Law No. 20 of 2008. In principle, the distinction between Micro Enterprises (UM), Small Enterprises (UK), Medium Enterprises (UM), and Large Enterprises (UB) is generally based on the value of the initial assets (excluding land and buildings), the average turnover per year, or the number of permanent workers (Putri & Yustati, 2024).

The economic potential of pancong cakes in Indonesia can be seen from several perspectives. According to Augus et al. (2019), pancong cakes can be developed as export products due to Indonesia’s vast natural and cultural wealth. In addition, pancong cakes can also serve as service products in canteens, restaurants, and cafes because of their distinctive and delicious taste that attracts repeat consumers (Multazam et al., 2024).

In the Indonesian culinary world, traditional cakes have always held a special place in the hearts of the people. However, with the growing presence of “modern” foods, the consumption of traditional foods has gradually declined. Modern foods are characterized by fast preparation

times, attractive presentation, and the use of efficient modern tools. In contrast, traditional foods are typically prepared and served using simpler methods and equipment (Augus et al., 2019).

Two common types of market snacks are kue pancong and kue pukis. The combination of these two traditional cakes gave rise to a culinary innovation known as kue pancong moler or pancong lava. In simple terms, pancong moler is a pukis cake batter baked using a traditional pancong mold. This combination creates a unique appearance, maintaining the typical pancong shape while featuring the soft and sweet texture of pukis batter.

With further recipe development, this cake has become increasingly popular for its crispy outer layer, soft interior, and variety of modern toppings such as chocolate, strawberry, taro, green tea, and cheese. This innovation offers a new experience for traditional snack enthusiasts by blending classic flavors with a contemporary presentation. The pancong lava cake business not only emphasizes product innovation but also integrates sharia-based economic values into its governance, promoting business practices rooted in honesty, blessing (*barakah*), and benefit for consumers and society. This aligns with the concept of Islamic business ethics, which serves as a key foundation for MSMEs to compete ethically while contributing to sharia-based economic growth (Susiani & Wahyono, 2020).

In all aspects of business and transactions, Islam provides an economic system grounded in sharia principles derived from the Qur'an and Hadith, complemented by *ijma'* (consensus) and *qiyas* (analogy). This system is now widely known as the Sharia Economic System (Susiani & Wahyono, 2020). The principles of Islamic economics are founded on five universal values: *tauhid* (faith), *'adl* (justice), *nubuwwah* (prophethood), *khilafah* (governance), and *ma'ad* (results). From these universal foundations arise three derivative principles—ownership, freedom to act or endeavor, and social justice. These five values function as the foundation of a strong economic structure. *Tauhid* (the oneness of Allah) signifies that all human actions in this world are accountable to Allah in the hereafter. *'Adl* (justice) requires fairness and prohibits oppression for personal gain. *Nubuwwah* (prophethood) emphasizes following the Prophet's character and ethics in all worldly affairs. *Khilafah* (governance) ensures that governments prevent distortions and maintain a just economy. *Ma'ad* (results) highlights that profits gained in this world should also bring rewards in the hereafter (Sons & Asri, 2024).

Method

This study uses a qualitative method with a descriptive approach. Data were collected through direct observation during internship activities in the Pancong Lava Cake business. In addition to observations, data were obtained from empirical experience in managing the business, informal interviews with consumers and surrounding communities, as well as documentation in the form of sales records, operational activities, and business archives. Data analysis was carried out through the stages of data reduction, data presentation, and conclusion drawing, to obtain a systematic understanding of MSME governance practices based on sharia economic values (Nasution & Yarham, 2023; Hariyanto & Taufiq, 2024).

Thus, this research provides a comprehensive overview of the application of sharia economic values in the management of MSMEs within the Pancong Lava Cake business. It also explores how Islamic business ethics are implemented across production, marketing, and consumer service activities. Furthermore, the study discusses strategies to strengthen business

governance so that it aligns more closely with sharia economic principles, thereby supporting sustainability and generating barakah (blessing) in business operations.

The purpose of this study is to examine the application of Islamic economic values in MSME management, analyze the implementation of Islamic business ethics in production, marketing, and consumer service, and formulate strategies for strengthening business governance in accordance with sharia economic principles. Through this approach, the study aims to promote sustainability, blessings, and competitiveness for MSMEs amidst the dynamics of modern culinary competition. The object of research, namely the Pancong Lava Cake business, was chosen because it is managed independently while integrating the principles of Islamic business ethics, making it a concrete example of the practical application of strengthening MSME governance based on sharia values.

Results and Discussion

The Pancong Lava Cake business was established on April 1, 2024 with the first stand in Genggong, Jalan Raya Condong, Karangbong, Pajarakan, Probolinggo, and has now expanded by opening a branch on Jalan RA Kartini, Patokan, Kraksaan, Probolinggo. This MSME is engaged in the culinary sector with its main product is the "lava meltz" variant of pancong cake containing chocolate, cheese, and other contemporary variants. Business management involves two employees who are in charge of production and sales. The marketing strategy is carried out through direct sales at the stand as well as digital promotions through Instagram and WhatsApp which are also booking channels. In addition to presenting traditional cake innovations with a modern touch, this business applies Islamic business ethics, such as honesty in the use of ingredients, maintaining cleanliness, and setting prices reasonably according to the value of product benefits.

In an interview with the owner of the Pancong Lava Cake business, Mrs. Sulastri, on Friday, August 1, 2025, and based on direct observation and involvement in internship activities, the following research results were obtained:

1. The business governance of Kue Pancong Lava has adopted Sharia Economic values, especially in the aspects of honesty, openness, and business blessings. Business owners emphasize the importance of selling products of the highest quality, maintaining cleanliness, and setting fair prices. This practice is in line with the principles of al-'adl (justice) and amanah (trust) in Islamic business.
2. Islamic Business Ethics Practices. In running a business, the owner always tries to avoid fraudulent practices such as reducing the dosage, deceiving the taste, or covering the ingredients used. A friendly attitude to consumers, transparency in the manufacturing process, and providing the best service are considered as tangible manifestations of the application of Islamic business ethics. This builds customer loyalty while adding value to the blessing.
3. Strengthening the Business Financial System. Business finances are managed with a dual recording system, namely manual in notebooks and digital using Microsoft Excel. The separation between working capital, profits, and reserve funds is carried out consistently. This system assists owners in monitoring daily cash flow, monthly evaluations, and business development planning. In addition, part of the profits are

allocated for alms and social activities, so that the business is not only profit-oriented, but also benefits the community.

4. Production and HR Management Pattern. The Pancong Lava Cake business has two employees. Their main duties include maintaining and serving the stand, baking cakes, and recording daily sales results. Business owners oversee material procurement, production planning, and product development. This division of tasks is carried out with the principles of 'adl (justice) and ukhuwah (brotherhood) so that operations remain smooth, employees are motivated, and the quality of products and services is maintained. In addition, the supervision and responsibility sharing system is simple but effective, so that each employee understands his or her role and the owner can still manage the business as a whole by focusing more on business development and sustainability strategies.
5. Islamic Marketing Strategy. Marketing is done simply through social media, direct promotion, and word of mouth. Business owners always convey product information honestly, including about size, taste, ingredients, and price, without exaggerating. Friendly and polite service is provided to all consumers in order to build trust. This strategy ensures that marketing is not only effective in attracting consumers, but also in line with sharia principles that prioritize honesty and trust.
6. Profit Distribution and Social Responsibility. Some of the business profits are not only used for business development, but are also allocated for alms, *infaq*, and community social activities. This approach reflects the principle of *al-falah*, where business success is not only measured by material, but also by blessings and benefits for the environment. Thus, the Pancong Lava Cake business has a positive impact on employees, consumers, and the surrounding community, while maintaining the business's reputation to remain professional and based on sharia values (Sulastri, 2025).

Discussion

Based on the results of the research obtained through direct observation, interviews with business owners, and involvement in internship activities, it can be analyzed that the implementation of sharia economic principles in the Pancong Lava Cake business runs consistently and structured. This can be seen from the management of operations, finance, human resources, marketing, and profit distribution which are all carried out in accordance with Islamic business ethics values.

1. Implementation of Sharia Economy-Based Business Governance. The Pancong Lava Cake Business, led by Mrs. Sulastri, implements sharia economics not only as a label, but as the main foundation in every operational activity. This practice demonstrates an understanding that true success is not only measured by profit, but also by honesty, trustworthiness, and blessings. This research shows that the implementation of these values is evident in the transparency of each transaction. Starting from the determination of fair prices, the use of halal and thayyib raw materials (good and quality), to excellent service to consumers. Islam encourages all its people to earn a living, and strongly emphasizes or obliges the halal aspect, both in terms of its acquisition and utilization (processing and spending) (Hamid & Susilo, 2011). This system makes it easier for business owners to maintain consistency in product quality and ensure that the entire

process, from production to sales, is in line with sharia principles. Thus, this governance not only builds a good reputation in the eyes of consumers, but also creates an ethical and responsible business environment. This is in line with the main goal of the sharia economy, which is to achieve equitable welfare and blessings for all parties involved.

2. **Islamic Business Ethics Practices.** Islamic business ethics are an important pillar in the management of the Pancong Lava Cake business. In modern society, online businesses are increasingly in demand because they are efficient in time, effort, and cost, especially by housewives. However, even though it is easy to run, it is necessary to be vigilant so as not to fall into haram practices. Therefore, business people must apply the principles of Islamic business ethics, such as honesty and halal in obtaining profits, so that the business that is run remains in accordance with the sharia and is pleased with Allah SWT (Rahmawati & Sari, 2023). The Islamic business ethics applied include honesty in production, friendly service, and transparency in explaining products to consumers. This attitude not only increases customer trust and loyalty, but also creates a positive reputation for the business. This shows that the application of Islamic business ethics can be an effective differentiation strategy, in addition to giving the value of blessings in every transaction.
3. **Strengthening the Business Financial System.** The dual recording system and the separation of capital, profits, and reserve funds show that financial management is carried out professionally but still based on Islamic values. The allocation of a portion of the profits for alms and social activities shows that the business is not solely oriented to profit, but also to benefit the community. This approach supports the principle of al-falah, where business success is measured by blessings and positive impact on the environment.
4. **Production and HR Management Pattern.** The Pancong Lava Cake business shows an effective and humanist pattern of production and human resource management. Even though it only has two employees, the division of duties is carried out on the principles of 'adl (justice) and ukhuwah (brotherhood). Tasks, such as guarding and serving stands, baking cakes, and keeping track of sales, are clearly assigned. The business owner, Mrs. Sulastri, focuses on material procurement, production planning, and product development. This division of responsibilities ensures that operations run smoothly, employees are motivated, and the quality of products and services is maintained. This simple yet effective supervision system allows Ms. Sulastri to manage the business thoroughly and focus on larger development strategies.
5. **Islamic Marketing Strategy.** The marketing strategy used by Kue Pancong Lava emphasizes the values of honesty and trust. Marketing is done simply through social media, direct promotion, and word of mouth. Business owners always convey product information honestly, without exaggerating, whether about size, taste, ingredients, or price. This approach builds strong consumer trust, which is the most valuable asset in a business. Friendly and courteous service to each customer is also part of this strategy, creating a positive experience and encouraging customers to come back for more. This shows that ethical marketing and in line with sharia principles is not only effective in attracting customers, but also in building long-term relationships based on integrity.

6. Profit Distribution and Social Responsibility. The Pancong Lava Cake business not only focuses profits on business development, but also allocates it for alms, infaq, and social activities. This approach reflects the principle of al-falah, where the success of a business is measured not only by material gains, but also by the blessings and benefits provided to the surrounding environment. By applying this principle, the Pancong Lava Cake business has succeeded in having a positive impact on employees, consumers, and the surrounding community. It also helps to maintain a business reputation to remain professional and based on sharia values. The application of this social responsibility shows that the venture understands its role as part of a larger ecosystem, and that the wealth earned should provide far-reaching benefits. Overall, this practice shows that Islamic businesses can achieve financial success while also making a significant contribution to social welfare.

Conclusion

The Pancong Lava Cake business has successfully implemented strong MSME governance with a foundation of sharia economic values. This implementation is not limited to one aspect, but is holistically integrated in all business activities. Starting from business governance based on the principles of honesty, trust, and blessings, professional financial management with a double recording system, to humane human resource management. In addition, an honest and well-mannered marketing strategy has built strong consumer trust, while a commitment to the distribution of profits for social activities reflects the principle of al-falah, where success is measured by the benefits provided to society. Overall, the study proves that the application of Islamic business ethical values can be the key to sustainability and blessing for MSMEs, enabling them to compete healthily while making a positive contribution to the economy and society.

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