

Stakeholder Synergy among Government, MSME Actors, and Community toward Sharia Well-Being: A Case Study of Medali Mas Woven Ikat MSME in Kediri

Binti Mutafarida¹, Zulmi Ramdani², Moh. Farih Fahmi³, Yopi Yudha Utama¹, Ning Purnama Sariati¹, Widya Ratna Sari¹

¹UIN Syekh Wasil Kediri, Indonesia

²Sosyal Bilimler Enstitüsü, Bursa Uludağ Üniversitesi, Turkey

³State University of Surabaya, Indonesia

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ABSTRACT

This study examines how stakeholder synergy contributes to Sharia well-being through Medali Mas Woven Ikat Micro, Small, and Medium Enterprise (MSME) in Kediri City, Indonesia. The study is motivated by the limited number of studies that integrate stakeholder collaboration, Local Economic Development (LED), and maqashid al-shariah perspectives in explaining community welfare through cultural-based MSMEs. While previous studies have largely focused on economic and social outcomes, limited attention has been given to multidimensional well-being encompassing religious, intellectual, health, and intergenerational dimensions. A descriptive qualitative approach was employed using observations, open-ended interviews, and documentation. Informants consisted of MSME owners, permanent and freelance employees, community members, and representatives from Bank Indonesia and the Kediri City Government. Data were analyzed through data reduction, data display, and conclusion drawing, while source triangulation was applied to enhance the trustworthiness of the findings. The findings indicate that stakeholder synergy among government institutions, Medali Mas Woven Ikat MSME, and the Bandar Kidul community contributes to Sharia well-being through capital assistance, marketing support, training programs, comparative study visits, and employment creation. Government institutions provide strategic support through policy facilitation, market access, and capacity-building programs, while MSMEs serve as drivers of local economic development through innovation and job creation. Community participation strengthens the sustainability of these initiatives by supporting production activities and participating in empowerment programs. These collaborative efforts contribute to the dimensions of maqashid al-shariah, namely religious well-being (ad-din), personal well-being (an-nafs), intellectual well-being (al-aql), wealth well-being (al-mal), and family well-being (an-nasl). This study contributes to the literature by integrating Local Economic Development and maqashid al-shariah perspectives in understanding stakeholder collaboration within cultural-based MSME development and its contribution to multidimensional community well-being.

ABSTRAK

Penelitian ini bertujuan menganalisis bagaimana sinergi para pemangku kepentingan berkontribusi terhadap terwujudnya kesejahteraan syariah melalui Usaha Mikro, Kecil, dan Menengah (UMKM) Tenun Ikat Medali Mas di Kota Kediri, Indonesia. Penelitian ini dilatarbelakangi oleh masih terbatasnya kajian yang mengintegrasikan kolaborasi pemangku kepentingan, *Local Economic Development (LED)*, dan perspektif maqashid al-shariah dalam

menjelaskan kesejahteraan masyarakat melalui UMKM berbasis budaya. Studi-studi sebelumnya umumnya berfokus pada aspek kesejahteraan ekonomi dan sosial, sementara dimensi kesejahteraan yang lebih komprehensif, seperti aspek keagamaan, intelektual, kesehatan, dan keberlanjutan generasi, masih relatif kurang mendapat perhatian. Penelitian ini menggunakan pendekatan kualitatif deskriptif dengan teknik pengumpulan data melalui observasi, wawancara terbuka, dan dokumentasi. Informan penelitian terdiri atas pemilik UMKM, karyawan tetap dan tidak tetap, masyarakat sekitar, serta perwakilan Bank Indonesia dan Pemerintah Kota Kediri. Data dianalisis melalui tahapan reduksi data, penyajian data, dan penarikan kesimpulan. Untuk menjamin keabsahan data, penelitian ini menggunakan triangulasi sumber. Hasil penelitian menunjukkan bahwa sinergi antara pemerintah, UMKM Tenun Ikat Medali Mas, dan masyarakat Bandar Kidul berkontribusi terhadap peningkatan kesejahteraan syariah melalui bantuan permodalan, dukungan pemasaran, program pelatihan, studi banding, dan penciptaan lapangan kerja. Pemerintah berperan melalui fasilitasi kebijakan, akses pasar, dan penguatan kapasitas sumber daya manusia, sedangkan UMKM berfungsi sebagai penggerak pembangunan ekonomi lokal melalui inovasi produk dan penciptaan kesempatan kerja. Partisipasi masyarakat turut memperkuat keberlanjutan berbagai program pemberdayaan yang dijalankan. Berbagai bentuk kolaborasi tersebut berkontribusi pada dimensi-dimensi *maqashid al-shariah*, yaitu kesejahteraan agama (*ad-din*), kesejahteraan jiwa (*an-nafs*), kesejahteraan akal (*al-aql*), kesejahteraan harta (*al-mal*), dan kesejahteraan keturunan (*an-nasl*). Penelitian ini memberikan kontribusi teoretis dengan mengintegrasikan perspektif *Local Economic Development* dan *maqashid al-shariah* dalam memahami kolaborasi pemangku kepentingan pada pengembangan UMKM berbasis budaya serta kontribusinya terhadap kesejahteraan masyarakat yang bersifat multidimensional.

A. INTRODUCTION

Well-being is widely recognized as one of the primary indicators of societal progress and a fundamental objective of economic development. Beyond material prosperity, well-being encompasses social, cultural, and spiritual dimensions that collectively contribute to the quality of human life (Kadeni & Srijani, 2020; Wahab et al., 2018). From an Islamic perspective, well-being is not solely measured by economic achievement but also by the fulfillment of religious, intellectual, physical, economic, and intergenerational needs as reflected in the framework of *maqashid al-shariah* (Hidayati & Tohirin, 2019; Isa et al., 2023). Therefore, achieving sustainable well-being requires a multidimensional approach that integrates economic growth with social justice, human development, and spiritual values.

One of the most important instruments for improving community well-being is the development of Micro, Small, and Medium Enterprises (MSMEs). MSMEs play a strategic role in generating employment opportunities, stimulating local economic activities, promoting investment, and fostering a more equitable distribution of income (Arifin et al., 2021; Kadeni & Srijani, 2020). Globally, MSMEs account for approximately 90% of business entities and provide employment for nearly half of the world's workforce (Avisena, 2022). In Indonesia, MSMEs contribute more than 61% of Gross Domestic Product (GDP) and absorb approximately 97% of the national workforce, making them a critical pillar of economic development and poverty reduction (Bank Indonesia, n.d. ; Limanseto, 2022).

Despite their significant contribution, Indonesian MSMEs continue to face various structural challenges, including limited access to financing, market expansion, technology adoption, and export opportunities. In 2023, the participation of Indonesian MSMEs in export markets remained relatively low compared to neighboring countries such as Singapore and Thailand (Saptowalyono, 2023). These challenges indicate that the sustainability and competitiveness of MSMEs cannot rely solely on the efforts of entrepreneurs but require support

from multiple stakeholders, including government institutions, financial institutions, and local communities.

Among the diverse forms of MSMEs in Indonesia, cultural-based enterprises occupy a unique position because they contribute not only to economic development but also to the preservation of local cultural heritage. One notable example is Medali Mas Woven Ikat MSME in Bandar Kidul Village, Kediri City. As a traditional woven textile enterprise, Medali Mas Woven Ikat serves as both an economic institution and a cultural asset that preserves local identity while generating employment and income for surrounding communities. The enterprise has demonstrated remarkable resilience by surviving major economic disruptions, including the 1998 Asian financial crisis and the COVID-19 pandemic.

The importance of Medali Mas Woven Ikat MSME becomes more apparent when viewed within the broader socio-economic context of Kediri City. Poverty and economic vulnerability remain significant challenges that can hinder community well-being and sustainable development (Murphy, 2022). Data from the Central Statistics Agency of Kediri City (2022) indicate that poverty levels increased during the COVID-19 pandemic, highlighting the need for local economic initiatives capable of strengthening community resilience. In this context, MSMEs function not only as business entities but also as instruments of community empowerment through employment creation, income generation, and social participation.

The sustainability of MSMEs is closely related to the concept of Local Economic Development (LED), which emphasizes the mobilization of local resources, stakeholder participation, institutional collaboration, and community empowerment to promote economic growth and improve welfare (Habibullah & Almuhim, 2023; Huda, 2020; Najiyati et al., 2015). Through the LED approach, government institutions, business actors, and local communities are expected to collaborate in creating an enabling environment that supports sustainable economic activities and inclusive development.

Previous studies have highlighted the importance of stakeholder collaboration in promoting local economic development and improving community welfare. Najiyati et al. (2015) found that synergy among local stakeholders contributes significantly to social welfare improvement through local economic development initiatives. Similarly, Martiana (2018), Srirahayu and Adi (2021), and Habibullah and Almuhim (2023) demonstrated that LED contributes positively to local economic growth, employment creation, and community empowerment. However, most of these studies focus primarily on economic and social outcomes, while relatively limited attention has been given to welfare from the perspective of *maqashid al-shariah*.

Furthermore, studies integrating stakeholder synergy, Local Economic Development, and Sharia well-being within a single analytical framework remain scarce. Existing research on *maqashid al-shariah* generally focuses on Islamic financial institutions, zakat management, or poverty alleviation programs (Hidayati & Tohirin, 2019; Omar & Hajimin, 2023; Wardiwiyono, 2020). Meanwhile, research examining how stakeholder collaboration in cultural-based MSMEs contributes simultaneously to economic development and multidimensional well-being remains limited. This gap is particularly evident in the context of traditional creative industries such as woven ikat, where economic, cultural, social, and spiritual values intersect.

Therefore, this study seeks to address this gap by examining the synergy among the Kediri City Government, Bank Indonesia, Medali Mas Woven Ikat MSME, and the Bandar Kidul community through the combined perspectives of Local Economic Development and *maqashid al-shariah*. The novelty of this study lies in its integration of LED and Sharia well-being frameworks to explain how stakeholder collaboration in a cultural-based MSME contributes to multidimensional community welfare, encompassing religious (*hifz al-din*), intellectual (*hifz al-'aql*), health-related (*hifz al-nafs*), economic (*hifz al-mal*), and intergenerational (*hifz al-nasl*) dimensions of well-being.

Accordingly, this study aims to answer the following research question, how does stakeholder synergy among government institutions, Medali Mas Woven Ikat MSME, and the Bandar Kidul community contribute to the realization of Sharia well-being? The findings are expected to enrich the literature on Local Economic Development and Sharia well-being by

providing empirical evidence on how stakeholder collaboration can support both economic sustainability and multidimensional welfare. Practically, the study offers insights for policymakers, financial institutions, and MSME practitioners in designing sustainable community empowerment strategies that integrate local economic development with the principles of *maqashid al-shariah*.

B. LITERATURE REVIEW

Local Economic Development (LED): Building Stakeholder Synergy for Sustainable Development

Local Economic Development (LED) is a participatory and collaborative process through which local stakeholders work collectively to improve economic performance, enhance regional competitiveness, create employment opportunities, and promote sustainable development (Huda, 2020). The LED approach emphasizes the mobilization of local resources, institutional cooperation, and community participation to generate economic growth that benefits local populations while preserving local potential and identity (Hidayat & Safitri, 2019; Irawan, 2020).

Unlike conventional top-down development approaches, LED encourages active engagement among government institutions, business actors, financial institutions, civil society organizations, and local communities in identifying economic opportunities and addressing local development challenges. Through collaborative action, stakeholders can formulate strategies that strengthen productive sectors, stimulate entrepreneurship, attract investment, and improve community welfare (Habibullah & Almuhim, 2023; Najiyati et al., 2015).

The primary objective of LED is not merely economic growth but also the creation of decent employment opportunities, poverty reduction, and the improvement of overall community well-being. By strengthening local economic activities and encouraging productive participation, LED contributes to income generation and social inclusion, particularly among vulnerable groups (Habibullah & Almuhim, 2023; Hasbiah et al., 2023). This perspective is particularly relevant in developing countries, where local economic initiatives often serve as important instruments for reducing poverty and promoting inclusive development (Rai, 2023).

Furthermore, LED promotes competitiveness and sustainable economic growth by encouraging innovation, strengthening institutional capacity, and enhancing cooperation among stakeholders. Sustainable local development requires not only the availability of economic resources but also effective governance, social capital, and long-term stakeholder commitment (Sarjiyanto et al., 2023). In this context, local governments play a strategic role as facilitators, regulators, and coordinators who create an enabling environment for economic activities and community empowerment (Huda, 2020; Rai, 2023).

The success of LED depends largely on the ability of stakeholders to build synergistic relationships and coordinate complementary roles. Government institutions provide policy support and public services, business actors create economic value and employment opportunities, while communities contribute local knowledge, labor, and social capital. Such collaboration strengthens local resilience and enables regions to respond more effectively to economic challenges and external shocks (Najiyati et al., 2015; Srirahayu & Adi, 2021).

Moreover, contemporary LED perspectives emphasize the importance of balancing economic growth with social and environmental sustainability. Sustainable local development requires continuous investment in human capital, innovation, entrepreneurship, and institutional capacity to ensure long-term prosperity and community welfare (Otamendi-Irizar et al., 2022; Sarjiyanto et al., 2023). Therefore, LED is increasingly viewed as a comprehensive development framework that integrates economic, social, and institutional dimensions to achieve sustainable and inclusive growth.

In the context of this study, the synergy among Bank Indonesia, the Kediri City Government, Medali Mas Woven Ikat MSME, and the Bandar Kidul community reflects the practical implementation of the LED approach. Through collaborative efforts in capital support, marketing facilitation, education, training, and community empowerment, these stakeholders contribute not

only to the sustainability of the woven ikat industry but also to broader dimensions of community welfare. This collaborative model demonstrates how stakeholder synergy can strengthen local economic resilience while simultaneously supporting the realization of Sharia well-being.

Sharia Well-Being

Well-being is the aspiration and hope desired by every individual living in this world, and one of Indonesian national objectives (Hasbiah et al., 2023). From the perspective of Islam, it is attained through the maqashid approach, which not only demonstrates increasing wealth and consumption but also demands satisfaction of both material and spiritual aspects of individuals with the appropriate balance (Akhyar et al., 2023). Maqashid refers to the meanings, pearls of wisdom, and similar aspects desired by Allah in every law to ensure human well-being in this world and the hereafter (Melzatia et al., 2023).

This is reinforced in the concept of Islamic well-being rooted in Al-Ghazali understanding of maqashid al-Shariah. Sharia, in this context, aims to safeguard the interests of human well-being (Omar & Hajimin, 2023). Essentially, maqasid al-shariah means the purposes or objectives of Shariah (Wardiwyono, 2020). Al-Ghazali defined Shariah Maqasid as the objective to enhance humanity well-being (Norman et al., 2023). Maqashid al-shariah is believed to be the most comprehensive concept of well-being, as the concept covers material elements and moral and spiritual needs (Hasib et al., 2020).

This differs from the Western concept of well-being, which focuses solely on material aspects (Hidayati & Tohirin, 2019). Al-Ghazali narrated about well-being in the book *Ilya Ulumuddin* (Wahab et al., 2018). Al-Ghazali, in maqashid al-shariah, classified well-being into five components, namely religious well-being (ad-din), soul (an-nafs), intellect (al-aql), wealth (al-mal), and lineage (an-nasl) (Rinawati & Rozi, 2020). In essence, religious well-being (ad-din), soul (an-nafs), intellect (al-aql), wealth (al-mal), and lineage (an-nasl) is a prerequisite for achieving holistic prosperity for humanity (Isa et al., 2023).

C. RESEARCH METHOD

Research Design

This study employed a descriptive qualitative approach to explore stakeholder synergy in promoting Sharia well-being through Medali Mas Woven Ikat MSME in Kediri City. A qualitative approach was selected because it enables researchers to gain an in-depth understanding of social interactions, stakeholder perspectives, and community empowerment processes within their natural setting (Creswell & Creswell, 2018; Yulmaida et al., 2023). This approach is considered appropriate for examining complex social phenomena related to stakeholder collaboration, local economic development, and community welfare.

Data Source

Data were collected from both primary and secondary sources (Jraisat et al., 2023). Primary data were obtained through direct observation and in-depth interviews, while secondary data were collected from government reports, Bank Indonesia publications, MSME records, statistical reports, policy documents, and relevant academic literature. The use of multiple data sources was intended to enhance the comprehensiveness, validity, and credibility of the findings (Patton, 2015).

The study was conducted at Medali Mas Woven Ikat MSME, located in Bandar Kidul Village, Kediri City, East Java, Indonesia. The enterprise was purposively selected because it represents one of the oldest and most prominent woven ikat industries in Kediri City and has demonstrated resilience in responding to various economic challenges, including the 1998 Asian financial crisis and the COVID-19 pandemic. Furthermore, Medali Mas has

established extensive collaboration with government institutions, Bank Indonesia, and local communities, making it an appropriate case for examining stakeholder synergy within the framework of Local Economic Development (LED) and Sharia well-being.

Informants were selected using purposive sampling. This technique is commonly applied in qualitative research to identify individuals who possess relevant knowledge, experience, and direct involvement in the phenomenon under investigation (Creswell & Creswell, 2018; Isaac, 2023). A total of twelve informants participated in this study, consisting of:

1. One owner of Medali Mas Woven Ikat MSME;
2. Two permanent employees;
3. Two freelance employees;
4. One representative from Bank Indonesia;
5. One representative from the Kediri City Government; and
6. Five members of the Bandar Kidul community.

The owner was selected because of the central role in managing business operations, developing stakeholder partnerships, and making strategic decisions related to enterprise sustainability. Permanent employees were selected because of their long-term involvement in production activities and their understanding of organizational development. Freelance employees were included because they represent workers who benefit from flexible employment opportunities generated by the MSME and can provide insights regarding household economic improvement and labor empowerment.

The representative from Bank Indonesia was selected because of the institution's direct involvement in supporting Medali Mas through infrastructure assistance, training programs, comparative study visits, exhibition participation, and marketing facilitation. Meanwhile, the representative from the Kediri City Government was selected because of the role in formulating and implementing policies related to MSME development, local economic empowerment, and community welfare. Community members were selected because they directly experience the economic and social impacts generated by the existence of Medali Mas Woven Ikat MSME, including employment opportunities, income generation, and community empowerment activities.

Data collection technique

Data collection was conducted from August 2025 to December 2025. During this period, the researcher conducted ten field visits to Medali Mas Woven Ikat MSME and related stakeholder institutions. These repeated visits enabled the researcher to gain a deeper understanding of the production process, stakeholder interactions, business activities, and community involvement.

Observations were carried out to examine production activities, workplace conditions, employee participation, and interactions among stakeholders. Observation enabled the researcher to obtain firsthand information regarding actual practices and contextual conditions that may not be fully captured through interviews (Merriam & Tisdell, 2015).

In-depth interviews were conducted face-to-face by directly meeting each informant at locations agreed upon by both parties. The interviews were semi-structured and open-ended, allowing informants to share their experiences, perceptions, and views regarding stakeholder collaboration, local economic development, and Sharia well-being. All interviews were conducted with the consent of the participants and were audio-recorded to ensure the accuracy and completeness of the collected information.

Interview recordings were subsequently transcribed and analyzed as part of the research data. Open-ended interviews allow participants to express their perspectives freely and provide richer information relevant to the research objectives (Weller et al., 2018).

Data Analysis Techniques

Data were analyzed using the interactive model developed by (Miles et al., 2014), consisting of three stages: data reduction, data display, and conclusion drawing/verification. Data reduction involved selecting, simplifying, and organizing information relevant to the research objectives. The data were then systematically displayed to facilitate interpretation and pattern identification. Finally, conclusions were drawn and continuously verified throughout the analysis process to ensure consistency and credibility.

The findings were interpreted using the perspectives of Local Economic Development (LED) and maqashid al-shariah. The LED framework was employed to analyze stakeholder collaboration in supporting local economic empowerment and MSME sustainability. Meanwhile, maqashid al-shariah was used to assess how stakeholder synergy contributes to religious well-being (hifz al-din), personal well-being (hifz al-nafs), intellectual well-being (hifz al-'aql), wealth well-being (hifz al-mal), and family well-being (hifz al-nasl).

Data Validation Techniques

To ensure the trustworthiness of the findings, triangulation techniques were applied. First, source triangulation was conducted by comparing information obtained from different categories of informants, including the MSME owner, permanent employees, freelance employees, representatives from Bank Indonesia, representatives from the Kediri City Government, and members of the local community. Second, method triangulation was implemented by comparing findings obtained through interviews, direct observations, and documentary analysis. Third, data triangulation was conducted by cross-checking interview results with supporting documents such as government reports, Bank Indonesia publications, MSME records, photographs, and field notes. Through these triangulation procedures, the researcher was able to verify the consistency of information and enhance the credibility, dependability, and validity of the research findings (Patton, 2015; Stieglitz et al., 2018).

Conceptual Framework

Figure 1 shows the conceptual framework of this research. The framework illustrates the interrelationship between stakeholder synergy, local economic development (LED), and Sharia well-being based on Maqashid al-Shariah. The model suggests that sustainable community development can be achieved when multiple stakeholders work collaboratively to strengthen local economic capacity while ensuring that development outcomes remain aligned with Islamic welfare principles.

At the top of the framework, stakeholder synergy represents the collaboration among various actors, including the government, Bank Indonesia, Kediri City Government, related departments, MSMEs, the Muslim women community, workers, and the Bandar Kidul community. This synergy is important because local development cannot be achieved by a single actor. Instead, it requires coordination, shared responsibility, and continuous cooperation among institutions, economic actors, and community members.

The framework further explains that stakeholder synergy contributes to local economic development (LED). In this research, LED is reflected through several key

aspects, including capital support, marketing and market access, education and capacity building, comparative study visits, training programs, product innovation, employment creation, and community empowerment. These activities are expected to improve the economic capability of the local community, especially MSMEs and community-based business actors.

In turn, local economic development is expected to support Sharia well-being, which is measured through the dimensions of Maqashid al-Shariah. These dimensions include Hifz al-Din or religious well-being, Hifz al-Nafs or personal and health well-being, Hifz al-'Aql or intellectual well-being, Hifz al-Mal or economic and wealth well-being, and Hifz al-Nasl or family and intergenerational welfare. This means that economic development is not only viewed from material or financial improvement, but also from its contribution to religious values, health, knowledge, family welfare, and long-term community sustainability.

The circular arrows in the figure indicate that the relationship among the three components is dynamic and mutually reinforcing. Stakeholder synergy strengthens local economic development, local economic development improves Sharia well-being, and the improvement of Sharia well-being can encourage stronger participation and collaboration among stakeholders. Therefore, this framework positions development as an integrated process that combines institutional collaboration, economic empowerment, and holistic welfare based on Islamic values.

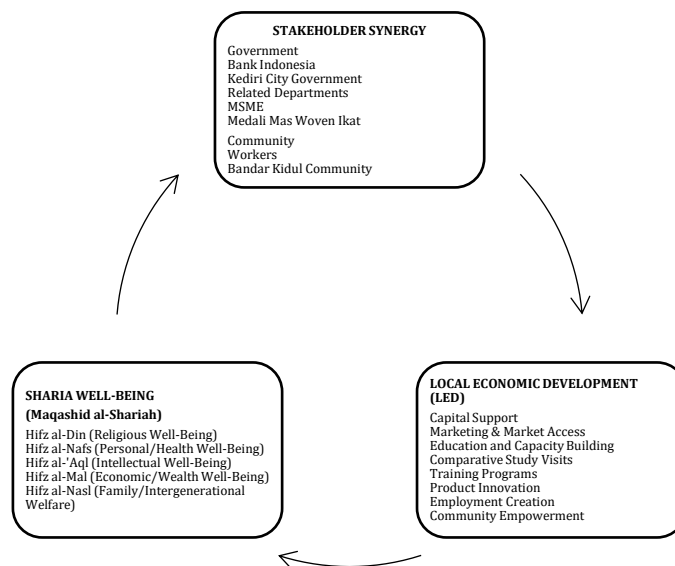


Figure 1. Conceptual Framework of Research

D. RESULT AND DISCUSSION

The Developmental Periodization of Medali Mas Woven Ikat MSME in Kediri

The historical development of Medali Mas Woven Ikat MSME illustrates the adaptive capacity of a cultural-based enterprise in responding to changing economic and institutional environments. Since its emergence in the 1950s, the woven ikat industry in Bandar Kidul Village has experienced several phases of development, decline, and recovery. These phases demonstrate how stakeholder support and local economic dynamics have influenced the sustainability of the enterprise over time, particularly in

the context of local economic development (Habibullah & Almuhim, 2023; Najiyati et al., 2015).

The First Period: Establishment and Market Expansion (1950s–1970)

The first phase began during the Old Order period when woven ikat production was primarily concentrated on traditional checkered sarongs known as *palekat*. Product innovation remained limited, and production relied entirely on traditional weaving techniques. Despite the limited communication and transportation infrastructure available at the time, woven ikat products from Bandar Kidul successfully reached markets in various regions of Indonesia through intermediary traders and collectors. This period established the economic foundation of the local weaving industry and introduced woven ikat as an important source of livelihood for local households.

The findings indicate that traditional household industries were able to survive by utilizing local resources and community-based production systems. Such characteristics are consistent with the principles of Local Economic Development (LED), which emphasize the mobilization of local assets and community participation as drivers of economic growth (Irawan, 2020; Rai, 2023).

The Second Period: Industrial Pressure and Economic Crisis (1971–1998)

The second phase was characterized by increasing challenges resulting from industrial modernization and economic instability. During the New Order era, government policies encouraged the adoption of modern textile technologies, including machine-based weaving systems that produced fabrics more efficiently and at lower costs. Consequently, traditional woven ikat producers faced intense competition from factory-produced textiles.

The situation worsened during the 1998 Asian financial crisis, which significantly reduced the operational capacity of many weaving businesses. Rising production costs, declining purchasing power, and limited access to capital forced several artisans to cease operations and sell their weaving equipment. Although some innovation in motifs and designs emerged during this period, the overall condition of the industry remained stagnant.

These findings demonstrate the vulnerability of traditional MSMEs to structural economic changes when institutional support and access to productive resources are limited. Previous studies have similarly shown that MSMEs require supportive economic policies and access to capital in order to maintain competitiveness and business sustainability during periods of economic uncertainty (Arifin et al., 2021; Kemenkeu, 2022).

The Third Period: Revitalization and Stakeholder Collaboration (1999–Present)

The third phase began after the 1998 economic crisis and continues today. During this period, several entrepreneurs gradually revitalized their weaving businesses despite facing capital constraints and increasing production costs. The recovery process was accompanied by innovations in product design, motifs, and market development strategies.

Unlike the previous period, the revitalization of Medali Mas Woven Ikat MSME was strongly supported by stakeholder collaboration. Government institutions, Bank Indonesia, and various local agencies contributed through training programs, exhibitions, market facilitation, business mentoring, and promotional activities. In addition, local

government support was strengthened through policies encouraging the use of woven ikat products as part of official uniforms, thereby creating a more stable local market.

One of the key informants explained:

“We have been through various phases, the worst being the 1998 crisis and COVID. During the 1998 crisis, we even had to close the business. After returning from working abroad and collecting sufficient capital, we restarted the business, participated in exhibitions, and received support from the local government and other institutions. Training activities, exhibitions, and networking opportunities helped us rebuild the business.”

This testimony demonstrates that the sustainability of Medali Mas Woven Ikat MSME cannot be explained solely by entrepreneurial efforts. Rather, the recovery process was facilitated by a network of stakeholders that collectively supported business development. From the perspective of Local Economic Development (LED), this collaboration reflects the importance of mobilizing local resources, strengthening institutional support, and enhancing community participation to promote economic resilience (Huda, 2020; Najiyati et al., 2015; Sarjiyanto et al., 2023).

The COVID-19 pandemic created another significant challenge for the enterprise. Nevertheless, the existence of established partnerships with government institutions and Bank Indonesia enabled Medali Mas Woven Ikat MSME to adapt more effectively than in previous crises. The findings suggest that stakeholder synergy plays a critical role in strengthening the resilience of cultural-based MSMEs when facing economic shocks and market uncertainty. This result supports previous studies emphasizing that collaboration among stakeholders contributes to sustainable local development and strengthens the adaptive capacity of local economic actors (Habibullah & Almuhim, 2023; Otamendi-Irizar et al., 2022).

Figure 2 show the periodization of Medali Mas Woven Ikat MSME demonstrates a transition from a traditional household industry into a community-based economic institution supported by multiple stakeholders. This transformation provides the foundation for understanding how stakeholder synergy contributes not only to business sustainability but also to broader dimensions of local economic development and Sharia well-being (Akhyar et al., 2023; Hidayati & Tohirin, 2019).

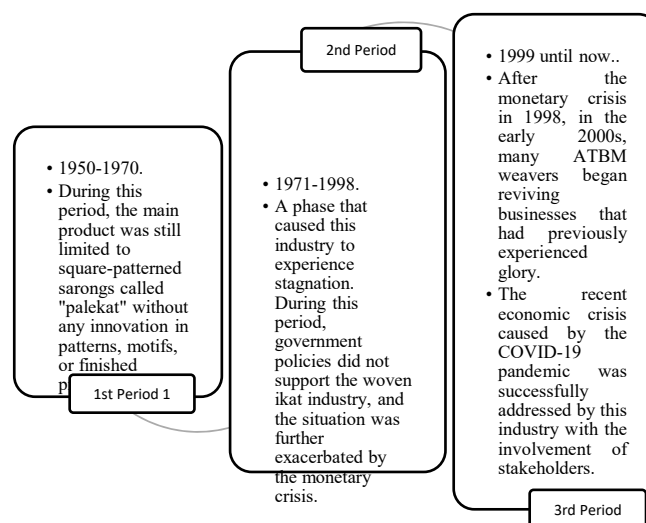


Figure 2. Periodization of Medali Mas Woven Ikat MSME in Kediri

Source: Observation, 2025

Synergy of Three Stakeholder Components

Each institution plays an important role in supporting the development of the woven ikat industry. The significance of this role became increasingly evident during the COVID-19 pandemic, when lockdown policies and declining economic activity affected business operations throughout Indonesia, including Kediri City. Medali Mas Woven Ikat MSME experienced reduced demand, accumulated unsold inventory, and a decline in production activities, which consequently affected employment opportunities. Similar challenges have been experienced by many MSMEs facing external economic shocks and market uncertainty (Arifin et al., 2021; Otamendi-Irizar et al., 2022).

Marketing strategies and access to productive resources played a crucial role in supporting the recovery of the woven ikat industry in Kediri. Various stakeholders contributed to restoring business activities because the industry possesses significant potential as a local economic resource capable of generating employment and strengthening community income. Since all production processes are conducted manually using traditional non-machine weaving tools (ATBM), the industry creates substantial labor absorption and contributes directly to local economic empowerment. This finding is consistent with the Local Economic Development (LED) perspective, which emphasizes the utilization of local resources and community participation to stimulate economic growth and improve welfare (Najiyati et al., 2015; Habibullah & Almuhim, 2023).

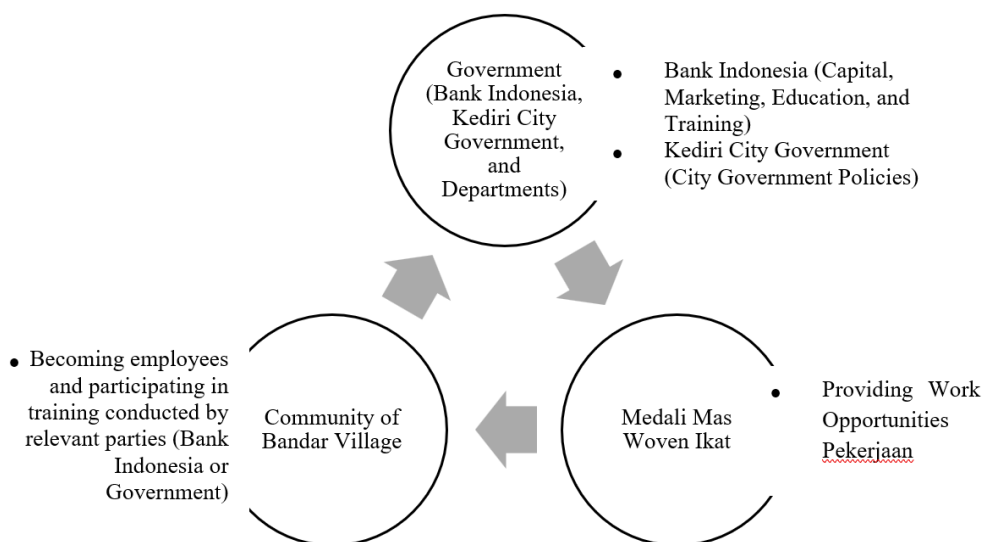


Figure 3. Synergy of Three Components in LED

Figure 3 illustrates the synergy among stakeholders in supporting Local Economic Development (LED) in Bandar Village through a collaborative relationship involving Bank Indonesia, the Kediri City Government, the local community, and Medali Mas Woven Ikat. The LED approach emphasizes that local economic development is not generated by a single actor but results from the interaction and mutual support among various stakeholders.

The process begins with Bank Indonesia and the Kediri City Government, which provide strategic resources in the form of capital assistance, training programs, marketing support, and policy facilitation. These resources are directed to the local community to enhance skills, entrepreneurial capacity, and workforce readiness. Through this intervention, community members gain the knowledge and competencies needed to participate more actively in productive economic activities.

The improved capacity of the community subsequently supports the development of Medali Mas Woven Ikat as a local economic actor. The company absorbs trained local labor, creates employment opportunities, and expands economic activities within the village. As a result, community members are able to generate income and improve their economic well-being.

Furthermore, the relationship among stakeholders is not linear but cyclical. The success of Medali Mas Woven Ikat contributes to local economic growth, which in turn strengthens community welfare and encourages continued collaboration among government institutions, businesses, and local residents. This reciprocal interaction reflects the core principle of Local Economic Development, where public institutions, private sector actors, and communities work together to mobilize local resources, create employment opportunities, increase income levels, and promote sustainable economic growth at the local level.

One of the key informants explained:

“Nowadays, Woven Ikat is increasingly recognized not only because of our own efforts but also because of the support from employees, the surrounding community, Bank Indonesia, and the local government. Bank Indonesia helped improve the production facilities, provided production equipment, facilitated participation in exhibitions, and introduced us to potential buyers. The local government also supported us through various agencies, including the Tourism Office and the Education Office.”

The statement indicates that the development of Medali Mas Woven Ikat MSME is not solely the result of entrepreneurial initiatives but is also supported by collaborative efforts among multiple stakeholders. From the perspective of Local Economic Development, this collaboration reflects the mobilization of local resources, institutional support, and social capital to strengthen local economic activities and improve community welfare (Rai, 2023; Sarjiyanto et al., 2023).

The first stakeholder examined in this study is the government, represented by Bank Indonesia and the Kediri City Government. Both institutions have played strategic roles in supporting the revitalization and sustainability of Medali Mas Woven Ikat MSME through infrastructure assistance, production enhancement, marketing facilitation, education, and training programs. Their involvement became particularly important during periods of economic disruption and recovery. This finding supports previous studies emphasizing that government intervention and institutional support are essential for strengthening local economic development and improving community welfare (Hasbiah et al., 2023; Huda, 2020).

Bank Indonesia has supported Medali Mas Woven Ikat MSME since 2008 through a proposal-based assistance mechanism. Rather than providing direct cash assistance, support has been delivered through productive assets and infrastructure development according to business needs. Such assistance reflects Bank Indonesia’s commitment to strengthening MSME competitiveness and sustainability through capacity enhancement and productive resource support (Bank Indonesia, n.d.).

The assistance provided following the 2014 eruption of Mount Kelud demonstrates the importance of institutional support in enhancing MSME resilience. Through the provision of IDR 20 million for roof renovation and production facility recovery, Bank Indonesia helped restore operational activities and reduce the adverse impact of external shocks. This finding indicates that stakeholder collaboration contributes not only to business development but also to strengthening economic resilience at the local level (Otamendi-Irizar et al., 2022).

Furthermore, the provision of production equipment, entrepreneurship training, woven-bag production training, comparative study visits, and exhibition participation opportunities contributed to improving innovation capacity and market competitiveness. Product diversification into bags, footwear, accessories, and ready-to-wear fashion demonstrates how education and training programs can create added value and expand market opportunities for MSMEs. Similar findings have been reported in previous studies highlighting the importance of innovation and capacity building for sustainable MSME development (Arifin et al., 2021; Kadeni & Srijani, 2020).

Overall, the findings suggest that government institutions function not merely as providers of assistance but as strategic partners in local economic development. Through infrastructure support, capacity building, product innovation, and market facilitation, Bank Indonesia and the Kediri City Government have significantly contributed to the sustainability, competitiveness, and resilience of Medali Mas Woven Ikat MSME. This collaborative model reflects the core principles

of Local Economic Development, where collective action among stakeholders supports business growth, employment generation, and community welfare (Habibullah & Almuhim, 2023; Najiyati et al., 2015; Sarjiyanto et al., 2023).

Capital Support

Access to capital is one of the most important factors influencing the growth, competitiveness, and sustainability of Micro, Small, and Medium Enterprises (MSMEs). Adequate capital enables enterprises to improve production capacity, maintain operational continuity, adopt innovation, and respond effectively to external challenges. Previous studies have emphasized that capital support constitutes a critical determinant of MSME development and contributes significantly to local economic growth and community welfare (Arifin et al., 2021; Kadeni & Srijani, 2020).

One of the key informants explained:

“I received various kinds of assistance, starting from goods to non-material assistance, such as training or being invited to exhibitions. I partnered with Bank Indonesia in 2015, but before that, I was already helped when Kelud erupted. Now, I can produce significantly, up to 3,000 pieces of cloth per month.”

The statement indicates that capital assistance was not limited to financial support but also included productive assets and capacity-building programs that collectively contributed to the growth of the enterprise. These findings support the argument that institutional support can strengthen MSME productivity and business sustainability through both tangible and intangible forms of (Bank Indonesia, n.d.; Kemenkeu, 2022).

One of the earliest forms of assistance was provided following the eruption of Mount Kelud in 2014, which caused substantial damage to the production facility, particularly the roof structure. To support the recovery process, Bank Indonesia provided financial assistance amounting to IDR 20 million for the renovation of the production facility roof. This support enabled the enterprise to restore production activities and maintain business continuity. The finding demonstrates the importance of institutional intervention in enhancing MSME resilience against natural disasters and unexpected external shocks, thereby supporting long-term business sustainability (Otamendi-Irizar et al., 2022).

In addition to infrastructure support, Bank Indonesia provided productive assets in the form of a yarn-spinning machine. The machine was intended to improve production efficiency and strengthen productive capacity when market demand increases. Although the machine is not currently utilized because existing labor capacity remains sufficient to meet market demand, its availability represents an important investment for future business expansion. This finding indicates that capital assistance was designed not only to address immediate operational needs but also to support long-term enterprise development and competitiveness (Bank Indonesia, n.d.; Sari et al., 2023).

Another form of assistance was the provision of a business nameplate, which enhanced the visibility and identity of the enterprise. Although relatively modest compared to infrastructure and equipment assistance, this support contributed to strengthening market recognition and improving accessibility for customers and business partners.

The process of obtaining capital assistance was implemented through a proposal-based mechanism. Medali Mas Woven Ikat MSME submitted proposals detailing specific business needs, which were subsequently reviewed by Bank Indonesia. Rather than providing direct cash transfers, assistance was delivered in the form of infrastructure improvements and productive assets according to approved proposals. Following implementation, the enterprise was required to submit documentation and evidence of utilization as a form of accountability. Such a mechanism ensured that assistance was effectively allocated to productive activities and aligned with business development objectives (Bank Indonesia, n.d.).

From the perspective of Local Economic Development (LED), the provision of infrastructure support and productive assets illustrates how institutional collaboration can strengthen local economic capacity and business resilience. By improving production facilities and supporting business continuity, capital assistance enables MSMEs to maintain employment

opportunities, increase productivity, and contribute to local income generation. These findings are consistent with previous studies highlighting that productive capital support plays a strategic role in enhancing MSME competitiveness and promoting sustainable local economic development (Habibullah & Almuhim, 2023; Huda, 2020; Najiyati et al., 2015).

Furthermore, the impact of capital assistance extends beyond business performance. Increased production capacity has enabled Medali Mas Woven Ikat MSME to absorb local labor and sustain the livelihoods of workers and their families. Consequently, capital support contributes not only to enterprise growth but also to broader community welfare and economic empowerment. This finding supports previous research emphasizing the role of MSMEs in creating employment opportunities, reducing economic vulnerability, and improving social welfare at the local level (Hasbiah et al., 2023; Kadeni & Srijani, 2020).

Overall, the findings indicate that capital support functions as an essential instrument for strengthening MSME resilience, productivity, and sustainability. The collaboration between Bank Indonesia and Medali Mas Woven Ikat MSME demonstrates how stakeholder synergy can facilitate business development while simultaneously generating wider economic benefits for the surrounding community.

Market, Marketing, and Digital Marketing Support

Marketing plays a crucial role in determining the sustainability and competitiveness of Micro, Small, and Medium Enterprises (MSMEs). In increasingly competitive markets, the ability to access broader market segments has become an essential factor influencing business growth and long-term sustainability. Previous studies have emphasized that effective marketing strategies contribute significantly to increasing sales, strengthening customer relationships, and enhancing business competitiveness (Arifin et al., 2021; Kadeni & Srijani, 2020). Furthermore, the rapid development of information and communication technologies has transformed traditional marketing practices, enabling MSMEs to reach consumers beyond their local markets through digital platforms (Chaffey & Chadwick, 2019; Kotler et al., 2021). Consequently, stakeholder support in marketing and market expansion has become an important component of MSME development.

One of the key informants explained:

“I am often invited to exhibitions, not only in Kediri but also outside the city. Whenever there are guests from government agencies, I am often invited here too. And now, everything is online; I have also been taught.”

The statement illustrates that marketing support received by Medali Mas Woven Ikat MSME extends beyond conventional promotional activities. It also includes capacity building in digital marketing, market networking, and opportunities to interact directly with potential buyers. These initiatives have enabled the enterprise to adapt to changing market conditions and consumer behavior, particularly during the era of digital transformation (Verhoef et al., 2021).

Bank Indonesia has played a strategic role in strengthening market access for Medali Mas Woven Ikat MSME. One of its main initiatives is facilitating participation in exhibitions at local, regional, and national levels. These exhibitions provide opportunities for MSME actors to introduce products to wider audiences, strengthen brand recognition, and establish business relationships with prospective customers and distributors. Participation in exhibitions also allows entrepreneurs to observe market trends and understand consumer preferences, thereby improving their competitiveness. Such initiatives are consistent with Bank Indonesia’s MSME development programs that emphasize market expansion and business networking as drivers of enterprise growth (Bank Indonesia, n.d.).

In addition, Bank Indonesia integrated woven ikat entrepreneurs into Business-to-Business (B2B) forums that brought together producers and potential buyers from different regions and countries. Through these forums, MSME actors were able to negotiate directly with buyers, explore new market opportunities, and expand their business networks. The B2B program involved participants from various Bank Indonesia regional offices across Indonesia, creating

broader opportunities for market penetration beyond local and regional boundaries. This finding indicates that institutional support contributes not only to product promotion but also to the development of sustainable market linkages and business ecosystems (Habibullah & Almuhim, 2023; Najiyati et al., 2015).

Another important aspect of marketing support is digital transformation. The findings reveal that MSME actors received guidance and training related to online marketing practices, including the utilization of digital platforms for promotion and customer engagement. Digital marketing enables businesses to communicate with consumers more efficiently, reduce marketing costs, and expand market reach beyond geographical limitations (Chaffey & Chadwick, 2019). However, the implementation of digital marketing remains limited and has not yet become the enterprise's primary marketing strategy. Based on interviews with the owner, marketing activities continue to rely predominantly on direct customer visits, repeat buyers, exhibition participation, and institutional orders from government agencies within Kediri City. A substantial proportion of production is allocated to fulfilling demand for woven ikat uniforms required by local government institutions. Consequently, the enterprise has not experienced strong pressure to expand digital marketing activities. In addition, the owner acknowledged that the business does not yet have dedicated human resources responsible for managing digital marketing activities on a regular basis. As a result, social media promotion and online sales channels have not been utilized optimally. This finding suggests that although digital transformation initiatives have been introduced through stakeholder support, their adoption remains constrained by limited managerial capacity and the absence of personnel specifically assigned to digital marketing functions. From the perspective of MSME development, this condition illustrates that digital transformation is not solely dependent on access to technology and training but also requires adequate human resources, organizational readiness, and strategic commitment from business actors. Therefore, strengthening digital marketing capabilities and developing dedicated personnel may become important priorities for enhancing the future competitiveness of Medali Mas Woven Ikat MSME.

The Kediri City Government also played a significant role in supporting market development. One of the most influential policy interventions was the issuance of a local regulation in 2008 encouraging civil servants to wear woven ikat products as official uniforms. This policy created stable local demand while simultaneously functioning as an indirect promotional strategy. The widespread use of woven ikat among government employees increased public awareness and strengthened the cultural identity associated with local textile products. Such policy support reflects the important role of government in stimulating local economic development through the promotion of local products and industries (Hasbiah et al., 2023; Huda, 2020).

Furthermore, several government agencies, including the Tourism Office, Education Office, Culture Office, Investment and One-Stop Service Office, and the Cooperatives and MSMEs Office, actively promoted woven ikat products through exhibitions, cultural events, educational activities, and investment forums. These initiatives helped position woven ikat not only as a commercial product but also as a cultural asset representing the identity of Kediri City. From the perspective of Local Economic Development (LED), marketing support provided by Bank Indonesia and the Kediri City Government demonstrates how stakeholder collaboration can enhance local competitiveness through market expansion, business networking, and digital innovation. By improving access to broader markets and strengthening promotional activities, these stakeholders contribute to increased production, business sustainability, and employment opportunities. These findings support previous studies emphasizing that collaborative local economic development initiatives can strengthen regional competitiveness and improve community welfare (Najiyati et al., 2015; Sarjiyanto et al., 2023).

Despite these achievements, challenges remain. Increasing competition from mass-produced textiles and imported products requires continuous innovation in product design, branding, and digital marketing strategies. Therefore, sustaining stakeholder collaboration in marketing and digital transformation remains essential to ensure the long-term competitiveness and sustainability of Medali Mas Woven Ikat MSME in both domestic and international markets.

Education and Capacity Building Support

Education and capacity-building programs play an essential role in enhancing the sustainability and competitiveness of Micro, Small, and Medium Enterprises (MSMEs). In an increasingly dynamic business environment, the ability to innovate and adapt to changing market demands is largely influenced by the knowledge, skills, and entrepreneurial competencies possessed by business owners and workers. Therefore, stakeholder support in education and training has become an important component of Medali Mas Woven Ikat MSME development (Arifin et al., 2021; Kadeni & Srijani, 2020).

One of the key informants explained:

“We were taken to other weaving centers outside Kediri and were also taught how to make other products. Initially, my products were only cloth and sarongs. After receiving training, I can now produce various products such as clothing, bags, shoes, sandals, scarves, and many others.”

The statement demonstrates that educational support provided by stakeholders has contributed significantly to product innovation and business diversification. Prior to participating in training programs, Medali Mas Woven Ikat MSME primarily produced woven fabrics and traditional sarongs. However, exposure to new knowledge, comparative studies, and technical training enabled the enterprise to transform woven fabrics into a wider range of value-added products. This diversification expanded market opportunities and reduced dependence on a limited number of products, thereby strengthening business resilience and competitiveness (Arifin et al., 2021).

The findings indicate that Bank Indonesia and the Kediri City Government played important roles in facilitating educational activities, training programs, comparative study visits, and business mentoring. These initiatives provided opportunities for MSME owners and employees to learn from successful weaving centers, acquire new production techniques, and develop entrepreneurial competencies. The training programs covered product development, design innovation, marketing strategies, and the production of woven-based handicrafts, including bags, footwear, accessories, and fashion products. Such initiatives are consistent with the Local Economic Development (LED) approach, which emphasizes the development of local human resources and institutional capacity to stimulate sustainable economic growth (Habibullah & Almuhim, 2023; Najiyati et al., 2015).

Importantly, the benefits of these programs were not limited to business owners. Information obtained from interviews with one permanent employee and one freelance employee confirmed that employees also participated in various training activities and benefited from the transfer of knowledge and skills. This finding suggests that educational support contributed to the broader development of human capital within the enterprise rather than benefiting only management. As employees acquired new competencies, they became more capable of supporting innovation, improving product quality, and responding to changing market demands. It should be noted that training activities were implemented on an opportunity-based rather than a predetermined schedule. Participation was contingent upon programs provided by supporting institutions such as Bank Indonesia and local government agencies. Despite the absence of regular training intervals, these initiatives contributed to the continuous development of entrepreneurial and technical competencies among both owners and employees. This finding highlights the importance of stakeholder-driven capacity-building programs in strengthening local human capital and enhancing MSME adaptability and competitiveness.

From the perspective of Local Economic Development (LED), education and training programs contribute to strengthening local human resources and enhancing the competitiveness of local industries. The development of skills and entrepreneurial capacity enables MSMEs to adapt to market changes, improve productivity, and create higher-value products. Consequently, educational support contributes not only to business growth but also to employment sustainability, income generation, and local economic resilience (Rai, 2023; Sarjiyanto et al., 2023).

Furthermore, these findings can be interpreted through the lens of *maqashid al-shariah*, particularly the dimension of intellectual well-being (*hifz al-'aql*). The provision of education, knowledge transfer, and skills development reflects efforts to preserve and enhance human intellect. By improving the capabilities of entrepreneurs and workers, stakeholder collaboration contributes to the development of knowledgeable, productive, and innovative individuals who can participate more effectively in economic and social life (Akhyar et al., 2023; Hudayati & Tohirin, 2019). In the context of Sharia well-being, investment in human capital is not merely an economic strategy but also a means of promoting individual and collective welfare through the development of intellectual capacity and lifelong learning.

Overall, the findings suggest that education and capacity-building support represent a strategic investment in human capital development. Through training, comparative studies, and business mentoring, stakeholders have enabled Medali Mas Woven Ikat MSME to diversify products, strengthen competitiveness, and improve adaptive capacity. These outcomes demonstrate that educational support is not merely a complementary activity but a critical factor in sustaining MSME development, strengthening local economic resilience, and promoting broader community welfare (Akhyar et al., 2023; Habibullah & Almuhim, 2023; Najiyati et al., 2015).

Comparative Study Visits

Comparative study visits constitute an important component of the capacity-building initiatives facilitated by Bank Indonesia for Medali Mas Woven Ikat MSME. These visits were designed to expose MSME actors to best practices, innovative production techniques, product diversification strategies, and contemporary business management approaches implemented by successful weaving enterprises in other regions. Through direct observation and interaction with fellow entrepreneurs, participants gained valuable insights that could be adapted to improve their own business operations. Such learning-oriented activities are recognized as important mechanisms for strengthening entrepreneurial capacity and enhancing the competitiveness of local enterprises (Najiyati et al., 2015; Rai, 2023).

One of the key objectives of these visits was to stimulate creativity and innovation in product development. The findings indicate that comparative study visits enabled MSME actors to explore new motif designs, product variations, and fashion trends that aligned with changing consumer preferences, particularly among younger generations. Exposure to successful weaving industries encouraged entrepreneurs to develop more market-oriented products while maintaining the cultural identity embedded in traditional woven fabrics. This finding supports previous studies emphasizing that innovation and product diversification are critical factors in sustaining MSME competitiveness and business growth (Arifin et al., 2021; Kadeni & Srijani, 2020).

Bank Indonesia regularly facilitated comparative study visits to several weaving centers, including the Troso weaving industry cluster in Jepara, Central Java, which is widely recognized as one of Indonesia's leading woven textile centers. These visits were generally conducted annually and provided opportunities for MSME actors to learn about production management, marketing strategies, product innovation, and business development practices. The knowledge acquired through these activities helped Medali Mas Woven Ikat MSME respond more effectively to market dynamics and evolving consumer demands. From the perspective of Local Economic Development (LED), such initiatives contribute to strengthening local economic capacity through knowledge transfer and institutional learning (Habibullah & Almuhim, 2023; Huda, 2020).

Beyond product innovation, comparative study visits also enhanced participants' understanding of marketing and financial management. Entrepreneurs were introduced to new promotional techniques, digital marketing practices, customer relationship management, and financial planning methods that could improve business performance. Such knowledge became increasingly important in the context of growing competition within the textile industry and the rapid expansion of digital commerce. The development of entrepreneurial knowledge and adaptive capabilities is widely recognized as an essential factor in sustaining MSME resilience and long-term growth (Arifin et al., 2021; Kadeni & Srijani, 2020).

Another significant benefit of these visits was the development of inter-enterprise networks. Interactions with entrepreneurs from other weaving centers created opportunities for knowledge exchange, collaboration, and market information sharing. Informants explained that relationships established during comparative study visits often continued beyond the formal activities, enabling participants to discuss business challenges, share experiences, and even support one another in fulfilling large orders when production capacity was limited. This finding demonstrates that comparative study visits contributed not only to knowledge transfer but also to the formation of social and business capital among MSME actors. Previous studies have shown that social capital and collaborative networks play a crucial role in supporting Local Economic Development and enhancing the sustainability of local enterprises (Najiyati et al., 2015; Sarjiyanto et al., 2023).

From the perspective of Local Economic Development (LED), comparative study visits represent an important mechanism for strengthening local entrepreneurial capacity through learning and collaboration. The transfer of knowledge, skills, and business networks enhances the competitiveness of local enterprises and supports innovation-driven economic development. These findings are consistent with previous studies suggesting that inter-organizational learning and knowledge-sharing activities contribute significantly to MSME growth, adaptability, and long-term sustainability (Habibullah & Almuhim, 2023; Rai, 2023).

Furthermore, comparative study visits can be interpreted through the lens of *maqashid al-shariah*, particularly the dimension of intellectual well-being (*hifz al-'aql*). By facilitating learning, knowledge acquisition, and the exchange of ideas, these programs contribute to the development of human intellect and entrepreneurial capabilities. Consequently, stakeholder support in the form of comparative study visits not only strengthens business performance but also promotes broader dimensions of human development and Sharia well-being (Akhyar et al., 2023; Hidayati & Tohirin, 2019).

Overall, the findings suggest that comparative study visits function as strategic learning platforms that encourage innovation, strengthen business networks, and improve managerial capabilities. Through continuous exposure to new ideas and successful business practices, Medali Mas Woven Ikat MSME has been able to enhance its competitiveness while preserving the cultural heritage of traditional woven textiles. These outcomes reinforce the importance of stakeholder collaboration in developing human capital, strengthening local economic resilience, and promoting sustainable community welfare (Najiyati et al., 2015; Sarjiyanto et al., 2023).

Training Programs

Training programs constitute an important component of stakeholder support for the development of Medali Mas Woven Ikat MSME. In an increasingly competitive business environment, continuous training is essential for enhancing entrepreneurial capabilities, improving product quality, fostering innovation, and strengthening business sustainability. Previous studies have shown that human resource development and entrepreneurial capacity-building significantly influence MSME competitiveness and long-term growth (Arifin et al., 2021; Kadeni & Srijani, 2020).

One of the primary focuses of these training programs was product innovation. Prior to receiving training support, Medali Mas Woven Ikat MSME primarily produced woven fabrics and traditional sarongs. However, through various training activities organized by Bank Indonesia,

the enterprise acquired new skills in developing woven-based products such as bags, wallets, shoes, sandals, and ready-to-wear clothing. These programs were generally conducted annually and involved trainers and practitioners from various regions who shared knowledge, technical expertise, and market-oriented product development strategies. Such initiatives reflect the importance of capacity-building interventions in supporting business diversification and value creation within MSMEs (Arifin et al., 2021; Bank Indonesia, n.d.).

The findings indicate that training programs contributed significantly to product diversification. By transforming woven fabrics into a broader range of value-added products, Medali Mas Woven Ikat MSME was able to expand its market reach and respond to changing consumer preferences. Product diversification also reduced dependence on traditional woven fabric sales and created new sources of revenue for the enterprise. This finding supports previous studies suggesting that innovation and product diversification are key determinants of MSME adaptability and competitiveness in dynamic market environments (Kadeni & Sriyani, 2020; Sari et al., 2023).

The development of finished products required collaboration with local tailors and small-scale garment producers within the MSME ecosystem. This collaboration not only strengthened the production network but also generated additional economic opportunities for other community members. As a result, the benefits of training extended beyond the enterprise itself and contributed to broader local economic activities. Such collaborative practices are consistent with the Local Economic Development (LED) approach, which emphasizes stakeholder participation, local resource mobilization, and community empowerment as drivers of sustainable economic growth (Habibullah & Almuhim, 2023; Najiyati et al., 2015).

Furthermore, training programs enhanced the creative and technical capabilities of both owners and employees. Continuous exposure to new designs, fashion trends, and consumer preferences enabled participants to develop products that were more relevant to contemporary market demands. Informants explained that regular participation in training activities helped them avoid product stagnation and encouraged continuous innovation in motifs, designs, and product applications. These findings indicate that training functions not merely as a knowledge-transfer mechanism but also as a catalyst for creativity and business transformation (Rai, 2023; Sarjiyanto et al., 2023).

From the perspective of Local Economic Development (LED), training programs contribute to strengthening local human capital and fostering innovation-driven economic growth. The acquisition of new knowledge and skills enables MSMEs to improve productivity, create higher-value products, and generate sustainable employment opportunities. Consequently, training contributes not only to enterprise development but also to local economic resilience and community welfare improvement (Huda, 2020; Habibullah & Almuhim, 2023).

In addition, the findings can be interpreted through the framework of *maqashid al-shariah*, particularly the dimension of intellectual well-being (*hifz al-'aql*). The provision of training, knowledge transfer, and skills development reflects efforts to preserve and enhance human intellect through continuous learning and competency development. By improving the capabilities of entrepreneurs and workers, stakeholder support contributes to the formation of productive, innovative, and knowledgeable individuals who are better equipped to improve their economic and social conditions. This finding aligns with previous studies emphasizing that the development of human knowledge and skills constitutes an important element in achieving Sharia well-being (Akhyar et al., 2023; Hudayati & Tohirin, 2019).

Moreover, the impact of training extends beyond intellectual development to the dimensions of wealth preservation (*hifz al-mal*) and family welfare (*hifz al-nasl*). Improved skills and product innovation increase income-generating opportunities, strengthen business sustainability, and create employment opportunities that contribute to household welfare and future economic security (Isa et al., 2023; Rinawati & Rozi, 2020).

Overall, the findings demonstrate that training programs function not merely as technical learning activities but as strategic instruments for innovation, business development, human capital enhancement, and local economic empowerment. Through continuous capacity-building initiatives, Medali Mas Woven Ikat MSME has been able to diversify its products, strengthen

market competitiveness, expand employment opportunities, and contribute more effectively to local economic development and Sharia well-being. These outcomes reinforce the importance of stakeholder collaboration in supporting sustainable MSME development and community welfare (Akhyar et al., 2023; Najiyati et al., 2015; Sarjiyanto et al., 2023).

Stakeholder Synergy and Its Contribution to Sharia Well-Being

The findings reveal that the synergy among government institutions, Medali Mas Woven Ikat MSME, and the Bandar Kidul community contributes significantly to the achievement of Sharia well-being through local economic development initiatives. The collaboration creates mutually reinforcing relationships in which each stakeholder performs complementary roles to support business sustainability, community empowerment, and multidimensional welfare. This finding supports the Local Economic Development (LED) perspective, which emphasizes collaboration among government, business actors, and communities as a key driver of regional economic development (Habibullah & Almuhim, 2023; Najiyati et al., 2015; Rai, 2023).

Government institutions, particularly Bank Indonesia and the Kediri City Government, provide strategic support through infrastructure assistance, marketing facilitation, training programs, comparative study visits, and policy interventions. These initiatives strengthen the productive capacity and competitiveness of Medali Mas Woven Ikat MSME. As production capacity expands and market access improves, the enterprise creates employment opportunities and generates income for local households. At the time of the study, Medali Mas Woven Ikat MSME employed 95 workers, consisting of 33 men and 62 women, who were engaged in various stages of the production process, including spinning, dyeing, motif design, tying, yarn processing, and weaving.

The contribution of the local community extends beyond labor participation. Community members are actively involved in maintaining the continuity of traditional weaving practices and supporting local economic activities. This reciprocal relationship demonstrates that stakeholder synergy functions not merely as a support mechanism for business growth but also as a platform for community empowerment and cultural preservation. These findings are consistent with previous studies showing that community participation is a crucial component of successful local economic development programs (Hidayat & Safitri, 2019; Sarjiyanto et al., 2023; Srirahayu & Adi, 2021).

From the perspective of *maqashid al-shariah*, the findings indicate that stakeholder synergy contributes to the five dimensions of Sharia well-being, namely the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), wealth (*hifz al-mal*), and lineage (*hifz al-nasl*). These dimensions are widely recognized as indicators of holistic welfare in Islamic economics and development studies (Akhyar et al., 2023; Hidayati & Tohirin, 2019; Isa et al., 2023).

Religious Well-Being (*Hifz al-Din*)

Religious well-being is reflected in various social and religious activities conducted by Medali Mas Woven Ikat MSME and its surrounding community. These activities include supporting the construction and maintenance of places of worship, participating in religious gatherings, and providing assistance to disadvantaged community members. Such initiatives demonstrate that economic activities are embedded within broader social and spiritual values. This finding aligns with studies emphasizing that religious

values and social responsibility are important components of maqashid-based welfare (Akhyar et al., 2023; Omar & Hajimin, 2023).

Personal Well-Being (*Hifz al-Nafs*)

The protection of life and personal well-being is demonstrated through the provision of monthly health services for employees through the Work Health Unit (UKK) or employee-integrated health post (Posyandu). These services contribute to maintaining workers' physical health and improving workplace welfare. By ensuring access to preventive healthcare, Medali Mas Woven Ikat MSME creates a healthier and more productive working environment. This finding is consistent with previous studies showing that welfare from the maqashid perspective includes the protection of physical well-being and quality of life (Hasib et al., 2020; Rinawati & Rozi, 2020).

Intellectual Well-Being (*Hifz al-'Aql*)

Intellectual well-being is strengthened through continuous education, training programs, comparative study visits, and participation in exhibitions facilitated by Bank Indonesia and government agencies. These initiatives provide opportunities for workers and business owners to acquire new knowledge, improve technical skills, and develop innovative products. The diversification of woven products into bags, footwear, accessories, and ready-to-wear clothing illustrates how knowledge transfer contributes to creativity and business innovation. This finding supports previous studies highlighting the importance of education, knowledge enhancement, and capacity building as essential elements of maqashid-based human development (Akhyar et al., 2023; Isa et al., 2023).

Wealth Well-Being (*Hifz al-Mal*)

The dimension of wealth well-being is reflected in employment creation, income generation, business expansion, and improved market access. Government support in the form of productive assets, marketing assistance, exhibitions, and business networking opportunities has strengthened the economic performance of Medali Mas Woven Ikat MSME. The enterprise subsequently generates livelihoods for workers and their families while contributing to local economic growth. These findings are consistent with previous studies demonstrating that MSMEs play a strategic role in increasing income, reducing poverty, and stimulating economic development (Arifin et al., 2021; Kemenkeu, 2022; Kadeni & Srijani, 2020).

Lineage Well-Being (*Hifz al-Nasl*)

Lineage well-being is supported through the creation of sustainable employment opportunities and the transfer of skills and knowledge across generations. The preservation of traditional weaving skills ensures the continuity of local cultural heritage while simultaneously providing future generations with economic opportunities. Through training programs and community involvement, Medali Mas Woven Ikat MSME contributes to maintaining both cultural sustainability and intergenerational welfare. This finding is consistent with maqashid studies emphasizing the importance of preserving social continuity, family welfare, and future generations as part of sustainable development objectives (Isa et al., 2023; Norman et al., 2023).

Overall, the findings suggest that stakeholder synergy contributes to a holistic form of well-being that integrates economic, social, cultural, and spiritual dimensions. The interaction among government institutions, MSME actors, and the local community has created an enabling environment in which business sustainability and community

welfare reinforce one another. Rather than focusing solely on economic growth, the collaboration promotes a broader conception of development consistent with the principles of *maqashid al-shariah* and sustainable local economic development (Akhyar et al., 2023; Hidayati & Tohirin, 2019; Najiyati et al., 2015). Furthermore, the findings indicate that stakeholder collaboration serves as an effective mechanism for strengthening local economic resilience while simultaneously preserving cultural heritage and promoting Sharia well-being within the community.

E. CONCLUSION

This study found that the synergy among government institutions (Bank Indonesia and the Kediri City Government), Medali Mas Woven Ikat MSME, and the Bandar Kidul community contributes significantly to the achievement of Sharia well-being through local economic development initiatives. The collaboration demonstrates how complementary stakeholder roles can strengthen business sustainability, enhance community participation, and support multidimensional welfare.

Government institutions played strategic roles by providing infrastructure and capital assistance, facilitating market access through exhibitions and business networking programs, supporting digital marketing initiatives, and organizing education and training activities. Meanwhile, Medali Mas Woven Ikat MSME served as the primary economic actor by creating employment opportunities, preserving local cultural heritage, and developing product innovations that expanded market reach. The local community contributed through active participation in production activities, skill development programs, and the preservation of traditional weaving practices.

The findings indicate that stakeholder collaboration contributes to the five dimensions of *maqashid al-shariah*. Religious well-being (*hifz al-din*) was reflected through social and religious activities within the community. Personal well-being (*hifz al-nafs*) was supported through employee health services and workplace welfare initiatives. Intellectual well-being (*hifz al-'aql*) was strengthened through training, comparative study visits, and continuous capacity-building programs. Wealth well-being (*hifz al-mal*) was achieved through employment creation, income generation, and business expansion. Meanwhile, lineage well-being (*hifz al-nasl*) was reflected in the intergenerational transfer of weaving skills and the preservation of local cultural heritage.

From a theoretical perspective, this study extends the Local Economic Development (LED) literature by demonstrating that stakeholder collaboration can contribute not only to economic growth and employment generation but also to broader social, cultural, and spiritual dimensions of well-being. The findings also provide empirical evidence that the *maqashid al-shariah* framework can serve as a useful analytical lens for understanding the multidimensional outcomes of MSME development in predominantly Muslim communities.

Practically, the findings suggest that sustainable MSME development requires continuous collaboration among government institutions, business actors, and local communities. Strengthening support for product innovation, digital marketing, capacity building, and youth involvement in the woven ikat industry is essential to ensure the long-term sustainability of the sector. Future studies may expand the analysis by examining similar stakeholder collaborations in other MSME sectors or regions to provide broader insights into the relationship between local economic development and Sharia well-being.

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