

Digital Economy In Developing Msmes In Medan City Point Of View Of Islamic Business Ethics

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Abstract

This study aims to analyze the potential of the digital economy in the development of Micro, Small, and Medium Enterprises (MSMEs) in Medan City and examine the application of Islamic business ethics in the process of business digitalization. The research method used is descriptive qualitative with in-depth interviews, direct observations, and documentation studies from various relevant sources. The collected data were analyzed thematically to identify patterns, relationships, and factors influencing the adoption of the digital economy among MSME players. The findings indicate that the digital economy holds significant potential in supporting MSME growth in Medan City, as evidenced by the 3,000 MSMEs that have received training and assistance from the government. However, several challenges hinder its implementation, including limited capital, low digital literacy, difficulty accessing information, and a reluctance among business owners to transition to digital systems. From the perspective of Islamic business ethics, economic digitalization is permissible as long as it does not contradict Sharia principles, such as honesty, justice, and transaction transparency. While most MSME players are not fully aware of Islamic business ethics concepts, many have unknowingly applied these values in their business activities. This study provides recommendations for the government and stakeholders to enhance digital literacy and offer continuous support through more flexible regulations, intensive training, and financial incentives to accelerate MSME digitalization based on Islamic business ethics.

INTRODUCTION

The development of digital technology has brought significant changes to various aspects of life, including the economic sector. One of the biggest impacts of this progress is the transformation of the trading system that is increasingly dependent on digital technology. In Indonesia, the digital economy has great potential in driving economic growth, especially in the Micro, Small, and Medium Enterprises (MSMEs) sector (Nurul Aulia Dewi, Alika Hariani, 2023). The Minister of Communication and Information, Johnny G Plate, in the launch of national digital literacy on May 20, 2021, emphasized that the potential of the digital economy must be utilized optimally to achieve the target of a digital economy value of 124 billion US dollars by 2025. This national digital literacy program aims to help people understand and utilize digital technology more effectively.

MSMEs play a crucial role in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the number of MSMEs continued to increase in the 2015-2019 period. In 2019, there were around 65.4 million MSMEs that were able to absorb a workforce of up to 123.3 million people. This significant contribution shows that MSMEs not only play a role in creating jobs but also in reducing poverty in Indonesia. However, despite its significant growth, many MSMEs still face obstacles in adopting digital technology as part of their business strategy.

Medan City, as the fourth largest city in Indonesia and the center of the economy on the island of Sumatra, has great potential in developing the digital economy. Based on data, around 82% of Medan's 2.52 million population has internet access. With rapid infrastructure and economic growth, Medan City has made a major contribution to the Indonesian economy. However, although internet penetration is quite high, the use of digital technology by MSMEs is still relatively low. Many business actors in Medan City do not yet understand how digital technology can help improve the competitiveness of their businesses.

One of the main challenges in implementing the digital economy in Medan is the lack of adequate infrastructure, especially high-speed internet networks. The estimated contribution of the digital economy to the regional economy in 2018 was recorded at around 8.5%, with the potential for greater growth in the future. However, to encourage this growth, investment in digital infrastructure is needed, including the development of broadband networks (Fuadi et al., 2022). As the center of economy and education in Sumatra, Medan requires support from the government and private sector in building a strong digital ecosystem for MSMEs.

In addition to infrastructure, another challenge is the lack of digital literacy among MSMEs. Many business owners do not yet understand how to use digital platforms for marketing, transactions, and efficient business management (Syaifudin & Fahma, 2022). Moreover, in Medan City, there are still MSMEs that are not yet connected to the telecommunications network. In addition, the potential of young people who have technological skills has not been utilized optimally to help develop a digital ecosystem for MSMEs. Until now, the contribution of the millennial generation in driving the digital economy for MSMEs in Medan City is still limited (Karniawati et al., 2023).

From an Islamic economic perspective, the concept of *fiqh muamalah* provides a foundation for the application of the digital economy in business. *Fiqh muamalah* regulates economic transactions based on sharia principles that include honesty, transparency, and justice (Yuniar et al., 2022). In Islam, buying and selling is a permitted activity as stated in Surah Al-Baqarah verse 275. However, in digital economic practices, there are various aspects that need to be considered to remain in accordance with Islamic values, such as the validity of the agreement in bold transactions, transparency of product information, and the prohibition of usury and *gharar* (uncertainty) practices.

This research has high urgency because the digital economy is one of the main pillars in the development of MSMEs in the era of globalization. By understanding the opportunities and challenges faced by MSMEs in Medan City in adopting digital technology, this research can provide recommendations for business actors, the government, and other stakeholders in optimizing the use of the digital economy. In addition, this research also fills the research gap related to the integration of the digital economy with Islamic economic principles in the context of MSMEs in Medan City. Although there have been many studies on the digital economy and MSMEs, studies that connect the two with the perspective of Islamic business ethics are still limited.

Thus, this research not only contributes to understanding the condition of the digital economy in Medan, but also provides practical guidance so that MSMEs can develop in accordance with Islamic values. With increasing understanding and readiness of MSMEs in utilizing digital technology, it is hoped that they can be more competitive in the market.

METHODS

This study uses a descriptive qualitative method to gain a deep understanding of the implementation of the digital economy in the MSME sector in Medan City. This study was conducted from August to November 2023. The research location focused on Medan City, with the main data source coming from direct interviews with MSME actors and officials at the Medan City Cooperative and MSME Service. In addition, this study also collected data through direct observation in the field and documentation from various related sources (Moloeng, 2016).

Data collection techniques in this study include in-depth interviews with MSME actors to understand the obstacles and opportunities in implementing the digital economy (Rangkuti, 2016). Observations were carried out directly to see field conditions, while documentation was used to obtain secondary data from official reports, government policies, and relevant previous studies. The data that had been collected was then analyzed using a thematic analysis approach to identify patterns, relationships, and factors that influence the adoption of the digital economy among MSMEs in Medan City. With this method, research can provide a comprehensive picture of the condition of the digital economy and its relevance to the principles of Islamic business ethics.

RESULTS AND DISCUSSION

The Potential of Digital Economy in Developing MSMEs in Medan City

The digital economy provides great potential to increase the existence of MSMEs. Along with the existence of the pandemic that has not yet ended, this digital economy is expected to be able to answer the opportunities for MSMEs to remain stable in product marketing. The ease, convenience, speed, efficiency, security, and flexibility of buying and selling transactions owned by the digital economy make the digital economy a must, not just an option to be applied to MSMEs, especially MSMEs in Medan City. There are also impacts of the digital economy, among others (Anggraini & Nasution, 2013):

- 1 National and International markets can be reached without limited segments
- 2 Everyone can be involved as a producer, seller, reseller, or distributor. Easier entry and exit.
- 3 Make it easy to learn entrepreneurship assisted by a variety of sales, promotion, and financial applications.
- 4 Open competition occurs both in small, large, individual, and corporate companies.
- 5 Consumers are getting smarter and more free to choose.

The Cooperative and MSME Office of Medan City through the Head of the Small Business Empowerment Section said that the digital economy has great potential to develop MSMEs in Medan City.

"This digital economy has great potential to be applied in Medan. Moreover, the pandemic has not yet ended, like it or not, we have to keep up with the times, all must be online so that the business continues. Until now, thank God, our fostered members have reached 3000," Syafrida Hafsa- Kasi Improving the Quality of Entrepreneurial Human Resources.

The same answer was also expressed by one of the staff of the Small Business Empowerment Sector.

"Later, these 3000 assisted MSMEs will take turns participating in socialization, training, or similar things that smell of the digital economy," Adel-Staff for Small Business Empowerment.

'As many as 3000 MSMEs in Medan City have joined as fostered members of the Cooperative and MSME Office of Medan City, this means that they have the opportunity to be

fostered and assisted to be able to *go digital* in marketing their products. All MSMEs that have been registered as members of this fostered will be rotated to attend training, socialization, or selection to obtain MSME assistance from the government which is expected to help the sustainability of the business owned by these MSME actors.

The Department of Cooperatives and MSMEs said that becoming a member is not difficult. MSME actors only need to complete the requirements and submit the file to the Cooperative and MSME Office of Medan City to then be approved to register as a fostered member. The requirements are as follows (Ukmindonesia.id, 2023):

1. Own a Business on your behalf
2. Domiciled in Medan
3. Photocopy of ID card 1 sheet
4. Copy of Family Card 1 sheet
5. 3x4 and 2x3 photos of 2 sheets each
6. Have a business license from the local kelurahan (Photocopy of 1 sheet)
7. Have a business license (Business Parent Number) by OSS (Online Single Submission) from the PMPTSP Office (Photocopy of 1 sheet)
8. Production photos of business locations and business products at least 3 photos showing the business owner
9. Photocopy of licenses owned such as Halal MUI, Pirl, BPOM, TDP, SIUP, etc. (If Any)
10. Photocopy of NPWP (if any)
11. Own and carry a business stamp
12. Bring product samples.

To intensify the digital economy for MSMEs in Medan City, the Cooperative Office and MSMEs of Medan City conduct socialization, guidance, and training. The steps that have been taken by the Cooperative and MSME Office of Medan City so far to realize the digital economy for MSME players are as follows:

1. Collaboration in digital and integrated MSME data collection;
2. Making Medan City a *market* for MSME players, especially MSMEs eating and drinking by involving the procurement of government goods/services through local food and drink e-catalogs;
3. Education and coaching of MSME actors regarding the digital economy and digital marketing;
4. Collaborating with national marketplaces related to digital marketing of MSME products;
5. Launching the Go Digital Cooperative and MSME Product program;
6. Collaborate to encourage MSME actors on board in the procurement defense program (<https://diskopumkm.pemkomedan.go.id,2023>)

In addition, the cooperative office also carried out an MO-U with the marketplace. The goal is to facilitate the provision of digital literacy training. The Cooperative and MSME Office will be the facilitator for the training provided by the marketplace by selecting 50-100 MSMEs as participants in the training held. Until now, *Mo-U* has been established with Tokopedia, Shopee, Gojek, and Grab.

"We have established cooperation or Mo-U with Shoopee, Tokopedia, Grab, and Gojek. Hopefully many will follow soon. The goal is to make it easier to socialize and go digital. So later our Mo-U wants to give us training to be the facilitator," Adel- staff of the Small Business Empowerment Sector.

From this, it is concluded that the Digital Economy has considerable potential for the development of MSMEs in Medan City. With all the changes in transactions caused by the pandemic, the digital economy is the right solution to maintain the growth of MSMEs in Medan City. Coupled with the support by the Medan City government through all programs intensified by the Cooperative and MSME Office of Medan City, MSME players in Medan City are increasingly familiar with the Digital Economy.

Digital Economy Barriers to Developing MSMEs in Medan City

The incessant breakthroughs made by the Cooperative and MSME Office of Medan City still carved several obstacles. These obstacles arise from MSME actors which can be detailed as follows:

1. Capital Limitations

"Many of our MSMEs complain about costs. As a result, he did not dare to upgrade himself to digital marketing. If we are observant, this digital economy is even more promising for benefits," Head of Small Business Empowerment.

The development of MSMEs is hampered by costs or capital. MSME players prefer to continue their modest business rather than develop it for reasons of lack of cost. This has resulted in the economic growth of MSME players becoming stagnant.

2. Human Resources Less Tech-Savvy

There are still many MSME players in Medan City who lack technological knowledge and are not qualified to read market demand, so they have not been sharp in capturing consumer needs.

"We cannot ensure or guarantee that all of our MSME actors are technologically literate. Judging from age alone, there are still many MSME actors who are four heads. This kind of thing is usually not uncommon with online ones and the impact is difficult to direct towards digital," Adel- staff of the Small Business Empowerment Section.

MSME players with such categories of product marketing are also still comfortable with manual systems, and word-of-mouth promotion, not many have made social media a place to develop a business, plus there are still many who do not dare to use employees because of limited wages because, MSME actors are still often constrained in technical long-term business development.

3. Difficulty Obtaining Information

The Cooperative and MSME Office of Medan City disseminates information related to its programs, be it training, socialization, guidance, or assistance through online media. This is an obstacle for MSME actors who are not active in online media. The readiness of MSME actors to have social media cannot be ascertained by the Cooperative and MSME Office of Medan City so MSME actors often complain that information related to training and assistance for MSMEs is uneven.

"It often happens that it has been a week or more before MSME actors come here to ask for information, the reason is just hearing information because they don't have social media," Head of Small Business Empowerment.

4. A Mindset That Is Hard to Change

"It takes time to equalize the perception of every MSME actor in Medan City. People who accept the progress of the digital economy are MSME players whose age is still in the category of the millennial generation, which is certainly familiar with the digital system. Unlike MSME players whose age has entered the head of 4, it is usually

more difficult to understand because they think the digital economy is a troublesome thing". Safrida Hafsah-Kasi
Improving the Quality of Entrepreneurial Human Resources.

In line with Safrida, Adel also said that the responsibility of the Cooperative and MSME Office of Medan City was only limited to support. *"We support our MSMEs as much as possible to go digital. We provide coaching, socialization, training, assistance, or anything supportive. But again, it all depends on the MSME actors, whether they want it or not, they are their choice,"* Adel- staff of the Small Business Empowerment Sector.

It is concluded that the mindset of MSME actors also affects the sustainability of these MSMEs. If you are too lazy to keep up with the times, certainly, you will not move towards digital, on the other hand, if you are very accepting of the existence of digitalization, you can be sure that the business you are engaged in is also upgraded.

5. Honesty of MSME Actors

MSME players in Medan City who have entered the marketplace still have something to worry consumers. Selling products is not by what is offered on social media services, this is considered sad because it will make consumers kapok transacting online. Then there are also from the consumer side, there are still incidents of consumers who do not want to pay for the goods ordered even though the goods have arrived at the place. This is an emergency problem, very sad because in Medan City the citizens still lack honesty.

Strategy Service Koperasi and MSMEs City Terrain To boost economic digitalization in MSMEs in Medan City

"When it comes to strategy, actually the strategy of the Cooperative and MSME Office of Medan City from year to year, from before and after the pandemic is the same. The goal is to advance MSMEs so that they continue to exist to market their products," Adel- Small Business Empowerment Staff.

As for intensifying Economic Digitalization for MSME players in Medan City, the Cooperative Office and MSMEs of Medan City carry out the following strategies:

1. Continue to intensively socialize the digital economy for MSME players in Medan City, emphasizing that entering the digital era is a must, not just an option. In addition, the pandemic has resulted in all forms of activities being limited, so MSME players must be maximized to be able to follow these changes.
2. Continue to collaborate in various forms to *the marketplace* so that online marketing of MSME products is growing.
3. For MSME actors who have entered the age of 4, they are advised to attend training and socialization by bringing digitally literate family members, such as children. That way age is no longer an excuse not to follow economic movements in the digital era.
4. Continue to strive for the distribution of assistance to MSMEs who deserve assistance. The assistance that has been allocated by the Cooperative and MSME Office of Medan City is business equipment, free halal permit management, and finally the MSME BLT. Things like this will continue to be pursued to encourage the revival of MSMEs even though they are limited by budget quantity.
5. Collaborating with each village of Medan by sending a letter, if approved, training will be held for MSME actors in related sub-districts on digital economic literacy. This strategy has been successfully carried out in West Medan District and will continue to be intensified. Interview, 2023).

Islamic Business Ethics' Viewpoint on the Digital Economy

Islamic business ethics are often associated with economic activities these days. In the book *Business Ethics and Spirituality* written by Dr. H. Azhari Akmal Tarigan, M.Ag said that business ethics is a *trend* in the modern era. In his book called, in addition to ethics, the business world also needs spirituality. Business ethics can be derived from a secular and rational ethical system, and business spirituality is spiritual. So, this spirituality and business ethics can be said to be a new need for modern business (Tanjung, 2009).

Early Juliyani said in his journal entitled "Business Ethics in an Islamic Perspective" that Islamic business ethics is moral in running a business by Islamic values, so that in carrying out its business there is no need to worry because it is believed to be something good and true, where ethical, moral, and moral values can encourage humans to become a complete person. For example, honesty, truth, justice, freedom, and love will make a whole person if executed perfectly. Everyone may have a lot of knowledge about values, but the knowledge that directs and controls the behavior of Muslims is only the Qur'an and Sunnah as sources and rules of life, not least in doing business (Yudi Siswadi, 2022).

The digital economy is a modern economic activity following the changing times where market activities are no longer face-to-face but through online sites with network intermediaries. Increasingly, this digital economy is becoming a trend of business opportunities. That is why the government is also increasingly preparing the necessary instruments so as not to be left behind in facing these opportunities. Coupled with the improving development of *e-commerce* in Indonesia, MSMEs are increasingly easy to enter the market *online* (Amanullah, 2015).

The digital economy applied to MSMEs in Medan City is changing the form of market transactions to online. In Islam, online transactions are allowed as long as they do not violate the rules, principles, and ethics that have been regulated in the Qur'an and Sunnah. In Sunarji's book entitled "Business Ethics" five principles of business ethics have been stated, including:

1. Unity (*Tauhid/ Unity*)

Reflected in the concept of tawhid by integrating all aspects of Muslim life both in the economic, social, and political fields, and attaching importance to the concept of comprehensive order and consistency. The point is, that digital economy transactions can be carried out as long as they still uphold monotheism.

2. Balance (*Equilibrium*)

Islam strongly prioritizes its people to do justice in business and forbids cheating or tyranny. The Prophet (peace be upon him) was sent to build justice. Great harm to cheaters who when receiving doses from others ask to be fulfilled while when measuring others is always reduced. So buying and selling carried out in the online market or digital economy is allowed as long as there is no fraud such as cheating in doses or scales.

3. Free Will

Freedom is an important part of Islamic business ethics, but it does not harm the common good. Personal interests are wide open, there is no limit to income for someone encouraging humans to be active in working and working with all their potential. Man's tendency to meet unlimited personal needs can be controlled by the obligations that Islam has stipulated for his society through zakat, infak, and almsgiving. Islam is a religion that encourages its people to be creative and productive in seeking sustenance. Herein lies that freedom. In marketing goods through digital, MSME players must be creative and productive to attract market demand and the digital economy is one form of productive thing. Ali ibn Abi Talib (r) once said "If poverty is man

then I will kill him". This confirms the importance of us being productive so as not to become poor. Nevertheless, being productive in making money must be balanced with sincere and upright intentions solely because of God because, if not so feared we will enter the category of people who love the world.

4. Responsibility

To meet the demands of justice and unity, man must account for his actions logically, such a principle has a close relationship with free will.

5. Truth, benevolence, and honesty

This truth has two elements: virtue and honesty. In business, truth can be intended as the right intention, attitude, and behavior including the transaction process (contract), the process of finding commodities, and also the process of determining profits (Harahap, 2017).

Islam in addition to having transcendental teachings, also pays attention to humanist aspects (humanity). Man is given the autonomy to make choices in his life within clear limits, according to God's rules for man's purposes and interests. By submissively and obediently following His rules will feel peace in his soul. Even in matters concerning world affairs (economics and business), man is given autonomy to make decisions in favor of human welfare as God's caliph on earth.

The foundation of this statement gives us an understanding that ethical values in economic and business practices provide space for humans to formulate common values that animate human interests and well-being materially and spiritually. The implication is that economic and business ethics in the perspective of Islamic economics originate from two sources, namely: *ilahiyyat* and *insaniyyat*.

1. Divine, is a value derived from the divine or a value ordained by Allah to His Messenger, in the form of piety, faith, Ihsan, justice and so on which is enshrined in Divine revelation. Religion is the main reference for moral and ethical values. God as the primary source of religious teaching has established truth and error.
2. *Insaniyyat* is the opposite of ethical values derived from religion which can be interpreted as ethical values derived from creativity and consensus of human thought for the benefit and good of humans themselves. This value is dynamic and is limited by space and time (Arif et al., 2023).

In addition, the principles of Islamic business ethics were also put forward by Desy Astrid into 6, including:

1. Amanah, in this case, means that business people must make transactions really or not fraudulently. Cheating such as reducing the dose is prohibited in Q.S Al-Hud:85 while perfecting the dose is regulated in Q.S Al-Araf:85.
2. Staying away from immorality, it is intended that transactions must be based on consensual contracts so that no party feels disadvantaged. This is already regulated in Q.S An-Nisa:29.
3. Means of Worship, meaning that in doing business we must run it to get closer to God. This can be realized by understanding how to maintain the sanctity of property which can be done with zakat, infak, waqf, and alms. As stated in Q.S At-Tawbah:34 wealth will not develop except by the interaction of others.
4. Away from Riba, this has been regulated in Q.S Al-Baqarah: 275.
5. You must not be kind to yourself or others.
6. Uphold the values of equilibrium both social and environmental and avoid damage.

From the explanation above, it can be concluded that the digital economy is legitimate as long as the activities or transactions do not deviate and violate the rules and principles of Islamic

business ethics. Business actors are important to understand Islamic business ethics to implement them in the business world.

Islam does not prohibit buying and selling or market transactions carried out online as long as the activity is bound by a contract (*ijab qobul*), besides that, we also pay attention to the object in the transaction, as much as possible between the seller and buyer open each other about the clarity of the object to avoid regret in the future.

Islamic Business Ethics in the Application of Digital Economy for MSME Actors in Medan City

The digital economy has both potential and barriers. Then when viewed from the point of view of Islamic business ethics, it is concluded that the digital economy can be carried out in developing MSME businesses as long as the method and application do not deviate from the teachings of the Shari'a. Here the author will provide solutions so that MSMEs in Medan City can develop through the digital economy while still paying attention to Islamic business ethics.

1. MSME Actors

To develop their business, MSME players in Medan City who go *digital* must continue to innovate, be creative, and be productive. Must be able to read the market needs to continue to exist in marketing products in the digital era.

In running a business, MSME actors must also be honest. This honest behavior can be exemplified by not cheating on dosage or scales. In Q.S Al-Hud:85 Allah affirms that we should fulfill the measure and scale. Then, in running a business, MSME actors must also stay away from Maysir, ghoror, and usury. As explained in the word of Allah Q.S Ali-Imran:130.

Finally, in running an online business, the transaction that occurs must be consensual because, if one party is harmed, then cancel the sale.

2. Government Support

This digital economy is a form of government program to increase the development of MSMEs which are considered capable of providing good synergy for the country's economic progress. Therefore, it is appropriate for all forms of support to be deployed to be able to succeed in the digital economy for MSMEs. The simplest example of support that can be applied is with rules that are not difficult. Difficult regulations will tend to contain MSME players lazy to take part in the digital economy program.

In addition, steps that are also able to help MSME players enter the digital economy are as follows:

a. Easy business license

Through the Medan City Cooperative and MSME Office, the Medan City government has assisted MSME business licensing with the help of obtaining halal permits for free. These kinds of things must be improved so that more and more MSME players in Medan City participate in *going digital*.

b. Training, Socialization, and Coaching

Training, socialization, and mentoring are very important things to do to continue to disseminate digital literacy for MSMEs in Medan City, so positive activities like this must continue to be intensified by Cooperatives and MSMEs in Medan City to enliven MSMEs to *go digital*.

3. MSME Aid Budget Added

Until now, the budget for assistance for MSMEs is still limited, as well as the quantity of MSME actors who can take part in training, coaching, socialization, and so on about the digital economy. In the future, it is hoped that the government can increase each of these quantities to encourage the interest of MSME players in Medan to enter the digital economy.

In addition, in the researchers' interviews with MSME actors who were sampled in this study, more than 80% of MSME actors could not distinguish business ethics and Islamic business ethics and derivatives. As many as 10% of MSME players know how ethics in business, and as many as 10% do not even know about Islamic business ethics or business ethics only. In observations made, many MSME actors have carried out almost all elements of Islamic business ethics in their transactions even though they do not know that it is part of Islamic business ethics. They consider that what is done such as trust, honesty, fairness, and responsibility, is part of the necessity to maintain good relations with customers and forms of responsibility for business people. But they do not understand that what they do is not only a form of responsibility with their fellow human beings but also a form of responsibility towards their God. If this is done, it will get another benefit, namely in the form of merit. This is what researchers see in the phenomenon in the field.

With the digital economy, MSME players fully agree that in this digital era, honesty is the main spear of business sustainability. However, at the beginning of the transaction, they admit that many customers cancel their orders because they do not believe in the quality of the goods they will receive. However, the increase in menus in digital applications, allows business people to describe their goods in detail to reduce customer doubts about their merchandise. In addition, the COD system is very helpful for the relationship between sellers and buyers, to maintain trust between sellers and buyers, and no one is harmed in the transaction.

CONCLUSION

From the results of the research that the author has described, it can be concluded that:

1. The digital economy provides good potential in increasing the development of MSMEs in Medan. This is evidenced by as many as 3000 MSMEs in Medan City have been registered as fostered members of the Cooperative and MSME Office of Medan City, which means they have the opportunity to participate in training, mentoring, socialization, and obtain MSME assistance from the government. The potential of the digital economy in developing MSMEs in Medan City is also supported by the establishment of the Mo-U of the Cooperative and MSME Office of Medan City with Tokopedia, Shopee, Grab, and Gojek. This further supports Economic Digitalization for MSME players in Medan City.
2. The application of the digital economy for the development of MSMEs in Medan City is hampered by the side of MSME actors. These obstacles include: limited capital, human resources that are not technologically proficient, there are still many MSME actors who have difficulty getting information, mindsets that are still difficult to change, and honesty of MSME actors that are still lacking. From the point of view of Islamic business ethics, it is considered that the digital economy can be done as long as it does not violate the rules, values, and principles of Islamic business ethics in other words, the halal digital economy is carried out to develop business as long as it does not deviate from the Quran and Sunnah.
3. Thanks to the digital economy, economic activity is increasing from manual to fully digital. Making daily activities more practical and faster. The convenience offered by the digital economy can open up enormous business opportunities in various fields. First in the retail sector, where various online stores and marketplaces have sprung up that make it easy to

shop. Like Shopee, Lazada. Transportation services are not left behind with the development of the digital economy. In addition, most MSME players do not know what Islamic business ethics are, even though they have applied Islamic business ethics values in their transactions. In addition, digitalization is very supportive of the application of Islamic business values to maintain the relationship between sellers and buyers. This is a very positive response to prevent losses from one of the transacting parties.

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