Local Economic Development Strategy through Mosque’s Islamic Leadership and Managerial Capacity

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Abstract—Local economic development always requires breakthroughs to create inclusive development by involving various institutions. One of the institutional involvements initiated in this study is the presence of a mosque in solving economic problems at the local level. This study uses quantitative methods, namely Structural Equation Model (SEM) and Analytical Hierarchy Process (AHP). Islamic leadership and managerial capacity influenced the local economic development. There was a strong correlation among Islamic leadership, managerial capacity, and local economic indicators. The internalization process of Islamic Leadership is based on the leadership characteristics exemplified by the Prophet Muhammad, namely; honesty (Shiddiq), trustworthiness (Amanah), Islamic messengers (Tabligh), and smart (Fathonah) characteristics. This study found Islamic leadership has a stronger contribution than the managerial capacity to support local economic indicators. The transmission of the influence of managerial capacity to support the local economy is strongest from the management of the Mosquepreneur Program that produces local entrepreneurial power that supports regional development, especially in terms of poverty reduction. The main strategies chosen by mosque managers to support local economic development are; more concerned with partnerships than the competition, upholding Islamic business ethics, and program innovation based on community needs.

Keywords—mosque, local economy, leadership, capacity, managerial

I. INTRODUCTION

In a country with a Muslim majority population, the function of the mosque can be optimized as a driving force for the local economy. Additional visits to mosques provide the potential for an increase in economic activity around the mosque. Some studies in Indonesia indicate that mosques have positive consequences for the local economy as indicated by an increase in the income of the community around the mosque [1–3]. From the literature search, there are several impacts of mosques on the local economy, namely direct impacts in the form of an increase in the income of the business world around the mosque and employment, especially in mosques located in tourist sites, especially if related to religious tourism. The indirect impact is in the form of income earned by the workforce around the mosque and the secondary impact is in the form of additional income obtained by economic actors due to labor spending around the location. Trades around the mosque location include; food and beverages, Muslim clothing, souvenirs, and other retail trade. Mosques that have cultural values are thought to have a greater role in improving the local economy. Studies conducted by Campoy-Munoz, Cardenete, and Delgado [4] indicate that mosques with high cultural values will have an impact in the form of increasing income and employment. The mosque with high cultural value also functions as a tourist destination. The ability of a mosque to create added value for the local community cannot be separated from the issue of managerial capacity. The mosque is managed with the principles of maintaining the value of trust. The higher the public trust, the mosque tends to grow bigger with a stronger financial composition. The higher the financial capacity of the mosque, various programs can be held not only related to the symbols of worship but also various social and economic activities that have an impact on the local economy. Then, the importance of leadership in mosque organizations as institutions that are thick with religious values can internalize the characteristics of the Prophet Muhammad (Shiddiq, Amanah, Tabligh, and Fatonah) to increase the managerial capacity of a mosque which is associated with the achievement of local economic quality. Not all mosques are successful in doing this. A study conducted by Auliyah indicates that mosques are often faced with human resource problems in driving their programs [5].

This study uses a single selected case study at the Jogokariyan Mosque in Yogyakarta. This mosque is quite popular as a community economic development program. The interaction of mosques with the local economy is a new strategy introduced in this study as an effort to bring institutions closer to regional economic growth efforts. The local economic development approach is a process in which local government and community organizations are involved to
encourage, stimulate, maintain, business activities to create jobs [6]. Currently, many approaches have been developed to encourage the local economy, including: infrastructure, local innovation, public-private cooperation, and institutional strengthening and community participation.

This paper emphasizes the contribution of local institutions (mosques) as a focus to encourage the local economy through two major forces, namely Islamic leadership and managerial capacity. The importance of leadership in mosque organizations as institutions that are thick with religious values can internalize the characteristics of the Prophet Muhammad SAW who upholds the characters of trustworthy (shiddiq), amanah, tabligh, and fathonah. The transformation of the prophet's traits cannot be transferred 100% but these four traits can color the management of mosques through internalizing the attitude of the Prophet Muhammad in managing institutions in a city [7]. Good character and management ability will encourage institutions to work better.

II. METHODOLOGY

A. The Data Gathering Methods

This study consisted of primary data and secondary data. Primary data were collected through field observations and questionnaire instruments. There are two forms of questionnaires, namely questionnaires to the community who are the economic partners of the mosque and the mosque administrators who are part of the decision-making consisting of the Syuro Council and the Mosque management. The questionnaire for the community is divided into several parts, namely: general identity, community assessment related to the application of Islamic leadership, community assessment related to the application of modern management in mosque management, and local economic conditions as part of the interaction with the Jogokariyan Mosque. The research instrument was tested first through validity and reliability tests.

The data from the community involved as respondents were 100 respondents who were selected with the criteria that they had interacted with the mosque quite intensely in the past year in various forms of mosque partners in implementing the program. The determination of the programs identified in this study is based on the results of interviews with the mosque, Shura Council, namely; management of Ziswa, management of mosque entrepreneurs, and strengthening the capacity of mosque youth. The condition of the selected program is also triangulated with the mosque's annual report which is an official report to the public. The research instrument was tested first through validity and reliability tests.

The next data collection in the formulation of the strategy formulation involved 12 key informants with structured discussions. The key informants selected are the main activists of the mosque and are decision-makers in carrying out various programs at the Jogokariyan Mosque.

B. The Data Analysis Methods

This study applied quantitative methods, Equation Model Structural (SEM) and Hierarchical Analytical Process (AHP). The first model is used to identify the influence of the selected variables to encourage the local economy which is examined from three indicators, namely; employment, poverty reduction, and income generation. There are two latent variables observed, namely the first is Islamic Leadership which consists of four independent variables; implementation of shiddiq, amanah, tabligh, and fathonah attitudes. The second latent variable is Managerial Capacity which consists of four independent variables, namely; implementation of planning, organizing, actuating, and controlling. Managerial capacity is explored from three main program management consisting of: ziswa, mosquepreneur, and mosque youth capacity building.

III. FINDINGS AND RESULTS

A. The Effect of Managerial Capacity and Islamic Leadership on the Local Economy

The model was developed to answer how much all the transmission processes from aspects of Islamic leadership and managerial capacity to local economic development. The model used to answer these problems is the Structural Equation Model (SEM).

The SEM is composed of a rational framework that Islamic leadership strength and managerial capacity influence local economic development. The strength of Islamic leadership is manifested in actions related to the attitudes introduced by the Prophet Muhammad SAW, namely attitudes that are a manifestation of amanah, shiddiq, tabligh, and fathonah which are the basis of trust (trust) of the economic partners of the mosque (mosque) which are mostly live around the Jogokariyan Mosque. The managerial capacity, in this case, is identified through the implementation of modern management instruments starting from planning, organizing, actuating, controlling in the three main mosque programs, namely; management of zakat, infaq, and alms funds (ZISWAF), entrepreneurial formation (mosquepreneur) and capacity building. The two main programs are an important part of presenting the role of a mosque-based economy while the program is capacity building mostly directed at the mosque's internal efforts to produce cadres who can master religious knowledge well.

Several constructs have been developed to examine the transmission of the relationship between managerial capacity and Islamic leadership to the local economy.

The first construct is managerial capacity, which is defined as the ability to implement mosque management from the aspects of planning, implementation, organization, and supervision. The construction is divided into three main mosque activities, namely the zakat, infaq, alms, and waqf (ZISWAF) fund management program, the mosquepreneur program, and the capacity building program. The first transmission was identified from the correlation of managerial
activities in each program. The path consists of; identification of the correlation between the application of planning (MADZ1), actuating (MADZ2), organizing (MADZ3), and controlling (MADZ4) on the managerial capacity of ZISWAF fund management (XIMADZ). The next transmission is the correlation of managerial capacity in the mosquepreneur program with aspects of planning (MMP1), implementation (MMP2), organization (MMP3), and supervision (MMP4). Transmission of managerial capacity is also identified in the capacity-building program, starting from aspects of planning (MCB1), implementation (MCB2), organization (MCB3), and supervision (MCB4). The three programs will construct a correlation coefficient on local economic development with different magnitudes of influence. From all these constructs, it was found that managerial capacity had the greatest influence on local economic development.

The model also identifies the effect of the application of the characters of honesty (shiddiq)/KKK1, amanah (KKK2), delivering religious messages (tabligh)/KKK3, and intelligent (fathonah)/KKK4. The influence of these four characters gives a positive correlation to the formation of the local economy, especially in poverty reduction.

The process of transmitting all variables and indicators is carried out through two triangulation stages. The first stage is conducting a literature study on all possible variables and indicators related to the mosque-based local economic development strategy. The first process was then validated with the field context through in-depth interviews and field observations. This study then produces a path analysis that shows the direction of the relationship and the magnitude of the coefficients presented in Figure 1 below.

The results of data processing with SEM-PL indicate that Islamic leadership has a greater correlation than managerial capacity. The biggest correlation is the trustworthy (shiddiq). The correlation coefficient of the two variables, namely managerial capacity, and Islamic leadership, reached 0.713. The closeness of the two variables, in particular, plays a very important role in poverty reduction, income reduction, and employment.

The next step is to evaluate the measurement model (outer model) to ensure that the measurements made are valid and reliable. Evaluation of the measurement model refers to 3 criteria, namely [8]: Convergent Validity, Discriminant validity, and composite reliability.

- **Convergent Validity** is the value of the loading factor contained in endogenous and exogenous variables with their indicators, where the value must be $>0.7$ (some literature 0.6 is still tolerated) and the AVE (Average Variance Extracted) value is greater than 0.5. The AVE value is the value of each variable while the loading factor value is the value of each indicator, more details can be seen in Table 1.

![Diagram](image)

**Fig. 1. Results of structural equation model estimations.**

**Notations:**
- EL1 = Local Economy: Labor Absorption Indicator
- EL2 = Local Economy: Poverty Reduction Indicator
- EL3 = Local Economy: Income Indicator
- XIMADZ = Managerial Capacity in The ZISWAF Allocation
- XIMADZ1 = Managerial Capacity Planning in The ZISWAF Allocation
- XIMADZ2 = Managerial Capacity Organizing Fund in The ZISWAF Allocation
- XIMADZ3 = Managerial Capacity Actuating in The ZISWAF Allocation
- XIMADZ4 = Managerial Capacity Controlling in The ZISWAF Allocation
- X1MMP = Managerial Capacity Masjid-preneur
- MMP1 = Managerial Capacity Planning in Mosquepreneur Program
- MMP2 = Capacity Managerial of Organizing in Mosquepreneur Program
- MMP3 = Capacity Managerial of Actuating in Mosquepreneur Program
- MMP4 = Capacity Managerial of Controlling in Mosquepreneur Program
- X1MCB = Managerial Capacity of Capacity Building Program
- MCB1 = Managerial Capacity of Planning: of Capacity Building Program
- MCB2 = Managerial Capacity of Organizing: Capacity Building Program
- MCB3 = Managerial Capacity of Actuating: Capacity Building Program
- MCB4 = Managerial Capacity of Controlling: Capacity Building Program
- X2KKK = Islamic Leadership Capacity
- KKK1 = Implementation of Shiddiq
- KKK2 = Implementation of Amanah
- KKK3 = Implementation of Tabligh
- KKK4 = Implementation of Fathonah
Table 1 shows the indicators on the latent variables in a managerial capacity allocation ZISWAF (X1MADZ) can explain variance indicator X1MAD1, X1MAD2, X1MAD3, and X1MAD4 each more than 90 percent, as well as the capacity of Managerial Mosqupreneur (X1MMP), capacity building (X1MCB), and Islamic leadership capacity (X2KKK) have met the requirements of good Convergent Validity. This means that each latent variable has been able to reflect each of its constituent indicators more than 70 percent. Meanwhile, the AVE value for each endogenous variable is also greater than 0.5. Thus, each variable supporting indicator has been valid for more than 80 percent. The convergent validity value higher, the higher the correlation between indicators in compiling exogenous and endogenous variables (constructs).

1) Discriminant validity: The model is valid if the correlation between variables must be greater than other variables. The correlation value X1MCB variable is 0.91. The value of 0.91 is greater than all other variables (X1MMP variable), thus it can be concluded that the X1MCB variable is valid. Similarly, based on Table 2, it can be seen that the variables have met the validity criteria, the details can be seen in Table 2 below.

Table 3 shows that the coefficient is positive in the variable Path X1MADZ, X1MMP, X2KKK while the variable X1MBC is negative. This means that the managerial capacity of the allocation of ziswaf funds, the managerial capacity of the mosqupreneur, and the capacity of Islamic leadership influence the local economy. Table 4 indicates the Islamic leadership capacity (siddiq, amanah, tabligh, and fathonah characters) has a greater coefficient in influencing the local economy, meaning if the character of poverty and employment absorption);
fund allocation, the managerial capacity of the mosque preneur, and the capacity of Islamic Leadership have a significant influence on the local economy.

The measurement results indicate several conclusions from the observed variables, where the variable that most influences the local economy is the variable from the managerial capacity of ziswaf fund allocation (Table 1). This indicator has factor loading the highest value and is considered to have a major influence on the local economy, where the XIMADZ1 (planning) value is 0.900; XIMADZ2 (Organizing of 0.914); XIMADZ3 (Actuating is 0.924) and XIMADZ4 (controlling is 0.923). This indicator needs to be developed to encourage the local economy at the Jogokariyan Mosque in Yogyakarta. Thus, to improve the local economy, it is necessary to encourage the development of managerial capacity in the allocation of ziswaf funds from the planning, organizing, actuating, and controlling aspects.

### B. The Priority Strategies to Support Local Economic Development

The formulation of mosque strategies to support the local economy cannot be separated from the decision-making of mosque administrators. Decision-makers are involved from the program planning process to implementation. These decisions will have an impact on the surrounding community and subsequently affect local economic achievements. The important role of decision-makers is part of the institutional management capacity. Identification of decision-making indicators begins with field observations and interviews with key informants. There are 10 paired choices set. The results of measuring the preferences of mosque administrators in choosing policies in mosque development to support local economic development are presented below.

#### TABLE V. RESULTS OF TREATMENT ANALYTICAL HIERARCHY PROCESS

<table>
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<tr>
<th>Indicators</th>
<th>Criteria</th>
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<th>B</th>
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<td>0.104861</td>
<td></td>
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<tr>
<td>2</td>
<td>0.886012</td>
<td>0.113988</td>
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<td>3</td>
<td>0.398843</td>
<td>0.601158</td>
<td></td>
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<td>4</td>
<td>0.334259</td>
<td>0.665741</td>
<td></td>
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<td>5</td>
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<td>0.569676</td>
<td></td>
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<td>0.652314</td>
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<td></td>
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<td>10</td>
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</table>

The prominent findings from the AHP model are several decision-making strategies chosen by mosque management. The preferences consist of: choosing a partnership strategy over competition (indicator 1), choosing a strategy that focuses on the application of business ethics compared to maximum profit (indicator 2), prioritizing the interests of the community compared to the interests of the mosque (indicator 3), prioritizing fast service compared to procedural services (indicator 4), the choice of services is wider than just around the mosque (indicator 5), chooses mosque business development than the use of public funds (indicator 6), focuses on benefits to the community over popularity (indicator 7), applies management that involves the community rather than command management (indicator 8), choosing program innovation over maintaining the old program (indicator 9) and choosing a solution-based program over a plan-based program (indicator 10). The choice of this strategy indicates that the mosque managers are very visionary by placing the strategic role of the mosque in building the community. Community development strategies with positive actions are considered more effective in building a sustainable community.

The findings of this study are by Islamic principles stating that empowerment activities for the prosperity of mosques are the guidance of the Prophet Muhammad. This activity is the responsibility of Muslims together both individually and in community groups as evidence of faith and piety to Allah SWT. It implies the role of the mosque to internalize proper behavior that exists in all mosques, be it an active role where the mosque through its management performs or schedules certain things to meet existing expectations. Mosques play an important role in changing the values of life in religion and fostering people through socio-economic piety programs, for example by realizing community empowerment through mosques by distributing zakat or in the form of passive roles, for example by the establishment of a mosque, the morality of the surrounding population can become more positive. good. According to Farid in Suryani and Faizha states that Muslim-based empowerment requires the existence of an institution that is monotheistic and socially capable so that both can be combined to create empowerment activities that represent the above objectives and one of the institutions that allow the implementation of Islamic social principles.

Muslims can achieve progress like in the past, so Muslims must start from the mosque, by revitalizing the function of the mosque. One of them is by updating the management and management of the mosque. The Mosques must be managed more professionally, with programmed activities and adequate equipment. The ability of mosque administrators to manifest a good attitude is a key behavior. The mosque management must be chosen from people who have a noble character, are willing to help and cooperate in advancing and prospering the mosque. Syahidin added that the leader of the mosque is a person who can move the administrators of the mosque to be equally active in preparing a good plan and carrying it out with full responsibility.

Leadership according to Wahjosumidjo is an important force in the context of management, therefore the ability to lead effectively is the key to organizational success. The important role of leadership is also reinforced by Gomes' opinion which states that leadership is a process of social influence and the deliberate influence of a person on others to structure activities and relationships within an organization. The point is who uses influence, how to use influence, and the
goals to be achieved from that influence, and the results of efforts to use influence [15].

A mosque that can present strong leadership and managerial capacity will bring a lot of change to society. The mosque’s decision to take part in the community will increase trust and make the community closer to the mosque. This condition opens the opportunity for the implementation of the believer’s behavior to spread more widely.

IV. CONCLUSION AND POLICY IMPLICATION

The identification results by applying the Structural Equation model found that the latent variable that had the most influence on local economic development was the strength of Islamic leadership. The implementation of Islamic leadership in the form of an honest attitude gives the highest influence, then the attitude of trustworthiness, innovative attitude (fathonah), and finally the attitude of tabligh. All variables have a positive influence on the local economy. Identification of the latent variable of managerial capacity, the variable that gives the strongest influence on managerial capacity in the management of ZISWAF is in the aspect of implementation (acting). All aspects of managerial capacity, namely planning, organizing, acting, and controlling have a positive effect on the management of the ZISWAF program.

The positive correlation also occurs in the Mosquespreneur Program where the strongest influence on aspects of organizing, while the mosque’s youth program does not affect local economic development. Of the two programs that have a positive effect on the local economy, the managerial capacity of the Mosquespreneur Program has a higher coefficient of influence than the managerial capacity of the ZISWAF management program. All latent variables consisting of Islamic Leadership, ZISWAF Management Managerial Capacity, Managerial Capacity in the Mosquespreneur Program obtained a correlation coefficient of 0.713 with the highest effect on the impact of poverty reduction.

The results of the identification of decision making with the Analytical Hierarchy Process Model found some mosque strategies in managing the community. The focus of the strategic choices of mosque managers are; the policy choice to apply Islamic business ethics rather than the goal of maximum profit, a collective leadership system instead of a commanding leader, providing fast service, the mosque choose financial independence with the mosque business.

The next study should be helped the local economy grow better through partnership patterns with various parties (government, industry, and universities) based on noble religious values. The ability of mosques to manage the local economy can be a good example for other mosques in Indonesia to achieve sustainable economic growth.

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