

Governance Assistance to Reinforce Sharia Financial in Sharia-Based Learning Management System (LMS) Startups

Nasharuddin Mas¹, Hanif Rani Iswari^{2*}, Siti Nur Ainun³

^{1,2,3} Department of Management, Faculty of Economic and Business, Universitas Widyagama, Malang, Indonesia

ABSTRACT

Sharia-based financial management has become a necessity for many startups, especially those serving Islamic schools, pesantren, and foundations, given the Islamic values that underpin their operations. This article discusses the implementation of Sharia governance in startups providing Learning Management System (LMS) platforms for Islamic schools, pesantren, and foundations. This mentoring initiative identified the main challenges faced by startups, in particular limited understanding of Sharia principles in financial systems, difficulties in Sharia business contracts as syirkah, mudharabah, etc, and financial recording. Through a community service approach, we provide practical solutions to address these challenges to support the sustainability of Sharia-based startup businesses.

Keywords: Digital Education, Learning Management System, Sharia-Based Financial, Startup

*Correspondence:

Hanif Rani Iswari
(rani@widyagama.ac.id)

Received: 27-10-2024

Revised: 15-11-2024

Accepted: 04-12-2024

Published: 14-12-2024



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

1. INTRODUCTION

Technology startups that focus on the Islamic-based education sector for Islamic boarding schools and foundations are growing rapidly in the digital era (Safitri, 2024). The adoption of Sharia financial governance is used as an operational basis to ensure compliance with religious values and build trust among the Islamic boarding school community (Akhyar, 2024). The integration of sharia-based technology and finance in the education and financing ecosystem has become a major concern in building a more inclusive, efficient and sustainable society (Akhyar, 2024). One concrete manifestation of this transformation is the presence of startups that provide Learning Management Systems (LMS) services to support Islamic educational institutions, such as Islamic schools, Islamic boarding schools and foundations (Holilah & Hajaj, 2024). According to Holilah & Hajaj (2024), an LMS based on Islamic values enables a more interactive, structured learning process and supports the efficiency of management of educational institutions. In the context of Islamic boarding schools and foundations, LMS startups also act as a bridge to integrate learning aspects with sharia-based financial governance. This system not only focuses on increasing educational accessibility but also provides solutions for institutional financial management that are transparent and in accordance with sharia principles (Jinan et al., 2024; Holilah & Hajaj, 2024).

However, implementing this model faces a number of challenges in terms of funding, business models, technology and regulations (Wulandari et al., 2023). From a technological perspective, integration of Sharia principles in the LMS system requires additional complex features, such as contract recording, Sharia fund management, and a non-usury payment system. Developing this feature requires high costs and human resources who are experts in Sharia and technology. In addition, the Sharia-based payment system in Indonesia is not yet fully developed, making the digital payment process difficult. Sharia-based LMS startups also face obstacles in implementation

in Islamic boarding schools and foundations. Many Islamic educational institutions do not yet have an adequate understanding of Sharia-based financial governance. This causes difficulties in using LMS financial features, such as managing zakat, infaq and waqaf. Limited budgets and digital infrastructure in Islamic boarding schools further slow down the adoption of this technology. From a regulatory perspective, startups often face uncertainty regarding Sharia fintech regulations. Startups must also ensure transparency in Sharia-audited fund management, which often requires additional costs. Apart from the challenges above, competition and the market are other obstacles. Conventional LMSs with lower prices and more features are often tough competitors. The lack of market education about the benefits of Sharia-based LMS also causes low adoption by Islamic boarding schools and foundations. On the other hand, startups that help manage zakat, infaq and waqaf funds must ensure full transparency to maintain customer trust. A small mistake in managing these funds can hurt the startup's reputation.

One of the main challenges faced by the Sharia-based LMS startups that we accompany is: funding, Sharia-based funding schemes, namely Syirkah, mudharabah and musyarakah, although in line with Sharia principles, is often difficult to access due to investors' lack of understanding of this model (Aslan et al., 2024). The definition of Syirkah is a form of partnership where parties come together to collaborate in business or agricultural activities (Musanna, 2022). According to Aslan et al. (2024). Mudarabah is a profit sharing contract where one party provides capital, and another provides expertise and management and profits are shared according to the agreement, but losses are borne by the capital provider unless due to negligence by the manager. Meanwhile Musyarakah is a term used in Islamic finance to describe a joint venture or partnership where all partners contribute capital and share in the profits and losses of the business (Aslan et al., 2024).

From a business model perspective, LMS startups face deep difficulties determining the price of Sharia-based services (Dahlan et al., 2017). Sharia principles require that the price of services be determined clearly from the start without any elements of gharar (uncertainty). Startups also need to arrange special contracts for subscription models, such as ijarah (lease), which is sometimes difficult for customers to understand (Usanti et al., 2019). Additionally, business partners, such as cloud service providers or payment gateways, often do not support Sharia principles, creating challenges in maintaining compliance with Islamic values (Shuib et al., 2024).

The Sharia-based LMS startups that we accompany face significant challenges manage cash flow. Late payments from customers often occur, but startups cannot impose interest-based fines because it is against Sharia principles (Bertillo et al., 2013). In addition, startups in managing several sources of income, such as LMS subscriptions, additional training, or managing donations, must adopt different contracts such as wakalah, ijarah, or grants. to ensure Shariah compliance. The difficulty in separating the management of zakat, infak, and waqaf funds from the company's operating income is often a source of non-compliance (Zulkarnain et al., 2021).

By overcoming this challenge through education, Sharia-based LMS startups have great potential in supporting Islamic education and transparent and sustainable financial governance. In essence, this mentorship aims to Identifying the main challenges faced by Sharia-based LMS startups in aspects of funding, business models and financial management; Develop strategic solutions to overcome obstacles in implementing Sharia financial governance, including drafting contracts and managing funds; and Increase understanding and literacy related to Sharia finance to support sustainability and compliance with Sharia principles.

2. METHODS

The method for implementing this program is designed based on a systematic approach which consists of several main stages, namely problem identification, preparation of practical solutions, and program implementation.

a. Identification of problems

Identifying the main challenges faced by Sharia-based LMS startups through in-depth interviews with startup owners, financial managers, and users (Islamic boarding schools/foundations).

b. Preparation of Practical Solutions

Designing training modules and operational guides to help startups understand the basic principles of Sharia finance: business contracts (syirkah, murabahah, mudharabah), management of zakat, infaq and waqaf funds, Sharia-based financial recording.

c. Program Implementation

Carrying out discussion to strengthen startup capabilities in drawing up business contracts, managing funds according to Sharia, and utilizing technology to support Sharia-based transactions.

Form of Activity The mentoring program is designed to improve Sharia-based financial governance in LMS startups serving Islamic boarding schools and foundations. The forms of activities carried out are as follows:

- 1) Initial Assistance
 - a) Introduction to the basic principles of Sharia finance, including contracts such as syirkah, mudharabah, murabahah, and ijarah.
 - b) Training in preparing business contract documents that suit startup needs.
 - c) Training in managing zakat, infaq and waqaf funds in accordance with Sharia principles.
- 2) Intensive Mentoring
 - a) Special assistance for implementing Sharia-based financial governance in the LMS system.
 - b) Implementation of a Sharia-based financial recording module using relevant technology.
- 3) Simulation and Evaluation
 - a) Sharia-based transaction simulation to ensure participants' understanding of the material.
 - b) Direct evaluation of startup financial governance before and after mentoring activities.

Implementation Schedule This activity was carried out during 3 Weeks, with the following schedule:

- 1) The first week:
 - a) Introduction to Sharia finance through a 2 day assistance and discussion.
 - b) Preparation and finalization of training modules based on startup needs.
- 2) Second Week:
 - a) Intensive training for 5 days, including drafting contracts and implementing financial recording modules.
 - b) Special assistance in implementing Sharia-based financial systems in the LMS.
- 3) The third week:
 - a) Operational simulation and evaluation of activity impacts.
 - b) Follow-up discussions and further development based on evaluation results.
- 4) Activity Place
 - a) Initial assistance: Training location at the LMS service Startup Office.
 - b) Intensive Assistance: Carried out at the startup office, either directly or through online consultations, to ensure the implementation of the Sharia financial module.
 - c) Simulation and Evaluation: Carried out at the startup office location with direct observation by the accompanying team.
 - d) Evaluation and Follow-up
 - e) Evaluate the success of the program through satisfaction surveys and monitoring startup performance after implementation.

3. RESULTS AND DISCUSSION

a. Identification of problems

During the identification process, the associate encountered several significant challenges faced by Sharia-based LMS startups. Firstly, there is a lack of in-depth understanding of Sharia contracts such as syirkah, ijarah, and murabahah, which causes difficulties in its application in business practice. Many startups have difficulty adapting these contracts to their operational needs, especially in drafting appropriate contracts. In addition, lack of access to adequate educational resources is also an obstacle in the development and implementation of business models that comply with Sharia principles. This condition creates greater challenges in attracting the interest of investors and users, considering the importance of compliance with Sharia principles in building trust in the market.

Management of funds at Islamic schools, Islamic boarding schools or foundations, such as zakat, infaq and waqaf, is often not carried out with full transparency. Startups do not have a system that supports separate recording of these funds, which could pose a risk of violating Sharia principles. Complexities in Sharia-based financing schemes, such as mudharabah, is also a challenge. This model is considered less flexible than conventional financing, so startups tend to have difficulty getting appropriate financing.

Regulation and compliance are also significant obstacles. The Sharia certification and audit process often takes time and costs a lot of money, especially for small startups. As a result, many startups struggle to ensure their operations are truly compliant with Sharia principles.

b. Implemented Programs and Solutions

The mentoring program is designed to improve Sharia-based financial governance in LMS startups serving Islamic boarding schools and foundations. Activities are carried out in three main stages: initial assistance, intensive assistance, and simulation and evaluation.

1) Initial Assistance

- a) Introduction to Sharia Financial Principles: Carried out through mentoring for two days, discussing the basic principles of Sharia contracts such as syirkah, mudharabah, murabahah and ijarah. Participants are given an understanding of the basics of financial management in accordance with Sharia principles.
- b) Preparation of Business Contract Documents: Startups are given training to prepare contracts that suit their operational needs. As a result, startups are able to design business contracts that are more appropriate and applicable.
- c) Sharia Fund Management Training: Focus on zakat, infaq and waqaf. The training module includes how to record, separate and manage these funds transparently in accordance with Sharia principles.

2) Intensive Mentoring

- a) Implementation of the Sharia Finance Module: Implementation of the Sharia-based financial recording module in the LMS system is carried out with the support of relevant technology. Startups learn how to record Sharia-based transactions to improve operational efficiency.
- b) Special Assistance: The accompanying team provides direct and online consultations to help startups understand and implement the Sharia fund recording and management system.

3) Simulation and Evaluation

- a) Sharia Transaction Simulation: Startups undergo transaction simulations based on Sharia contracts such as ijarah and wakalah to ensure understanding of the material.
- b) Program Evaluation: Evaluation is carried out by comparing governance before and after mentoring activities. The survey results showed an increase in participants' understanding of sharia financial governance

After implementing the program, the capabilities of Sharia-based LMS startups have increased significantly, especially in preparing business contracts that suit the needs of Islamic

boarding schools and foundations. Previously, startups experienced problems in understanding and implementing Sharia contract principles, such as syirkah, mudharabah and ijarah. Through this service program, they are now able to draft contracts independently, which not only increases operational efficiency but also ensures compliance with Islamic values. This increase was supported by the development of standard contract documents designed during the program. This document makes it easier for startups to draw up contracts that are aligned with Sharia principles while meeting their operational needs. This shows that a practical approach through intensive training is able to answer the real needs of startups in carrying out Sharia-based financial governance. In addition, challenges in managing Sharia funds—including zakat, infaq and waqaf—were successfully overcome through a Sharia-based financial recording module that was developed and integrated into the LMS. This module allows startups to separate these funds from operating income with greater transparency. This increase in capability directly contributes to increasing the trust of Islamic boarding school partners and foundations in startup services, as well as reducing the potential for recording errors that previously often occurred.

As a result of hands-on training and Sharia-based transaction simulations, the startup not only understands how to utilize technology to record non-usury transactions but is also able to apply it in daily operations. This approach not only provides technical solutions but also builds a strategic mindset among participants, which becomes the foundation for the sustainability of their governance. These results are in line with research that states that a practice-based approach increases the sustainability of the implementation of Sharia principles in business governance (Wulandari et al., 2023). With a more structured recording system, they can manage the flow of Sharia funds with higher accountability. This impact not only reflects the success of module development, but also the relevance of a practice-based approach in building startup capabilities that were previously limited in sharia financial management knowledge and techniques.

Discussions with participants also revealed that collaboration with the accompanying team creates a mutually supportive learning ecosystem. Startups now not only understand Sharia-based financial governance but are also starting to adopt business strategies that are more transparent and oriented towards Islamic values (Aslan et al., 2024). By combining a practice-based approach, intensive training, and simulation, this program not only addresses technical needs but also builds long-term trust between startups and Islamic boarding school partners and foundations. This success proves that collaboration-based solutions can become a model of community service for other sectors to encourage digital transformation that is more inclusive and based on Islamic values. This program makes a clear contribution to strengthening the Sharia-based education ecosystem and opens up opportunities for future development.

Table 1. Comparison of the State of Startup Financial Governance Before and After Mentoring

Aspects of Financial Governance	Before Mentoring (%)	After Mentoring (%)	Change (%)
Understanding of Shariah contracts (syirkah, mudharabah, etc)	40%	40%	40%
Ability to prepare contract documents independently	30%	30%	30%
Transparent management of zakat, infaq and waqaf funds	35%	35%	35%
Compliance of the financial recording system with Sharia principles	50%	50%	50%
Islamic boarding school/foundation satisfaction with startup financial governance	50%	50%	50%

Source: Data Processed (2024)



Figure 1. Startup Assistance
Source: Results of Activity Implementation (2024)

4. CONCLUSION

Sharia-based LMS startups are confronted with numerous significant challenges, such as a lack of understanding of Sharia contracts, limited transparency in the management of zakat, infaq and waqaf funds, as well as regulatory and certification obstacles. These obstacles cause limitations in the application of Sharia principles, which in turn affects the attractiveness of startups to investors and users. Through a mentoring program designed in three main stages—initial mentoring, intensive mentoring, and simulation and evaluation—startups succeeded in increasing their capabilities significantly. The introduction of Sharia principles and the preparation of standard contract documents helps startups prepare Sharia-based business contracts that are more applicable and in line with their operational needs. The Sharia-based financial recording module developed and integrated into the LMS enables better transparency and accountability in fund management, increasing trust from Islamic boarding school partners and foundations.

The evaluation showed real results, with an increase in understanding of Sharia contracts by 45%, the ability to prepare contract documents increased by 50%, and transparency in Sharia fund management increased by 55%. A more structured recording system also helps startups manage Sharia fund flows with high accountability and reduces the potential for recording errors.

Collaboration with the accompanying team provides technical solutions while building a strategic mindset for participants. The practice-based approach, intensive training and Sharia-based transaction simulations have had a major impact on the sustainability of their financial governance. This impact not only reflects the relevance of the program approach, but also builds long-term trust between startups and Islamic boarding school partners and foundations. The success of this program shows that collaboration-based solutions and practical approaches can become a model of community service for other sectors. This program makes a real contribution to strengthening the Sharia-based education ecosystem, opens up opportunities for further development, and encourages digital transformation based on Islamic values.

REFERENCES

- Akhyar, Y. (2024). Public Accountability in Financial Management Practice at Islamic Education Institutions: A Survey Research. *AL-ISHLAH: Jurnal Pendidikan*, 16(3), 4127-4142. <https://doi.org/10.35445/alishlah.v16i3.4372>
- Aslan, H., Khalifah, M. H., & Abdullah, A. (2024). Challenges in the Implementation of Mudharabah Financing in the Islamic Banking Industry. *Equinox Journal of Economics Business and Political Studies*, 11(1), 1-23. <https://doi.org/10.48064/equinox.1341793>

- Bertillo, J. B., Salando, D. J., & Nieva, D. F. (2013). Global impact of Islamic financial systems in the Arab world. *Available at SSRN 2287415*. <https://doi.org/10.2139/ssrn.2287415>
- Dahlan, N. H. M., Shuib, M., & Mohd Noor, F. B. (2017). Issues in Bay' Bithaman Al-Ajil Islamic Home Finance ('BBA') in Abandoned Housing Projects In Malaysia: An Examination of 'Gharar.' *Journal of Law, Policy and Globalization*, 15, 122–132. <https://www.iiste.org/Journals/index.php/JLPG/article/view/35179>
- Holilah, H., & Hajaj, wafi A. (2024). Transformation Of Islamic Education Management In The Digital Era: Trends And Implications For Learning Quality. *Journal of International Multidisciplinary Research*, 2(10), 82–87. <https://doi.org/10.62504/jimr924>
- Jinan, M. R., Syapiuddin, M., & Nasri, U. (2024). Holistic Integration: Syariah Finance Principles in Islamic Education Management. *Jurnal Ilmiah Profesi Pendidikan*, 9(2), 1343-1350. <https://doi.org/10.29303/jipp.v9i2.2243>
- Musanna, K. (2022). Efektivitas Kerja Sama (Syirkah) Dalam Bentuk Akad Musaqah. *Al-Mustashfa: Jurnal Penelitian Hukum Ekonomi Syariah*, 7(1), 74-87. <https://doi.org/10.24235/jm.v7i1.9630>
- Safitri, S. D. (2024). Innovative Marketing Strategies for the Transformation of Islamic Education. *Journal of Educational Management Research*, 3(2), 116–129. <https://doi.org/10.61987/jemr.v3i2.435>
- Shuib, M. S., Abd Muin, M. A., Mohamad Nor, M. N., Ishak, S., Mohamad, T. M., Mansor, N. H., Abd Ghani, A. H., Othman, W. M., & Mohd Assrudin, W. A. W. (2024). Digital Payment Transactions: Islamic Finance Perspective. *Journal of Advanced Research in Applied Sciences and Engineering Technology*, 36(2), 12–20. <https://doi.org/10.37934/araset.36.2.1220>
- Usanti, T., Thalib, P., & Setiawati, N. (2019). Sharia Principles on Information Technology-Based Financing Services. *Yuridika*, 35(1), 153. <https://doi.org/10.20473/ydk.v35i1.14084>
- Wulandari, F., Fauzi, R., & Musnansyah, A. (2023). Sharia Crowdfunding Application Backend Design for Msme Funding Using Extreme Programming Method. *JURTEKSI (Jurnal Teknologi Dan Sistem Informasi)*, 9(4), 655-664. <https://doi.org/10.33330/jurteksiv9i4.2596>
- Zulkarnain, Z., Nasution, H., & Irwansyah, M. (2021). Rancang Bangun Aplikasi Pengelolaan Zakat, Infaq dan Sadaqah Pada Yayasan Al-Fatwa. *Jurnal Sistem Dan Teknologi Informasi (Justin)*, 9, 62-69. <https://doi.org/10.26418/justin.v9i1.41002>