

ANALYSIS OF SHARIA FINANCIAL MANAGEMENT IMPLEMENTATION IN THE MICRO, SMALL, AND MEDIUM ENTERPRISE (MSME)

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ABSTRACT

MSMEs play a strategic role in the Indonesian economy, including those based on sharia values. This research aims to analyze the implementation and constraints of sharia financial management at the Dapoer Kenyit-Kenyit MSME in Gresik Regency, as a case study of a micro-enterprise in the culinary sector. The research uses a qualitative approach with field study methods. Data was collected through in-depth interviews with business owners and employees, as well as documentation studies. The data was analyzed descriptively to understand the practices and challenges faced. The research results indicate that the implementation of sharia financial management is still in the developmental stage. The main constraints include limited practical understanding of sharia principles in financial recording, difficulty in separating personal and business finances, and limited access to sharia financing appropriate for the micro-scale. Recording is still manual and not yet supported by a formal reporting system. Practical assistance is required to enhance sharia financial capacity and simplify access to sharia financing tailored to the characteristics of micro-enterprises. This support is expected to strengthen sustainable financial governance aligned with Islamic economic principles.

Keywords:

Sharia Financial Management, MSMEs, Implementation, Constraints, Dapoer Kenyit-Kenyit.

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1. INTRODUCTION

As a fundamental pillar in the structure of the global economy, Micro, Small, and Medium Enterprises (MSMEs) contribute significantly to employment absorption and the formation of Gross Domestic Product (GDP) in various countries. This strategic contribution is particularly pronounced in Indonesia, where the MSME sector serves as a primary economic driver, creating employment opportunities for the majority of the population and acting as a significant supporter of national economic growth. In a formal context, MSMEs are defined as productive business

entities operated independently, either by individuals or a business entity, spread across the entire spectrum of economic sectors (Tambunan, 2012). The classification to distinguish business scale (from micro, small, medium, to large) is generally based on several quantitative indicators, such as asset size (excluding land and business premises buildings), amount of annual revenue or turnover, and the number of permanent employees (Hanim & MS. Noorman, 2018).

Effective financial management is one of the crucial factors for the sustainability of micro, small, and medium enterprises (MSMEs). In the context of sharia-based businesses, the implementation of sharia financial management in accordance with Islamic principles such as being free from usury (*riba*), justice, and profit-sharing becomes highly crucial to ensure the sustainability and growth of MSMEs. However, the implementation of sharia financial management in MSMEs still faces various constraints, ranging from limitations in the financial literacy of business actors regarding sharia principles, access to sharia financing, to challenges in managing cash flow and financial recording in line with sharia principles.

A profound understanding of financial management goes beyond mere daily cash administration, encompassing the formulation of strategies to generate meaningful dual-purpose profitability. The intended profits are not only material and worldly but are also expected to create holistic benefit or goodness for the business actors. The implementation of solid financial governance has a positive and significant impact on stability at both individual and organizational levels. Although the concept sounds elementary, the implementation of effective financial management is a necessity for every MSME actor. In reality, many MSMEs face difficulties in separating the flow of personal funds from business finances. This commingling condition ultimately complicates the process of accurately identifying the financial condition, including calculating the actual profit and loss (Syaula et al., 2023).

In essence, sharia financial management is a comprehensive framework that regulates all financial activities, from planning, analysis, to control over fund acquisition, allocation of fund usage, and asset management. This entire process is carried out with strict adherence to Islamic sharia principles. Operationally, this framework is realized through a series of systematic managerial functions, including planning, organizing, coordinating, and supervising financial resources (Abdulhanna, 2021). Its main objective is to ensure that every financial activity not only achieves economic efficiency but also fully aligns with Islamic values and laws. Thus, it can be concluded that sharia financial management is essentially a holistic approach in financial governance that makes compliance with Islamic sharia its fundamental foundation (Sobana & Dadang, 2018).

The focus of this research is on the MSME Dapoer Kenyit-Kenyit in Gresik Regency, which operates in the food and beverage sector with promising growth prospects. However, in its business journey, this MSME faces complex constraints in implementing sharia financial management, primarily stemming from limitations in human resources and a lack of in-depth

understanding of sharia principles as a whole. Previous literature reviews reveal a significant knowledge gap, particularly regarding the practical implementation and operational understanding of sharia financial management at the micro-enterprise actor level. Concrete challenges that often arise include difficulties in accessing suitable sharia financing schemes and limitations in implementing orderly and sharia-compliant financial recording systems, thus hindering the optimization of financial governance.

To address this issue, this research uses a qualitative approach to delve into how the MSME Dapoer Kenyit-Kenyit implements sharia financial management in daily practice and to identify the constraints faced. This research aims to provide a comprehensive picture of the implementation of sharia financial management in that MSME and serve as a reference for policy development and support for sharia MSMEs, while also filling the existing research gap related to sharia financial management in MSMEs at the micro level within the contextual area of Gresik Regency.

Thus, this study is expected to make an original contribution by presenting several layers of analysis on how internal and external constraints affect the implementation of sharia financial management in the MSME Dapoer Kenyit-Kenyit, while also highlighting the need for more effective literacy and financing access to support the growth of sharia-based MSMEs.

2. RESEARCH METHODS

This study was designed using a qualitative approach through field research methods. In this paradigm, the researcher acts as the key instrument to delve into the depth of data, where the research findings focus more on seeking meaning rather than generalization efforts (Abdussamad, 2021). Data sources in this research were obtained from two types. First is primary data, referring to information obtained directly from primary sources. This data was collected directly from research subjects, in this case, through in-depth interview techniques (Maryati & Suryawati, 2001). Second is secondary data, which serves as supporting information derived from various literature such as books, journal articles, and other scientific works relevant to the research focus (Riadi, 2011).

Data collection in this study was carried out using two main techniques: in-depth interviews and documentation study (Sugiyono, 2018). The research location is at Jl. Dr. Wahidin SH Gg. 36, F Manangkuli Randuagung, Kec. Kebomas, Kabupaten Gresik, Jawa Timur. To obtain comprehensive data, the researchers then proceeded to conduct in-depth face-to-face interviews with the business owner, namely Ibu Safira Maulidatus Sa'diyah, and 5 employees working at the MSME Dapoer Kenyit-Kenyit, some of whom are family members of the business owner.

The interview was focused on exploring perceptions, experiences, and direct practices related to the implementation of sharia financial management in managing the business. As a supporting instrument, the researchers used an interview guide containing a number of pre-

prepared structured questions to guide the discussion and ensure all research aspects were covered. Additionally, documentation was carried out to collect relevant supporting evidence during the research process.

3. RESULT

Based on field research conducted at UMKM Dapoer Kenyit-Kenyit in Gresik Regency, several key findings regarding their financial management and sharia implementation were obtained as follows:

3.1 Planning Aspect

Based on in-depth interviews with the owner of UMKM Dapoer Kenyit-Kenyit, it was revealed that budget planning is viewed as a fundamental component that binds all aspects of business financial management. The interviewee emphatically stated that the budget preparation process is a crucial element and the main determinant in achieving business targets. In its implementation, the budget planning process at this MSME is carried out comprehensively and systematically, covering various dimensions of operational needs starting from initial capital planning and budgeting for daily operational costs, to providing reserve funds for urgent, unforeseen needs.

3.2 Recording Aspect

Interviews with the owner revealed that the financial recording system currently implemented is still simple and relies on manual methods. As revealed by the owner, "We still use a traditional recording system with a cash book to record all expenses and income" (Safira, 2025). In its operations, each sales transaction is recorded manually, enabling the tracking of profit from each sold product item.

3.3 Reporting Aspect

Research findings indicate that UMKM Dapoer Kenyit-Kenyit has not implemented a formal financial reporting system since the business was first established. Limited understanding of accounting principles is the main factor causing this inadequacy. The business owner considers that the simple transaction recording that has been done so far is sufficient to assess their financial conditions.

3.4 Control Aspect

Based on interviews with the owner and one employee, Nura, it was revealed that the implemented control practices aim to minimize potential losses. The business owner emphasizes the importance of supervising fund usage, while Nura added, "Here we try to remind each other so that no money is missed or incorrectly recorded, even though we are all family" (Nura, 2025). The control mechanism implemented is still simple, considering that all involved employees are immediate family members.

3.5 Constraints in Implementation

The implementation of sharia financial management at UMKM Dapoer Kenyit-Kenyit faces internal and external constraints. Internally, there is limited practical understanding of sharia financial principles; knowledge about avoiding usury (riba) and transparent management exists, but has not been translated into systematic recording. Additionally, the owner's personal funds are often mixed with business operational funds. Externally, the available sharia financing schemes are considered too bureaucratic and complex for micro-enterprises. There is also a lack of specific mentoring and training regarding sharia financial management and reporting for micro-enterprise actors.

4. DISCUSSION OF ANALYSIS RESULTS

Orderly financial management is a crucial foundation for the sustainability of MSMEs. As identified by (Kuswadi, 2005), there are four main pillars in a financial management system: budgeting, recording, report preparation, and control mechanisms. However, as Putri (2023) notes, many business actors lack a structured financial blueprint, leading to inefficient fund allocation and vulnerability.

4.1 Analysis of Planning

The consistently implemented budget regulation at Dapoer Kenyit-Kenyit aims to ensure sustainable profit attainment, a perspective perfectly aligned with the theoretical framework of Kuswadi (2005), which defines a budget as a strategic instrument for optimizing profitability. The broad scope of their budgeting indicates the owner's awareness of anticipating business scenarios. This holistic approach is designed with a dual purpose: to maintain operational stability against financial fluctuations and to maximize long-term profit through efficient resource allocation. This reflects maturity in business management and serves as a strong foundation for future comprehensive sharia financial management.

4.2 Analysis of Recording

While the manual cash book shows limitations in implementing modern accounting systems, this practice is actually aligned with the basic concept of financial recording according to Kuswadi (2005), which emphasizes chronological and systematic documentation. The owner's recognition of the limitations of this manual system is a positive step. Developing a more orderly and structured financial recording system—such as separating bookkeeping for income, expenses, and inventory—can significantly improve recording accuracy, monitor business health, and facilitate the consistent implementation of sharia financial principles.

4.3 Analysis of Reporting

Although the owner feels simple recording is sufficient, in reality, this system is not capable of providing a comprehensive picture of the business's financial health. Structured financial reporting is vital not only for internal monitoring but also for fulfilling external interests such as applying for sharia financing or transparency to investors (Suardi, 2021). To overcome this, the owner needs capacity enhancement through training or professional involvement.

Implementing a sharia accounting application system can be an integrated solution to automatically generate necessary financial reports, providing a solid foundation for strategic decision-making.

4.4 Analysis of Control

The family-based control concept practiced at the MSME aligns with the view of Dkk (2020), defining control as a process to ensure that set objectives and standards are optimally achieved. Although informal, the control system needs to be strengthened through strategic steps: (1) establishing clear roles and responsibilities to avoid overlapping authority, (2) developing comprehensive separate cash books, (3) organizing periodic training on operational procedures for all family members, and (4) implementing a routine monitoring system. These steps will reduce financial risk, increase profitability, and build credibility, contributing to a healthy and transparent business ecosystem (Aryani, 2021).

4.5 Implications of Constraints

The identified constraints highlight a gap between intention and practice. Although the intention to run the business in accordance with sharia exists, its implementation remains general and less measurable due to limited practical understanding. Mixing personal and business funds makes it difficult to calculate accurate net profit, affecting clarity in profit distribution according to sharia principles. Furthermore, complex administrative requirements prevent them from accessing external sharia financing. These constraints indicate that while the commitment to implement sharia financial management is present, the MSME urgently requires more concrete support in terms of knowledge, modern systems, and access to inclusive sharia financial services tailored to the scale of micro-enterprises.

5. CONCLUSION AND SUGGESTIONS

Based on the research results, it can be concluded that the implementation of Sharia financial management at the Dapoer Kenyit-Kenyit MSME has been carried out with commitment, but is still in the early stages and faces a number of significant challenges. The main challenges include limited practical understanding of Sharia principles in financial recording, difficulty in separating personal and business finances, and limited access to Sharia financing suitable for the micro scale. Although efforts have been made in budget planning and simple supervision, the manual recording system and the absence of formal financial reports limit the business's ability to manage finances optimally and transparently in accordance with Sharia principles.

To encourage better implementation, practical assistance is needed in developing simple Sharia-compliant financial recording and reporting systems, as well as easier access to Sharia financing tailored to the characteristics of micro MSMEs. With such support, Dapoer Kenyit-Kenyit MSME can strengthen its financial governance, thereby not only supporting sustainable business growth but also consistently implementing Islamic economic values in daily operations.

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