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SHARIA BASED FINANCIAL LITERACY FOR MICRO SMALL TO MEDIUM ENTERPRISES

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ABSTRACT

Abstract : The government continues to carry out the financial literacy movement at all levels of society, especially for Micro, Small and Medium Enterprises (MSMEs) in Indonesia. However, the level of sharia financial literacy is still low, especially among MSMEs. Even though MSMEs make a big contribution to the national economy. This research aims to find out how sharia-based financial literacy is for MSMEs in Indonesia. The research method used is qualitative using a literature study approach to answer research problems. The results of this research found that sharia financial literacy for MSMEs in Indonesia has an impact on three things, namely improving the performance of MSMEs, the financial behavior of MSME players and the ease of access to sharia bank financing. Apart from that, it was found that there is a government policy to increase financial literacy. For this reason, it is hoped that the policy will also include sharia financial literacy policies so that MSMEs can innovate in running and developing their businesses in accordance with sharia provisions.

Keywords: *Sharia financial literacy; MSMEs.*

Abstract: Gerakan literasi keuangan terus dilakukan pemerintah kepada semua lapisan masyarakat terutama kepada pelaku Usaha Mikro Kecil Menengah (UMKM) di Indonesia. Namun tingkat literasi keuangan syariah masih rendah terutama dikalangan UMKM. Padahal UMKM memberikan kontribusi besar dalam perekonomian nasional. Penelitian ini bertujuan untuk mengetahui bagaimana literasi keuangan berbasis syariah bagi UMKM di Indonesia. Metode penelitian yang digunakan adalah kualitatif dengan menggunakan pendekatan studi literatur untuk menjawab masalah penelitian. Hasil penelitian ini menemukan bahwa literasi keuangan syariah bagi UMKM di Indonesia berdampak pada tiga hal yaitu peningkatan kinerja UMKM, perilaku keuangan pelaku UMKM dan adanya kemudahan akses pembiayaan bank syariah. Selain itu ditemukan bahwa adanya kebijakan pemerintah untuk meningkatkan literasi keuangan. Untuk itu diharapkan dalam kebijakan tersebut juga memuat tentang kebijakan literasi keuangan syariah agar pelaku UMKM dapat berinovasi menjalankan dan mengembangkan usahanya sesuai dengan ketentuan syariah.

Kata Kunci: *Literasi Keuangan Syariah ; UMKM.*

A. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) are business units that play an important role in the economy in various countries. cCurrent *International Financial* Corporation (IFC), which is a member of the World Bank Group, pays special attention to small and medium enterprises because small and medium enterprises are engines of job creation and economic growth. (IFC; 2017) . The main problem faced by small and medium businesses is lack of access to funding. The World Bank states that 40 percent of formal micro, small and medium enterprises (MSMEs) in developing countries have unmet funding needs of $5.2 trillion annually, which is equivalent to 1.4 times current funding needs. (World Bank; 2023)

Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia currently reaches 64.2 million with a contribution to Gross Domestic Product (GDP) of 61.07%. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total existing workforce and can collect up to 60.4 % of total investment. (ekon.go.id ; 2021) However , it is estimated that as many as 46.6 million MSMEs do not have access to financing and have difficulty getting access to capital. (Aziz; 2023) Even though since 2007 the Indonesian government has launched the People's Business Credit (KUR) program, in reality this program is still difficult for MSME players to penetrate (Triyono, 2019). This problem can be caused by the difficulty of accessibility to financial services, especially in formal financial institutions (Beck et al., 2008). According to Balarezo & Nielsen (2017), in developing countries it is very important to provide business training to MSMEs that focuses on financial literacy which in turn can be useful for their business performance.

The Financial Services Authority (OJK) through the National Survey of Financial Literacy and Inclusion (SNLIK) shows that the financial literacy index of Indonesian society in 2022 will be 49.68%, an increase compared to 2019 which was only 38.03%. Apart from that, it is also known that the literacy level of MSME entrepreneurs/entrepreneurs is 56.99 % . Then the conventional financial literacy of Indonesian society in general is 90.28 % , while sharia finance is 9.72%.

The explanation above shows that MSMEs, which are the driving force of the national economy, must increase their financial literacy, especially regarding sharia financial literacy which is still very low even though the majority of MSMEs are Muslims . This research aims to find out how Islamic financial literacy is for MSMEs in Indonesia. This is important because MSME players need sharia financial literacy to manage their business results in accordance with sharia provisions.

B. LITERATURE REVIEW

Financial literacy is the basic knowledge that a person has in terms of understanding financial management wisely in terms of how he can use the money for shopping, insurance, saving and investing. (Sabri, 2011) Meanwhile, Bhushan & Medury (2013) explain that financial literacy is the ability a person has to obtain information and make the right decisions regarding the use and management of their personal finances.

Sharia Financial Literacy is knowledge and skills regarding financial management with the aim of improving welfare based on sharia principles, namely by eliminating the elements of usury, gharar and maisyir. The Financial Services Authority (OJK) has compiled a financial literacy index consisting of knowledge, skills, beliefs, attitudes and behavior parameters. Financial literacy has several measurement dimensions, namely financial literacy *,* financial attitude *and* financial *attitude* .

Micro, Small and Medium Enterprises (MSMEs) according to Law Number 20 of 2008, MSMEs are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses as regulated in the law. Micro, Small and Medium Enterprises are considered to be in accordance with the concept of sharia banking. Manzilati, based on the results of his research, stated that the profit sharing system has encouraged small and medium businesses to be more sustainable by reducing internal problems of principals and agents (Manzilati, 2015).

Basically, the funding distributed to MSMEs will influence the business behavior of MSMEs, namely that having sufficient working capital will provide peace and quiet in business, so that business creativity increases, business expansion and business opportunities also increase (Faisol, 2017). Results of research by Kamaruddin.K & Soemitra. A (2022) found that Sharia Microfinance Institutions (IMI) are channelers of funds to MSME business actors. The growth in financing strengthens the intermediation function of financial institutions. The amount of financing describes the potential for funds that can encourage MSME activity and growth.

C. MET HOD

This research uses qualitative research methods, namely content analysis of papers from the *Google Scholar database* . Content analysis of papers is used to obtain mapping and main themes discussed in the *Google Scholar database* over a certain period of time for subsequent content analysis (*content analysis*). The papers selected in this review came from a search on the Google Scholar database with the keyword " Sharia Financial Literacy or MSMEs" in the period 2020 to 2023. The search process used the help of the Publish or Perish application. After going through the process of reading the title, abstract and keywords of the paper, relevant papers were obtained to be used as papers reviewed in this research. Activities in analysis include data reduction *,* data *display* and conclusion *drawing/verification* .

D. RESULTS & DISCUSSION

Many studies have been conducted on Sharia Financial Literacy for MSMEs, as proven by 12,000 studies based on Google Scholar searches. In

the form of articles, there were 79 results and studies on sharia financial literacy and MSMEs in Indonesia itself in the period 2020 – 2023, 64 articles were found.

In this study, researchers selected several articles from 2020 - 2023 whose research objects were in several large cities in Indonesia such as Aceh, North Sumatra (Medan and Binjai), West Sumatra (Padang), Bandung, Jepara, East Java and Pare - Pare (Sulawesi Selatan) as data to describe the condition of sharia financial literacy for MSMEs in Indonesia.

Gunawan's (2020) research results state that sharia financial literacy as measured by sharia financial knowledge influences financial behavior. In line with Gunawan's research, the results of research by Alfiah AR et al (2021) found that implementing sharia financial literacy is not only about knowledge of sharia financial institutions but also about feelings of trust, and the main behavior in terms of financial management, which must be based on sharia provisions. In 2023, the research results of Chica and Pradesya (2023) stated that Islamic financial literacy and accounting mentality influence the financial behavior of generation Z in building MSMEs.

The three research results show that financial literacy greatly influences the financial behavior *of* MSME players. Where in empowering sharia financial literacy, MSMEs need to focus on behavioral habituation factors and improving mindsets regarding financial literacy, especially sharia financial literacy. Financial behavior *will* enable MSME players to act effectively in accordance with sharia provisions in making financial decisions .

Furthermore, the results of research by Surepno and Sa'diyah (2022) found that *financial knowledge, financial behavior and financial attitude* influence the development of MSMEs in Jepara . Followed by the research results of Evriyenni (2022) who stated that the dimensions of sharia financial literacy, namely financial knowledge, financial attitudes and financial capabilities, influence the financial performance of MSMEs in Banda Aceh City. The research results of Dahrani et al (2022) found that financial literacy influences financial management in MSMEs in Binjai City. Research by Rika et al (2023) shows that financial literacy influences business sustainability, and financial management influences the performance of MSMEs in Padang City. Miftha (2022) said the same thing that the results of her research found that sharia financial literacy had an influence on the performance of MSMEs in Soreang Pare-pare.

A different thing was stated in the research results of Nur'aeni and Widiyasari (2022) which showed that the level of sharia financial literacy and access to sharia bank financing did not affect the performance of MSEs. The results of this research are not in line with previous research conducted by Nunoo and Andoh (2012), Fatoki (2014), and Bongomin (2016). According to Nur'aeni, this is due to the low level of sharia financial literacy among Muslim MSMEs in Bandung Regency, so that sharia financial literacy has not had a good impact. Meanwhile, the results of subsequent research state that the level of sharia financial literacy can influence the ease of access to sharia bank financing for MSEs.

Based on the results of research conducted in several cities in Indonesia, it can be seen that there are three impacts of sharia financial literacy on MSMEs in Indonesia. Most research results state that sharia financial literacy can improve the performance of MSMEs. This increase in performance is reflected in increased capabilities in financial management, business development and maintaining business continuity. This is proven by the research results of

Surepno & Sa'diyah (2022) who researched in the Jepara area , Evriyenni (2022) researched in Banda Aceh City, Dahrani et al (2022) researched in Binjai City (North Sumatra), Rika et al (2023) researched in Padang City, and Miftha (2022) researched in Soreang Pare-pare (South Sulawesi). All MSME players in their respective regions stated the same thing about sharia financial literacy having an impact on improving the performance of MSMEs. Even with different measurement indicators.

Furthermore, the research results show that sharia financial literacy has an impact on MSME behavior. Where MSME players who already have sharia financial literacy will be more responsible in managing their finances. They will be more careful in managing and utilizing available financial resources. So that in making decisions they also adapt to sharia provisions. This is proven by the research results of Gunawan (2020), Chica & Pradesya (2023) who conducted research in Medan, North Sumatra. And also the results of research by Alfiah AR et al (2021) which was conducted in the East Java area.

Meanwhile, the fewest stated that sharia financial literacy can provide easy access to sharia bank financing for MSMEs. In several studies, it has been shown that MSME players who understand sharia financial literacy will find it easier to see opportunities and get access to financing from sharia financial institutions and sharia banking. This is proven by the results of research conducted by Nur'aeni and Widiyasari (2022) in the city of Bandung.

Apart from that, from the results of this research it can also be seen that the level of sharia financial literacy of MSME players in Indonesia is still low. Because there are still many MSMEs who find it difficult to obtain financing because they are not aware of the opportunities and still cannot understand the financial technology (digital finance) that currently exists. The business of several MSMEs is currently running because they use their own capital or family capital.

Increasing knowledge about sharia finance encourages MSMEs to innovate and develop their businesses. Therefore, sharia financial literacy can be stated as an important factor that MSMEs must have in order to be able to run their business well and in accordance with sharia provisions and to maintain the sustainability of their business. Financial literacy is the main foundation for encouraging financial well-being. Financial prosperity can be achieved in several stages starting from understanding rights and obligations, knowing and understanding accessing financial products and services and creating economic opportunities.

To increase financial literacy in the future, the government through the OJK has created a policy which is divided into three parts, namely: Policies and Regulations which include Revision of OJK Regulations on Financial Literacy and Inclusion, Strengthening PUJK's obligations to carry out Financial Literacy and Implementation of the Indonesian National Financial Literacy Strategy (SNLKI) 2021 – 2025. *Second* , the Financial Education Program, related to Offline and Online Financial Education Strategies. Third, Monitoring and Evaluation by conducting a national Survey of Financial Literacy and Inclusion. However, there is no specific policy regarding increasing sharia financial literacy yet, so it is hoped that the government can add a policy on sharia financial literacy in order to increase sharia financial literacy among MSMEs in Indonesia.

E. CONCLUSION

This research succeeded in finding three impacts of sharia financial literacy for MSMEs in Indonesia, namely the impact of sharia financial literacy on the performance of MSMEs, there are 5 studies, the impact of sharia financial literacy on the financial behavior of MSME players, there are 3 studies and the impact of sharia financial literacy on easy access to sharia bank financing. 2 studies. The level of sharia financial literacy of MSME players in Indonesia is still in the medium category so it needs to be increased by means of regulations issued by the government through the OJK, however the government still needs to add special policies regarding sharia financial literacy in order to increase sharia financial literacy among MSME players in Indonesia.

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