



# Optimizing MSME income through the golden door: study of sharia financial literacy

Sukma Irdiana

Management Program, Institut Teknologi dan Bisnis Widya Gama Lumajang, Lumajang, Indonesia

---

## ARTICLE INFO

### Article history:

Received Oct 24, 2023

Revised Nov 05, 2023

Accepted Nov 07, 2023

---

### Keywords:

Income;  
MSMEs;  
Sharia Financial Literacy

---

## ABSTRACT

One of the reasons for the low performance of MSMEs in Indonesia is limited access to funds, which is largely caused by a lack of understanding and knowledge of MSMEs regarding financial institutions. Currently, the Islamic finance sector has experienced rapid growth, with various financial institutions providing financial products and services based on Islamic principles. This research aims to assess the level of sharia financial literacy and identify factors that influence the level of sharia financial literacy and their impact on the development of MSME businesses in the region. The research method used was a descriptive survey and an explanatory survey, with 33 MSMEs as respondents. Descriptive analysis is used to evaluate research data, and simple regression tests are used to identify relationships between the variables studied. The research results show that only the variables "Length of Business" and "Number of Employees" have a significant influence on the level of financial knowledge. Meanwhile, demographic variables have no effect on the financial behavior and attitudes of street vendors. Only financial behavior has an influence on the development of street vendors' businesses, while financial knowledge and financial attitudes do not have a significant influence on the development of the business.

*This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license.*



---

### Corresponding Author:

Sukma Irdiana,

Management,

Institut Teknologi dan Bisnis Widya Gama Lumajang,

Jl. Gatot Subroto No. 4, Lumajang, East Java, 67352, Indonesia.

Email: [sukmapasah@gmail.com](mailto:sukmapasah@gmail.com)

---

## 1. INTRODUCTION

The development of Micro, Small and Medium Enterprises (MSMEs) has an important role in the economic growth of a country. MSMEs are often the backbone of the economy, creating jobs and generating income for the community. In this context, Islamic financial literacy emerges as a key factor that can bring significant changes to the financial performance and growth of MSMEs. This background will illustrate the influence of sharia financial literacy on increasing MSME income and its relevance in the context of a sharia-based economy (M. A. Abdullah & Chong, 2014; Menne et al., 2022, 2023).

Sharia-Based Economic Growth. In recent years, Islamic finance principles have become a major focus in the rapidly developing Islamic economy. These principles include the prohibition of *riba* (usury), fairness in transactions, and the prohibition of investing in

businesses that are incompatible with Islamic values such as alcohol and gambling. In the context of a sharia-based economy, MSMEs that understand sharia financial literacy will be better able to follow these principles in their operations, which ultimately can increase consumer trust and wider market access (Curvelo et al., 2019; Meijer et al., 2021; Olivia et al., 2023).

**Increasing Access to Sharia Finance.** MSMEs often face challenges in accessing financing for their business growth. Sharia financial literacy can help MSMEs understand available sharia financing products such as mudharabah, musyarakah and murabahah. With a better understanding of these products, MSMEs can more effectively apply for loans or financing to expand their business, purchase additional inventory, or develop new products (Habriyanto et al., 2022).

**Better Financial Management.** One important aspect of sharia financial literacy is the ability to manage finances more wisely. MSMEs who have this understanding can plan budgets better, manage debt more efficiently, and avoid the practice of usury which is prohibited in Islam. Thus, they can optimize the use of their financial resources and increase business profitability (Suwarsi et al., 2022).

**Diversification of Products and Services.** MSMEs that understand sharia financial principles often have an advantage in diversifying products and services. They can develop products that comply with Islamic principles, such as halal food, Islamic fashion, or Islamic financial services (Annisa, 2021). By offering products that are in line with Islamic values, MSMEs can attract customers who care about ethics and adherence to the teachings of their religion (Purwanto et al., 2021).

**Increasing Consumer Confidence.** MSMEs that operate based on sharia financial principles often gain more trust from consumers. Sharia-based products and services are often considered more ethical and reliable by Muslim consumers. This can result in increased revenue through increased market share and customer loyalty (R. Abdullah & Abdul Razak, 2015).

**Local Economic Empowerment.** By increasing MSME income, sharia financial literacy (Mutiara Savitri et al., 2021) can empower the local economy. Successful MSMEs can help reduce poverty levels in their local communities, create additional jobs, and increase the purchasing power of local residents. In this way, Islamic financial literacy plays an important role in sustainable economic development (Trianto, Rahmayati, et al., 2021).

Sharia financial literacy has a significant influence on increasing MSME income. In the context of a sharia-based economy, a deep understanding of sharia financial principles, access to appropriate financing, efficient financial management, and the ability to diversify products and services contribute positively to MSME business growth (Sirat, 2022). This also supports sustainable economic development and empowerment of local communities. Therefore, efforts to increase sharia financial literacy among MSMEs are a very important step in supporting the growth and development of a sharia-based economy (Srisusilawati et al., 2021).

## 2. RESEARCH METHOD

The research approach used in this research is descriptive and verification research. There are two types of data used in research, namely primary and secondary data. Primary data consists of observations, interviews and data collection in the field through questionnaires as the main collection tool. Secondary data consists of publications related to research topics and literature studies.

The research methods used are: descriptive survey and explanatory survey. The research object is the variable to be studied, in this case the level of financial literacy and the variables that influence it and their impact on the development of MSMEs. The subjects in this research were MSMEs (traders) in the Anas Machfud Grand Mosque area,

Lumajang, totaling 31 respondents. Sampling was carried out using saturated samples, that is, the entire population was taken as a sample.

Observations use "one shot"/cross sectional time coverage, namely less than one year. The research period will be carried out for 6 months, namely February to July 2023. The research will be carried out in the Anas Machfud Grand Mosque area, Lumajang. The data collection technique is by distributing questionnaires prepared using a Likert scale.

To get an idea of the level of sharia financial literacy among MSMEs (traders), the factors that determine this level of literacy and to get an idea of how knowledge about sharia finance influences the development of the business being run, a descriptive and verification approach was used. These measurements and descriptive analysis are then used as a basis for conducting statistical analysis. Here we will try to identify demographic factors in determining the level of sharia financial literacy through a simple regression analysis model.

### 3. RESULTS AND DISCUSSIONS

#### Research Result

In this research, data was obtained from 31 respondents consisting of traders who have business locations in the Anas Machfud Grand Mosque area, Lumajang and around the mosque, which was a relocation because previously these traders sold on the sidewalk of Jalan Alun-Alun Utara in 2016 in front of the Anas Machfud Grand Mosque, Lumajang.

Based on the results of the validity and reliability test of the question instruments in this research which were processed using the SPSS 21 program, it was found that the variables of sharia financial literacy and MSME income were declared valid and reliable. These results can be seen from the significance value of the three variables  $< 5\%$  so that all variables are declared valid. Then, for the reliability test, the Cronbach alpha value for the sharia financial literacy variable (X) is 0.739 and the MSME income variable (Y) is 0.696. This value is declared reliable because it is above 0.6.

The Adjusted R Square value is 0.735 or 73.5%. This value is close to 1 so it can be said that the Sharia Financial Literacy variable (X) has a strong influence on the MSME Income variable (Y) of 73.5% and the remaining 26.5% is influenced by other variables.

In the regression results, the influence of the Sharia Financial Literacy variable (X) on MSME Income (Y) is significantly positive. This is shown by the calculated t value of the variable. If MSMEs are low then MSMEs' income will also decrease.

#### Discussion

The results of the research above show that Hypothesis 1 in this research is accepted, namely that sharia financial literacy has a significant positive effect on MSME income in the Anas Machfud Grand Mosque area, Lumajang. These results are in accordance with the results of previous research conducted by (Maulidya & Putra, 2023), (Widiyati et al., 2018) and (Saifurrahman & Kassim, 2021) which stated that a higher level of financial literacy influences better financial decision making. These results are also supported by research (Trianto, Rahmayati, et al., 2021), (Rahim et al., 2016), (Lestari et al., 2020), (Trianto, Barus, et al., 2021) which found a positive influence of financial literacy on a person's investment interest. In this research, financial literacy has an important role in creating financial inclusion and also providing better business development opportunities for business actors. MSMEs in the Anas Machfud Grand Mosque area, Lumajang, have minimal knowledge about financial literacy. However, the desire to continue to progress and develop was felt when this research was carried out. This is proven by the results of the questionnaire and supported by the results of interviews, which show that before and after Covid 19, the MSMEs around the Anas Mahfud Mosque continued to exist and believed that their businesses would be fine. The results of this interview are also supported by (Waldan, 2022), (Nugraha et al., 2022), (Hikmah et al., 2019), (Fatah Yasin et al., 2020)

who said that with good financial literacy management and full support from the government and banks, MSMEs will bounce back to normal. The rise of MSMEs shows the development of the economy in Indonesia after Covid 19 and is a new breakthrough for the government, banks and especially MSMEs.

MSMEs in Indonesia still need a touch from banks and the government to help develop small businesses owned by MSMEs (Esysa et al., 2022). This touch can take the form of an injection of funding and assistance in financial management, especially financial literacy management (Sirat, 2022). The results of this research provide a real picture of MSMEs and the importance of understanding Islamic financial literacy to increase the income of MSMEs (HedisMarlina Yuneline, 2022).

#### 4. CONCLUSION

Based on the research results described above, it can be concluded that sharia financial literacy can influence MSME income in a significantly positive way. This situation is in line with MSMEs which have good intelligence in managing finances to obtain maximum income in accordance with Islamic law. This MSME intelligence can increase the growth and development of MSME businesses, by improving the quality of services and products sold. Apart from that, good sharia financial literacy can also design future MSME businesses. Sharia financial literacy is not only intended for MSMEs, but can also be for students and banks. This research still needs to be further explored, including on MSME performance, locus of control, MSME behavior, government policies and much more. So that research on sharia financial literacy can increase knowledge, especially in the financial sector.

#### REFERENCES

- Abdullah, M. A., & Chong, R. (2014). Financial Literacy: An Exploratory Review of the Literature and Future Research. *Journal of Emerging Economies and Islamic Research*, 2(3), 32. <https://doi.org/10.24191/jeeir.v2i3.9631>
- Abdullah, R., & Abdul Razak, A. L. (2015). Exploratory Research into Islamic Financial Literacy in Brunei Darussalam. *Researchgate.Net*, October, 28. <https://doi.org/10.13140/RG.2.1.4815.1765>
- Annisa, A. A. (2021). Islamic Financial Literacy Cycle in the Family. *Indonesian Journal of Islamic Economics Research*, 3(1), 39–50.
- Curvelo, I. C. G., Watanabe, E. A. de M., & Alfinito, S. (2019). Purchase intention of organic food under the influence of attributes, consumer trust and perceived value. *Revista de Gestão*, 26(3), 198–211.
- Esysa, L., Kusumastuti, S. Y., Curry, K., Amelia, M., & Kristina, I. (2022). Islamic Financial Literacy For MSMEs During The Pandemic. *Jurnal Akal:Abdimas Dan Kearifan Lokal*, 3(2), 231–244.
- Fatah Yasin, R. F., Mahmud, M. W., & Diniyya, A. A. (2020). Significance of Financial Literacy among Women Entrepreneur on Halal Business. *Journal of Halal Industry & Services*, 3, 1–9. <https://doi.org/10.36877/jhis.a0000076>
- Habriyanto, Trianto, B., Azman, N. H. N., Busriadi, Muchtar, E. H., & Barus, E. E. (2022). Does The Component of Islamic Financial Literacy Affect on MSMEs Decision in Islamic Banking Financing: Creative Economy Investigate. *International Journal of Islamic Business and Economics (IJIBEC)*, 6(2), 138–147. <https://doi.org/10.28918/ijibec.v6i2.6090>
- HedisMarlina Yuneline, M. (2022). Implications of Shariah Financial Technology in Increasing Financial Inclusion to Micro, Small, and Medium Enterprises Implikasi Fintech Syariah dalam Peningkatan Inklusi Keuangan pada Usaha Mikro, Kecil, dan Menengah. *Islamiyyat*, 44(1), 89–99.
- Hikmah, R., Djuwita, D., & Widagdo, R. (2019). Effect of Financial Literation and Financing-Effectivity toward the Growth of Small Enterprises: Case Study in Bank Syariah Mandiri, Majalengka. *AL-FALAH: Journal of Islamic Economics*, 4(2), 163. <https://doi.org/10.29240/alfalah.v4i2.941>
- Lestari, M. D., Kantun, S., Hartanto, W., Suharso, P., & Widodo, J. (2020). Analysis of the financial

- literacy level of Micro, Small and Medium Enterprises (MSMEs) in Jember, East Java, Indonesia. *IOP Conference Series: Earth and Environmental Science*, 485(1). <https://doi.org/10.1088/1755-1315/485/1/012128>
- Maulidya, M., & Putra, R. (2023). The Effect of Perceptions of Profit Sharing, Islamic Financial Literacy, and E-Banking on Customer Interests in Using Bank Syariah Indonesia (BSI) Services Religiosity as .... *Jurnal Ekonomi Syariah Indonesia (JESI)*, XIII(2), 225–244.
- Meijer, G. W., Lähteenmäki, L., Stadler, R. H., & Weiss, J. (2021). Issues surrounding consumer trust and acceptance of existing and emerging food processing technologies. *Critical Reviews in Food Science and Nutrition*, 61(1), 97–115.
- Menne, F., Mardjuni, S., Yusuf, M., Ruslan, M., Arifuddin, A., & Iskandar, I. (2023). Sharia Economy, Islamic Financial Performance and Factors That Influence It—Evidence from Indonesia. *Economies*, 11(4), 111.
- Menne, F., Surya, B., Yusuf, M., Suriani, S., Ruslan, M., & Iskandar, I. (2022). Optimizing the financial performance of smes based on sharia economy: Perspective of economic business sustainability and open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(1), 18.
- Mutiara Savitri, F., Maulana, A. S., Perwita, A. D., & Saptana, S. (2021). The Effect of Sharia Financial Access & Financial Literation to Non-Bankable MSMEs Growth. *Velocity: Journal of Sharia Finance and Banking*, 1(2), 68–78. <https://doi.org/10.28918/velocity.v1i2.4606>
- Nugraha, D. P., Gufron, I. A., Pringgondani, P., & Ilhamdi, I. (2022). The Effect of Sharia Financial Literature, Government Support and Sharia Fintech on MSME Sustainability. *Enrichment: Journal of Management*, 12(2), 1365–1372.
- Olivia, H., Astuty, W., Sijauta, D., Radhiyah, & Yovi, M. (2023). Factors Influencing MSMEs In Choosing Transactions In Sharia Financial Institutions and ITS Impact on Increasing Income (Case Study of MSMEs Actors in Binjai, North Sumatera). *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, 6(3), 2737–2756.
- Purwanto, P., Fitriyani, Y., & Lidasan, D. M. S. (2021). Financing of The Medium, Small and Micro Enterprises Sector By Sharia Banking: Positive Effects on Economic Growth and Negative Effects on Income Inequality. *Ikonomika*, 6(1), 97–122. <https://doi.org/10.24042/febi.v6i1.9439>
- Rahim, S. H. A., Rashid, R. A., & Hamed, A. B. (2016). Islamic financial literacy and its determinants among university students: An exploratory factor analysis. *International Journal of Economics and Financial Issues*, 6(7Special Issue), 32–35.
- Saifurrahman, A., & Kassim, S. (2021). Islamic Financial Literacy for Indonesian MSMEs during COVID-19 Pandemic: Issues and Importance. *Journal of Islamic Finance*, 10(1), 45–60.
- Sirat, A. H. (2022). Islamic Financial Management Practices and Business Performance in Small Industrial Companies. *ATESTASI: Jurnal Ilmiah Akuntansi*, 5(1), 94–108. <https://doi.org/10.33096/atestasi.v5i1.1192>
- Srisusilawati, P., Fasa, M. I., Nurhayat, S., Anugrahwanto, R. B., Hidayat, A. W., Sulaimawan, D., Fitri, A., Rahmayuni, S., & Zahra, D. N. (2021). The Nexus Between Dynamic Capability and Islamic Financial Literacy Towards Innovation of Small Medium Enterprises (SMEs) in Indonesia. *Proceedings of the 1st Paris Van Java International Seminar on Health, Economics, Social Science and Humanities (PVJ-ISHESSH 2020)*, 535(2), 36–39. <https://doi.org/10.2991/assehr.k.210304.008>
- Suwarsi, A. A., Sharfina, A. G., & Anggraeni, A. (2022). Portrait of MSMEs' Islamic Financial Literacy and The Impact on Business Development. *Afkaruna: Indonesian Interdisciplinary Journal of Islamic Studies*, 18(1). <https://doi.org/10.18196/afkaruna.v18i1.12991>
- Trianto, B., Barus, E. E., & Sabiu, T. T. (2021). Relationship Between Islamic Financial Literacy, Islamic Financial Inclusion and Business Performance : Evidence from Culinary Cluster of Creative Economy. *Ikonomika*, 6(1), 19–38. <https://doi.org/10.24042/febi.v6i1.7946>
- Trianto, B., Rahmayati, R., Yuliaty, T., & Sabiu, T. T. (2021). Determinant factor of Islamic financial inclusiveness at MSMEs: Evidence from Pekanbaru, Indonesia. *Jurnal Ekonomi & Keuangan Islam*, 7(2), 105–122. <https://doi.org/10.20885/jeki.vol7.iss2.art1>
- Waldan, R. (2022). Resilience of Micro, Small and Medium Enterprises (MSMEs) Through Islamic Social Finance (ISF) after the Covid 19 Pandemic. *Journal of Multidisciplinary Islamic Studies*, 2(1), 20–28.
- Widiyati, S., Wijayanto, E., & Prihartiningsih, P. (2018). Financial Literacy Model at Micro Small Medium Enterprise (MSMEs). *MIMBAR: Jurnal Sosial Dan Pembangunan*, 34(2), 255–264. <https://doi.org/10.29313/mimbar.v34i2.2914>