

Analysis of Financial Management in Micro, Small and Medium-sized Enterprises from an Islamic Economic Perspective

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Abstract

This research study takes a close look at how the Setia Cikarawang Farmers' Group, an SME in Dramaga, Bogor, manages its money and aligns it with Islamic business ethics. Through conversations and direct observations, we found that their financial habits remain highly traditional. Because time is tight and the chairman focuses heavily on farming operations, budgeting and cash flow tracking exist only as rough mental estimates. Their capital structure is unbalanced, with the government aid coming only as physical equipment. To keep daily operations afloat, they adapt flexibly by taking advance payments from customers and working out flexible payment extensions with farmers for raw materials. Even though their financial management is informal, this small group deeply lives out Islamic ethics principles like shiddiq, Asy Syafafiyah, and Al-'Adl. This is clearly shown by their consistent product quality following SOPs and having received official certifications from P-IRT, BPOM, and Halal.

Keywords:

Financial Management, Farmers Group, Honesty, Islamic Economics, Transparency

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1. Introduction

Micro, Small and Medium Enterprises (MSMEs) in the agribusiness sector play a crucial role in strengthening food security and driving the regional economy in Indonesia. Despite having massive market potential, this sector is often faced with classic challenges such as weak internal financial management (Sri Ningsih Endang et al., 2024). The majority of agricultural entrepreneurs still commingle personal assets with business capital, fail to prepare cash flow projections, and neglect to maintain standardised financial records (Wijaya David, 2018). This phenomenon leads to high business failure rates due to working capital deficits that are not detected at an early stage (Sartono Agus, 2010).

Within the Islamic economic framework, the management of assets (mal) is not merely focused on achieving material profitability; rather, it must integrate the aspects of public welfare, justice, and compliance with Sharia (Ibrahim Azharsyah et al., 2021). The principles of Sharia management emphasise that financial record-keeping (kitabah) is an explicit instruction from the Qur'an, Surah Al-Baqarah, verse 282, aimed at avoiding potential disputes (Kurniati, 2023). This concept demands the embodiment of trustworthiness, honesty (shiddiq), transparency (asy-syafafiyah), and meticulousness for the common good (Mulyadi, 2023).

The Setia Cikarawang Dramaga Farmers' Group is a local agribusiness MSME entity engaged in the cultivation and processing of agricultural commodities in Bogor Regency. As a community-based organisation, its financial interactions involve collective contributions from members, the allocation of aid funds, and a profit-sharing scheme for sales. Based on a preliminary study, this farmers' group endeavours to operate an independent

financial system; however, the level of its effectiveness and compliance with Sharia principles has not yet been scientifically tested. Therefore, this study aims to comprehensively analyse the reality of financial management practices within the Setia Cikarawang Dramaga Farmers' Group SME, whilst evaluating these practices from the perspective of Islamic economics.

2. Research methods

This study employs a qualitative approach using descriptive methods. The qualitative approach is used to gain an in-depth understanding of the phenomena occurring within the research subject, particularly in relation to financial management practices and the application of Islamic business ethics principles amongst MSME operators. The descriptive method in this study aims to provide a systematic and factual account of the conditions observed in the field.

The analysis in this study focuses on two main dimensions: financial management—which encompasses budgeting, working capital and cash flow—and compliance with the principles of Islamic business ethics, namely Shiddiq, Asy-Syafafiyah and Al-'adl. Through this approach, it is hoped that a comprehensive understanding of the actual conditions faced by MSME operators can be obtained.

The research location was selected at the Setia Cikarawang Farmers' Group, Dramaga Sub-district, Bogor Regency, given the group's active role in independently managing collective funds. Information was gathered from key informants, including Mr Ujang, the Chairman of the Farmers' Group.

Data collection techniques involved semi-structured interviews with three

key informants (the Chair and active members), field observations, and documentation. Data validity was tested using source triangulation and methodological triangulation. The data analysis procedure followed the interactive model proposed by Miles and Huberman, which comprises the stages of data reduction, data display, and the drawing of conclusions and verification (Miles & Huberman, 1994).

3. Results and Discussion

Results

The implementation of financial management at the Setia Farmers' Group MSMEs remains rudimentary and informal; financial planning has not yet been set out in a formal written document.

With regard to budgeting, financial planning has not yet been set out in a formal written document. In terms of working capital, the Setia Farmers' Group SMEs face operational liquidity constraints due to sub-optimal working capital management and the lack of a clear separation between operational cash and business development funds. Meanwhile, in terms of cash flow, internal cash management still relies on a simple system without adequate record-keeping.

The application of Islamic economic principles at the Setia Farmers' Group MSMEs is reflected in the implementation of the values of shiddiq, tasy-syafafiyah and al-'adl in day-to-day business activities.

The value of shiddiq is realised through the managers' commitment to maintaining honesty regarding product quality, compliance with quality standards, transparency of information to consumers, and a willingness to take responsibility should errors occur in the production or distribution processes. The principle of transparency (asy-syafafiyah) is applied through the disclosure of information regarding business

mechanisms, profit margins, and the communication of various details relating to the relationships between management, partner farmers, and consumers. The principle of justice (al-'adl) is realised through the proportional treatment of all stakeholders, including partner farmers, consumers, and corporate partners.

Discussion

Although financial management within the 'Setia' Farmers' Group MSME has not yet been formally established, it is able to support the sustainability of the business; for instance, budgeting is carried out through calculations and considerations based on the business's operational needs. In terms of working capital, this SME has established various strategies, such as a down payment system and payment schedules for farmer partners, which help to ensure the continuity of business activities. Meanwhile, regarding cash flow, cash flows relating to external partnerships have been managed accountably through structured cooperation mechanisms.

Furthermore, the researchers assessed that the application of Islamic economic ethics within these SMEs is quite evident; this is reinforced by the finding that a portion of the business profits is allocated to social and community activities. This finding indicates that the business orientation is not solely focused on economic profit but also takes social welfare into account. This reflects the implementation of the values of justice, transparency and honesty, which are tangible and in line with the principles of Islamic economics.

Thus, although these SMEs have not yet formally implemented a financial management system, they have established clear strategies and sound planning.

4. Simpulan dan Saran

Conclusion

The Setia Farmers' Group MSME has demonstrated that business sustainability is determined not only by the ability to manage financial aspects, but also by the application of Islamic business ethics in day-to-day business practices. Although the financial management system in place remains simple and has not yet been fully and formally documented, the various adaptive strategies implemented have succeeded in maintaining the operational stability of the business.

On the other hand, the application of the values of shiddiq, asy-syafaiyyah and al-'adl has served as a moral foundation that strengthens relationships between business operators, farmers, consumers, the general public and external partners. One example of this is PT. Harapan Interaksi Swadaya, with whom the Setia Farmers' Group SME has maintained a harmonious Memorandum of Understanding (MOU) for over five years.

Thus, the Setia Farmers' Group SME can be regarded as an example of business practice that combines economic management with Islamic values in order to achieve business sustainability and the common good.

Recommendations

It is recommended that the Setia Farmers' Group MSME begin implementing a simpler yet structured financial record-keeping system, particularly regarding budgeting, cash flow recording, and the separation of operational funds from business development funds.

Furthermore, it is hoped that the government and SME support

organisations will not only provide assistance in the form of assets or fixed capital but also strengthen support in the areas of financial management, business governance and financial literacy.

As for future research, it is hoped that studies on financial management and Islamic business ethics in SMEs can be developed with a broader scope of research subjects, more diverse research methods and the inclusion of additional research indicators.

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