



Enhancement of UMKM Financial Management in Kec. Cilawu For Supporting The Halal Ecosystem

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Abstract

Most of the small traders in Cilawu are trapped by loan sharks. This condition is due to limited literacy and legal sources of capital. Still need to gain confidence in sharia financial service products. This study concludes the Enhancement of the Ability of UMKM Financial Management in Cilawu For Supporting The Halal Ecosystem is to increase literacy in financial management for traders, from planning to preparing financial reports that because the level of financial literacy of traders is still low, and traders do not have confidence in financial service institutions and financial service products; besides that, it is necessary to provide literacy in Islamic financial institutions and their financial products and services, which can directly boost the activities of Islamic financial institutions to contribute to the development of the halal ecosystem.

Keywords : Financial Management; Islam; Halal Ecosystem.

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Introduction

Regarding the economy, the Garut area has quite a high potential and opportunities in the trade sector, especially in culinary (Jajanan Garut). This situation is an opportunity for the people of Garut to improve the economy. However, the economic growth rate (LPE) before 2021 is minus 1.6 percent, so the Garut government continues to try to prepare various steps to increase, especially in improving the economy of small traders (Iqbal, 2021). The global Muslim population is estimated to grow at 3% per year to reach 1.8 billion by 2030 according to Kementrian Perencanaan Pembangunan Nasional. This leads to a promising market segmentation for manufacturers, which is why many companies are interested in using the standard in their products with the aim of getting Muslim consumers to buy their products (Konety, 2021).

The growth of traders or UMKM in the sector of basic needs, such as food or beverages, is showing good progress. Still, there are several obstacles and challenges faced both internally and externally. One of the internal challenges is the HR problem which requires strategic steps to empower MSMEs or traders. One of the supporting factors for this strategy is providing financial literacy, starting from recording to controlling (Widya, 2021). These

procedures can take the form of administrative activities such as documentation procedures, calculation procedures, selection procedures, and other procedures, depending on the requirements of the organization (Nikmatuniayah, 2015).

Based on the facts we found, most of the small traders in the Cilawu were trapped by loan sharks. This condition caused limited literacy and legal sources of capital. We obtained data that a cooperative had been established in one of the villages in Cilawu. Still, it could only help a few people, so it was yet to be a solution for adequately increasing the income of small traders. (from small traders on Monday, December 16, 2022).

The reason for this problem started the post-pandemic Covid 19; there were more and more small traders in Garut Regency, so more and more small traders were left untouched by government assistance. As a result, many small traders chose their source of capital from moneylenders (Results of observation and interviews with small traders).

Financial management skills are needed by business owners or individuals, at least in managing their finances. Because when an entrepreneur or individual understands problems related to his finances, he can handle financial management correctly and intelligently, which is related to accounting, financial planning, the use of banking and credit, savings and credit, paying taxes, and others. Major purchases, as well as understanding insurance, investing (Amelia, 2022).

In Islam, financial management is often referred to as Islamic finance. Islamic financial literacy in Indonesia is an understanding of Islamic financial products and services, financial management through information and advice, and the ability to identify and understand financial risks to identify the right ones and make financial decisions (Putri, 2022).

Islamic Finance activities are usually regulated by Islamic Banks/Sharia Banks whose funding products are aimed at mobilizing and investing savings for economic development fairly so that fair benefits can be guaranteed for all parties [5]. Islamic finance is expected to be able to provide solutions to financial practices that lead to usury, masyir and gharar which indirectly support the development of a halal ecosystem in the financial sector (Surepno, ny). **Ability of Financial Management** Teaching financial management skills is a basic need for everyone to avoid financial problems. Knowledge of financial management is a basic need from a security perspective (security needs) to meet the needs of individuals who need financial security. Because it emphasized that financial difficulties are not only caused by the perception of low income. Economic challenges can also arise from mistakes in financial management, which are called mismanagement, such as misuse of credit and poor financial planning (Rasyid, 2012). Management is a branch of business management that focuses on financial planning, organizing, controlling, and monitoring the financial aspects of a business or organization. The main goal of financial management is to optimize enterprise value and use financial resources efficiently. Improving financial management skills is a critical step for micro, small and medium enterprises (MSMEs) to survive, grow and compete in the market. Improving financial management skills requires a holistic approach that includes education, technology application, and advisory support. This allows MSMEs to not only survive in the competitive market but also grow and contribute more to the economy.

Financial management is one of the critical points for the progress of a company. Financial management is related to accounting, such as recording, reporting, and controlling. Due to improper financial management, many traders/UMKM can only last for a short time in running their businesses. Improper financial management also determines that the cost of goods sold needs to be revised. So the result is that the company will suffer losses and cannot run properly (Reni, 2018). Sharia bank financing (based on Islamic law) plays an important role in accelerating MSMEs (UMKM), but its market share is still less than 5% (Tasya, 2019). Literacy is the understanding and knowledge of financial concepts and skills needed to make wise financial decisions. Understanding financial literacy can help you better manage your money, implement more effective financial plans, and avoid costly financial mistakes. Financial literacy plays an important role in enabling individuals to properly manage their finances, make wise financial decisions, and achieve their financial goals.

Talking about financial management, at the time of the Prophet, financial management based on brotherhood, where the foundation of the economic power of Muslims had existed since time immemorial, such as the Prophet and his companions. The Messenger of Allah has made the foundation of khutbah the initial foundation of Islamic economic power; the foundation of khutbah is also called mugshot, a building of brotherhood with various pillars that can bind one another. The posts in question include taathuf, tarahum, tafahum, takaful, tadhomun (Rabbaniah, 2016). **Halal Ecosystem** a lack refers to what is permissible in Islam, while haram refers to what is prohibited in Islam. However, there is still a lack of knowledge and understanding about Halal among Muslims,

especially among Halal businesses. Usually people understand Halal and Haram only in terms of the production of goods. However, there are other parts of the halal region to consider as well. This is because in Islam, halal encompasses all aspects of life. (Hasan, 2016). Halal business does not only mean halal ingredients and production. In addition to focusing on halal production, a suitable halal operator should also focus on implementing halal finance, also known as Islamic finance. Halal literacy and Islamic financial literacy are two important concepts that can influence an individual's behavior regarding decision-making, especially when adopting Islamic finance (Purnomo, 2016). Determine the level of Halal and Islamic finance knowledge in Halal business producers, it is necessary to assess Halal knowledge and Islamic knowledge. Furthermore, by integrating Halal knowledge and Islamic financial literacy, it is important to understand the influence of both factors on the attitude of Halal companies towards the adoption of Islamic finance. Halal ecosystem creates an environment that supports and promotes compliance with Halal principles in various economic and social sectors. We also aim to meet the growing need in the global market for products and services that comply with Halal principles.

The Halal ecosystem has received significant attention worldwide due to four major global market drivers and four major Islamic market-based drivers (Nisha, 2017). Halal value chain ecosystem is a new concept offered in Islamic economic system. Halal value chain is a halal ecosystem or supply chain that includes multiple upstream and downstream industrial sectors. This concept plays an important role in Indonesia's economic development (Krisna, 2023).

Indonesia has great potential in the halal industry. Indonesia has a majority Muslim population and is the world's largest consumer of halal products, with an economic value of \$197 billion. The Sharia financial sector is more developed than other sectors in Indonesia. It is clear that the Islamic banking industry is experiencing rapid growth. Sharia financial sector potential includes a number of Sharia commercial banks, Sharia business units, Sharia BPRs, as well as Sharia savings and credit cooperatives and financial services (KSPPS) spread throughout Indonesia. According to the Global Islamic Finance Report (GIFR), Indonesia ranks fourth after Iran, Malaysia and Saudi Arabia among countries that have the potential to contribute to the development of the Islamic finance industry. (Rachman, 2019)

Research Method

The method of this study offered for solving problems faced by Partners is carried out in the following stages; Subtitle: **First**, provide literacy training related to Islamic financial management covering theories of trade finance management in Islam. **Second**, recommending partners for collaboration with Islamic financial institutions in financing or business capital and carrying out controls related to the financial management of small traders to see the partners' ability in financial management. (a) Develop literacy modules for managing Islamic finance, (b) Provide training related to the concept of Islamic economics, (c) Provide training related to literacy in Islamic financial management, (d) Providing training and mentoring partner skills in the allocation of trade finance with the idea of Islamic economics and recommending partners for cooperation with Islamic financial institutions in business financing or capital, (e) Carry out control regarding the financial management of small snack traders in Cilawu District, Garut Regency.

Table 2.1
Distribution of Activity Plans

No	Name	Expertise	Jobdesc
1	Ira Siti Rohmah Maulida, S.Sy., M.E.	Sharia Economy	Review and analyze management aspects of financial management, financial institutions, and HR capabilities
2	Arif Rijal Anshori, S.Sy., M.E.	Sharia Economy	Review and analyze management aspects of financial management and financial institutions
3	Neng Dewi Himayasari, S.Sy., M.H.	Sharia Economy Law	Review and analyze religious aspects
4	Iwan Permana, S.Sy., M.E.Sy.	Sharia Economy Law	Review and analyze aspects of Fiqh Muamalah

Conclusions: The subjects in this study were taken from seven small traders/UMKM from seven villages in Cilawu District, among others:

Table 2.2
List UMKM in Kec. Cilawu

No	Name Business	Owner	Location
1	Kedai Hidayah	Heni	Ngamplang
2	Kedai Cikurai	Aditya	Pasanggrahan
3	Nasi Uduk Maung	Opik	Cimaung
4	Sayur Segar	Mumun	Margalaksana
5	Pecel Lele Abung	Abung	Dayeuh Manggung
6	Lele Siap Goreng	Midah	Cigasong
7	Bakso Cikruh	Imas	Cikancung

Results and Discussion

Result Among the seven partners above, there is one seller of Garut snacks named Kedai Hidayah, an example, and reference as a trader free from emok bank loans. Kedai Hidayah has been established since 2015 and has survived with independent business capital without capital loans from non-halal sources (including emok banks) and tends to implement the Islamic financial system. However, Kedai Hidayah must also improve its financial management capabilities so that its capital and business remain stable (no mix-up between family and trading business finances).

Based on the results of discussions with the owner of Kedai Hidayah, the problems that arise from small traders in Cilawu at this time can be identified: 1) lack of literacy related to trade finance management, so training is needed, 2) mindset of traders who think that business capital from emok banks is easy financing and no collaboration with Islamic financial institutions, even though it was the beginning of a business breakdown.

Problems are grouped into several sections, including increasing partner literacy related to financial management, increasing capabilities in Islamic financial management and increasing skills in financial allocation.

Problem solutions that will be carried out in overcoming priority problems faced by partners will be explained in the following tabulation:

Table 3.1
Problem Solution

Problem	Solution	Output
Increase partner literacy in the financial management section	Provide literacy training related to Islamic financial management because it is an Islamic economic system that is based on kinship.	Modul
Improving ability in financial management	Provide training related to trade finance management	Modul
Partner collaboration with Islamic Financial Institutions in financing or business capital and increasing skills/skills in financial allocation	Recommending partners for cooperation with Islamic financial institutions in business financing or capital Providing training and mentoring related to partners' skills in financial allocation with the concept of Islamic economics	Modul

Discussion Based on the results of the research above, it can be seen that small traders in Cilawu District have literacy problems in financial management so that traders are attracted to loan sharks.

The literacy category divided into three parts: 1) Low literacy is defined as low when literacy is less than 60%, 2) Moderate, when a person's literacy is 60-80%, 3) High literacy rate if literacy is more than 80%. Meanwhile, the OJK divides the financial literacy of the Indonesian people into four parts, namely (Sucipto, 2022). : (a) Good knowledge, have knowledge and trust in financial service institutions and financial products and services, including characteristics, Knowledge of the benefits and risks, rights and obligations associated with financial products and services, and how to use financial products and services. (b) Adequate knowledge is the level of knowledge and trust in financial service institutions and financial products and services, including the characteristics, benefits and risks, rights and obligations related to financial products and services. (c) Lack of knowledge, only shows that someone knows financial service institutions, financial products and services (d) Unknowledge, meaning they do not know and trust financial service institutions and financial products and services and do not have the skills to use financial products and services.

Based on the explanation above, traders in Cilawu District still need to be literate because traders do not have confidence in financial service institutions and financial service products, as evidenced by small traders who use their capital from loan sharks (they call it emok bank). However, it turns out that there are better solutions than the source of money from emok banks for small traders, which is even more troubling. At first, they thought that borrowing through Emok banks was easier than borrowing from other financial institutions.

The following are the factors that cause people to fall into debt with loan sharks, among others: (a) Done because of the need for trading capital Dilakukan untuk membeli keperluan yang bersifat incidental atau dadakan, (b) Made to purchase incidental or impromptu needs, (c) Unlike banks and other financial institutions, the flow of business capital loans is relatively easy, (d) The community has not been able to calculate the burden (interest and fines) that must pay with the level of profit for their business.

On the other hand, the negative impact of borrowing from moneylenders or emok banks is creating conditions that are getting worse for the business because the interest we pay is greater than the profit/income from our business, and there will never be progress in the company that is carried out because we have to pay installments with high interest constantly (Prihatini, 2022).

This is important because financial knowledge is strongly linked to financial behavior (Xiao, 2014). Financial ignorance can lead to poor financial decisions, such as over-borrowing and high mortgage costs. Regarding Islamic financial literacy, it is believed to influence a person's attitude towards financial behavior, especially in distinguishing between conventional and Islamic finance. It was also believed that individuals who are ignorant of Islamic finance may make poor financial decisions when distinguishing between conventional and Islamic finance..

Decision making literacy is knowledge of financial concepts and skills/competence in evaluating (financial attitude) and evaluating (financial behavior) financial product information for decision making and implementation. This implication includes both self-assessment and objective measurement approaches to measuring financial literacy. Referring to the concept of Islamic finance, the first understanding of Islamic financial literacy can be formulated as a person's ability to manage finances based on Islamic financial principles, from the aspects of Islamic financial knowledge, attitudes, and behaviors. (Setiawati, 2018).

One of the institutions that can provide solutions to the community, both individuals and the business world, in providing sources of financing is the Savings and Loans Cooperative and Sharia Financing. Sharia cooperatives are essentially stable, democratic, independent, participatory, and social business entities that operate based on moral principles by paying attention to halal and haram business according to Sharia provisions. The purpose of forming a cooperative is to meet the needs of its members at a relatively lower cost, provide convenience to members who need working capital, and provide benefits to its members (Asmita, 2020).

Islamic financial activities are based on the underlying principle that money is not regarded as a productive asset of commodities/tradable goods. Instead, money benefits can be obtained once it is functioned either as a medium of exchange or through investment with taking into account the inherent risks. As a financial institution in the halal industry sector, SFI acts as an intermediary between the deficit and surplus sectors of the financial system. In other words, as intermediaries in subsidy distribution and financing, both can achieve broader subsidy access and greater market penetration and market share. The opportunities and great potential of the SFI sector are expected to drive the development of Indonesia's halal ecosystem and industry. The Halal ecosystem includes all corporate networks, institutions, governmental and non-governmental organizations. Halal ecosystem context refers to the halal business system, which is a form of cooperation between halal industry players to

optimize the role of each sector taking into account Islamic values and the development of the halal industry. Halal ecosystem processes are expected to improve economic value. The scope of the Halal ecosystem integrates various sectors of the Halal industry and other stakeholders. It is not only based on the basic application of Shariah principles to products and services, but also other factors such as market segments are interconnected in different production areas. An ecosystem exists when companies depend on each other to achieve a common goal. Ecosystems often exhibit cooperation and competition. Similarly, halal ecosystem development refers to the interrelationships between halal industries in achieving common goals.

This study concludes the Enhancement of the Ability of MSME Financial Management in Kec. Cilawu For Supporting The Halal Ecosystem is to increase literacy in financial management for traders, from planning to preparing financial reports. The reason is the level of financial literacy of traders is still low, and traders do not have confidence in financial service institutions and financial service products; besides that, it is necessary to provide literacy in Islamic financial institutions and their financial products and services, which can directly boost the activities of Islamic financial institutions to contribute to the development of the halal ecosystem.

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