

Strategies for Enhancing Microbusiness Performance: Unraveling the Role of Financial Literacy among Microfinance Customers at Bank Syariah Indonesia

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Abstract –The microbusiness sector is vital to developing countries' economic growth. This study focuses on devising effective financial literacy strategies to enhance microbusiness performance among Bank Syariah Indonesia's (BSI) microfinance clients in DKI Jakarta. Using SWOT analysis, the study identifies barriers and recommends strategies. The preferred financial literacy strategy lies in the Strengths-Opportunities (SO) approach, involving initiatives like collaborative Sharia microfinance training, enhancing BSI's UMKM Centre, workshops on Sharia microfinance planning, digitalisation of services, and integrated product bundling. These strategies offer practical insights for sustainable growth, contributing to Islamic economic and finance knowledge.

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I. Introduction

Micro entrepreneurs in Indonesia face challenges in terms of competitiveness compared to other ASEAN nations, such as Singapore, Malaysia, and Thailand (OECD & ERIA, 2018)[18]. Factors contributing to this include struggles to innovate, limited international networking, underutilisation of internet facilities, and difficulties in financing (Shinozaki, 2017)[20]. The digital era calls for enhanced digital financial literacy to utilise fintech products effectively, and government efforts, like the "Gernas BBI" movement, have led to increased micro-business adoption of digital platforms (KNEKS, 2021).[14]

Research Gap and Originality

Despite these efforts, micro-businesses impact in the digital sector remains below expectations (KNEKS, December 2021)[14]. The research aims to address the research gap by exploring the impact of financial literacy strategies on micro-enterprise performance in the context of Bank Syariah Indonesia (BSI) in DKI Jakarta. While national financial literacy strategies exist, their influence on micro-enterprise performance aligned with Sharia principles is poorly understood. The study's novelty lies in investigating financial literacy's role in enhancing access and performance among micro-enterprises, considering Maqashid Sharia principles.

Research Objective and Questions

The study aims to identify strategies to optimise financial literacy for improved micro-enterprise performance, particularly within Bank Syariah Indonesia (BSI) in DKI Jakarta. The research questions include:

What strategies are needed to enhance financial literacy and optimise the performance of micro-enterprise customers of Bank Syariah Indonesia (BSI) in DKI Jakarta?

Significance and Stakeholders

This research holds significance for researchers, enriching insights within the research domain and refining problem-solving skills. Based on the findings, Bank Syariah Indonesia (BSI) can shape product development and strategic approaches. Policymakers will gain insights to develop policies that enhance financial literacy among micro-enterprises. The broader community benefits from the study's contributions to theoretical and practical understanding of Islamic banking product development.

In conclusion, this research addresses a significant research gap by investigating the impact of financial literacy strategies on micro-enterprise performance in Islamic banking, focusing on Bank Syariah Indonesia (BSI) in DKI Jakarta. The study aims to provide valuable insights for various stakeholders and contribute to the field of Islamic economics and finance.

Microbusinesses in Developing Countries

Microbusinesses drive economic growth in developing nations, but challenges like limited resources and financial literacy hinder their success. Financial literacy is crucial for risk management, decision-making, and sustainable performance, especially in the digital era.

Table 1. *Micro Business Competitiveness Index in Indonesia Compared to Several ASEAN Countries*

<i>Dimensions</i>	<i>Singapore</i>	<i>Malaysia</i>	<i>Thailand</i>	<i>Indonesia</i>
Productivity, Technology, and Innovation	5,84	5,06	4,97	4,14
Market Access & Internationalization	5,94	5,43	5,41	5,21
Financial Access	5,69	5,35	4,87	4,58

Source: OECD & ERIA, 2018[17]

Microenterprises in Indonesia are less competitive than their ASEAN counterparts, attributed to limited innovation, internationalisation, and financial access. Policies aim to empower micro-businesses, and Islamic banking offers opportunities.

Digital Financial Literacy

Digital financial literacy, crucial in the digital age, ensures practical fintech usage, safeguarding against fraud. Governments encourage digitalisation, but many micro-businesses lag in utilising digital platforms.

Islamic Banking and Microfinance

Islamic banks support micro-enterprises, offering financing based on Sharia principles. Challenges include misalignment between Sharia principles and micro-business behaviours. Collaboration among banks, government, and micro-entrepreneurs is essential.

Importance and Objectives

This study explores financial literacy's impact on micro-enterprise performance, focusing on financial access and risk attitude within Bank Syariah Indonesia. The research aims to enhance financial literacy, access, and performance among micro-businesses, aligning with Islamic economic principles.

II. Literatur Review

Literature Review and Hypotheses Development

This study's literature review encompasses various interconnected themes: management principles, financial literacy, zakat, waqf, Islamic economics and finance, financial access, financial risk attitudes, and microbusiness performance. These themes contribute to understanding the relationships and dynamics that impact microenterprise performance in Islamic economics and finance.

Management Principles and Business Domains

Management is the coordinated process of utilising resources to achieve specific goals efficiently and effectively. It encompasses planning, organising, directing, controlling, and staffing (Hasibuan, 2016; Amirullah, 2015).[7][2] Businesses are managed within four primary domains: marketing, operations, finance, and human resources. Financial management aims to optimise funds for shareholder prosperity, while risk management identifies, analyses, and controls potential risks (Amirullah, 2015; Irham Fahmi, 2018; Idroes, 2008).[2][13][12]

Islamic Economics and Finance

Islamic economics and finance are rooted in Islamic teachings and ethics, emphasizing fairness, justice, and social welfare. The principles are derived from the Quran, Hadith, and consensus of Islamic scholars. The industry has experienced significant growth, offering Sharia-compliant financial products like Islamic banking, sukuk, and takaful (David, 2011)[5].

Financial Literacy, Access, and Risk Attitudes

Financial literacy involves understanding financial concepts, business management skills, and decision-making skills. It impacts microbusiness performance by influencing strategic decisions and financial management (Aribawa, 2017; Baharuddin, 2021)[3][4]. Financial access enables individuals and businesses to use financial services, contributing to growth (Adomako et al., 2016)[1]. Financial risk attitudes, influenced by perceived risk and risk propensity, play a role in decision-making under uncertainty (Ye & Kuluthunga, 2019)[20].

Microbusiness Performance

Microbusiness performance includes aspects like product quality, innovation, human resource management, customer relations, and financial outcomes. Effective financial literacy impacts performance by enhancing innovation and decision-making (Hilmawati&Kusumaningtias, 2021)[9].

Hypotheses Development

Hypotheses were developed based on the reviewed literature:

1. Financial literacy positively influences microenterprise performance by enhancing innovation and decision-making (Aribawa, 2017; Hilmawati&Kusumaningtias, 2021)[3][9].
2. Financial access positively impacts microenterprise performance by providing timely financial information, enhancing resource availability, and promoting sound financial structures (Adomako et al., 2016; Mashiza&Sibanda, 2017)[1][17].
3. Financial risk attitudes positively affect microenterprise performance by enabling informed decisions under uncertainty (Goswami et al., 2017; Hsiao & Tsai, 2018)[6][10].

These hypotheses provide a framework for understanding how financial literacy, access, and risk attitudes interact and impact microenterprise performance in Islamic economics and finance.

2.6 Conceptual Framework

The study's conceptual framework illustrates the relationships between financial literacy, financial access, financial risk attitudes, and microenterprise performance. It demonstrates how these variables influence microbusinesses' growth and sustainability within Islamic economics and finance. The framework serves as a guide for research methodology and analysis.

Figure 1 presents the conceptual framework of the study:

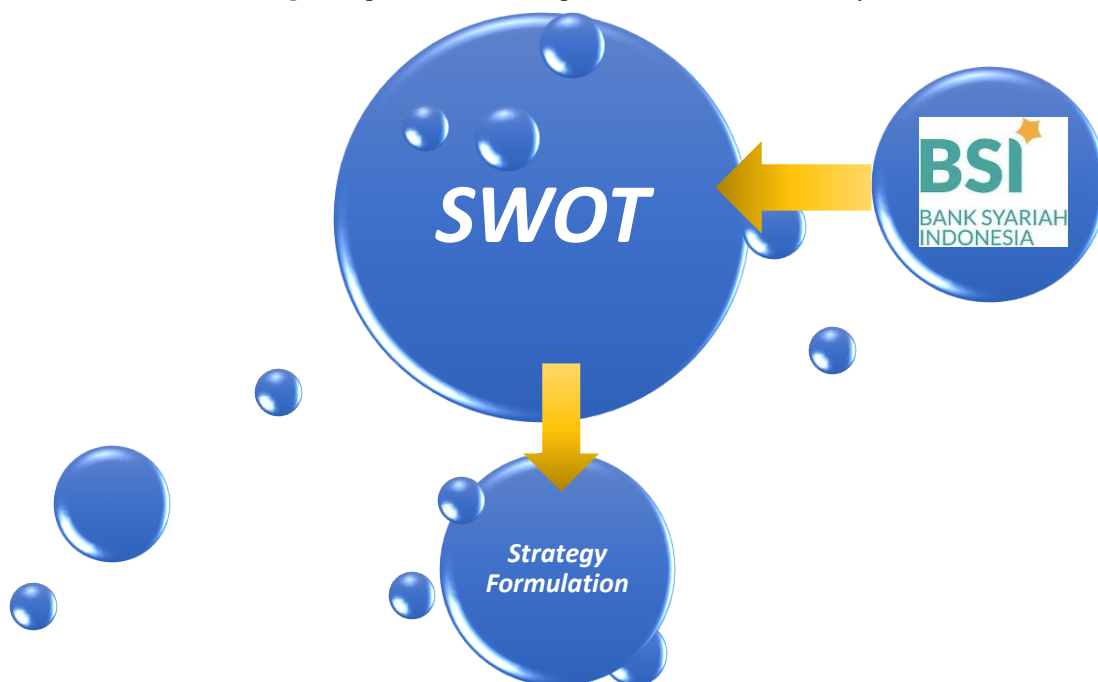


Figure 1. *Conceptual Framework*

Source: Adapted from Literature Reviewed

The literature review provides valuable insights into the complex interactions between management principles, financial literacy, Islamic economics and finance, financial access, financial risk attitudes, and microenterprise performance. The developed hypotheses and conceptual framework offer a comprehensive approach to investigating the factors contributing to microbusinesses' success within the Islamic economic framework.

III. Research Methodology

This article adopts a mixed-method research approach, amalgamating both quantitative and qualitative techniques. The research methodology encompasses descriptive analysis and SWOT analysis as data analysis tools. The hypotheses put forth in this study are derived from previous research, postulating a relationship between financial literacy, microenterprise performance, and mediators like financial access and risk attitude within Indonesian Islamic microbanks. Specifically, the study examines the impact of financial literacy strategies on microenterprise performance (Hermawan & Amirullah, 2016)[8].

Population and Sample

The research targets microenterprise users of Islamic bank financing in Jakarta as the population of interest. Employing stratified random sampling, the study selects a representative sample of 500 respondents, drawn from customers of Bank Syariah Indonesia (BSI) in Jakarta.

Operational Definition of Variables

The study classifies variables into independent, intervening, and dependent categories. Financial literacy is assessed based on comprehension of financial concepts, credit management, savings, investments, and risk management. Financial access examines how banking services affect business growth, while financial risk attitude gauges risk perception and willingness to take risks. Microenterprise performance is evaluated across financial, customer, resource management, and innovation domains.

Data Collection Method

The data collection process entails observation, documentation, and Focus Group Discussion (FGD). Insights gathered from interactions with bank customers and BSI staff complement findings from the questionnaire. Additionally, data from various sources like magazines, reports, and books contribute to the documentation process.

Data Analysis Method

A core analytical approach employed is the SWOT Analysis, a strategic development methodology. SWOT analysis dissects Strengths and Weaknesses within the internal environment, alongside Opportunities and Threats from the external environment (Rangkuti, 2014, p. 20)[18]. The study employs SWOT analysis to devise a strategy by evaluating external factors (opportunities and threats) and internal factors (strengths and weaknesses).

SWOT analysis aids in discerning a market's dynamics and constructing effective business strategies. It plays a pivotal role in strategy formulation and selection, guiding decisions to maximize strengths and opportunities while mitigating weaknesses and threats (Humphrey, 2005; Kusumawardhani, 2021)[11][15].

The strategic planning process involves three stages: data collection, analysis, and decision-making. The analysis stage incorporates various models like TOWS matrix, BCG matrix, internal-external matrix, SPACE matrix, and grand strategy matrix. These analyses generate comprehensive insights for informed decision-making (Kusbandono, 2019)[15].

Measurement Model Analysis

The study employs a mixed-method approach, involving observation, documentation, and discussions to collect data and analyze the research problem.

III. Result and Discussion

SWOT Analysis: Unveiling Strategic Insights

In pursuit of strengthening microenterprise performance through financial literacy strategies, a sequential methodology is employed. The process begins with a Focus Group Discussion (FGD) involving key stakeholders, followed by a comprehensive SWOT analysis involving internal and external environmental assessments of Bank Syariah Indonesia. This analysis culminates in developing and communicating tailored financial literacy strategies to enhance the microenterprise performance of Bank Syariah Indonesia's clients in DKI Jakarta.

Conducting Focus Group Discussion

To delve into the subject deeply, a mini FGD is conducted with regulators, operators, associations, market managers, and microenterprise stakeholders. This discussion encompasses strengths, challenges, opportunities, and obstacles concerning financial literacy's impact on microenterprise performance in DKI Jakarta. Insights are

gathered from interviews and FGDs with diverse informants, including representatives from regulatory bodies, government entities, associations, operators, academia, and microenterprise stakeholders.

Internal Environment Analysis (IFAS)

Internal strengths and weaknesses of Bank Syariah Indonesia (BSI) are evaluated to gauge their role in delivering financial literacy to microfinance clients in DKI Jakarta. Through interviews and questionnaires, internal factors are meticulously assessed and correlated with the existing challenges. The IFAS analysis reveals a strength score of 3.18 and a weakness score of 3.01, indicating a higher presence of strengths.

External Environment Analysis (EFAS)

External opportunities and threats are evaluated to determine their impact on financial literacy initiatives for microenterprise clients. The EFAS analysis yields an opportunity score of 2.77 and a threat score of 2.75. This suggests a more favourable environment in terms of opportunities.

SWOT Matrix Analysis

Combining internal strengths and weaknesses with external opportunities and threats, the SWOT analysis reveals that BSI's microfinance clients in DKI Jakarta are positioned in Quadrant 1, indicating an optimistic scenario. This signifies the alignment of strengths and opportunities conducive to a positive trajectory.

Financial Literacy Strategies

Based on the SWOT analysis outcomes, financial literacy strategies are formulated. These strategies encompass various aspects of BSI's operations and services, aiming to leverage strengths and opportunities while addressing weaknesses and threats. The strategies are designed to enhance microenterprise performance through improved financial education, access, and support.

Shariah Financial Literacy and Silaturahmi Bond

The strategies proposed are aligned with Maqashid Shariah and the Tauhidi Strings Relation (TSR) framework. They emphasise integrating Islamic values, collaboration, and communication to foster a strong bond (silaturahmi) between Shariah-compliant banks, microenterprise players, and stakeholders. This approach aims to enhance overall well-being and success while upholding Shariah principles.

The SWOT analysis and the subsequent financial literacy strategies provide a comprehensive roadmap for enhancing microenterprise performance within Sharia-compliant banking. By addressing internal strengths and weaknesses and capitalising on external opportunities and threats, Bank Syariah Indonesia endeavours to empower its microfinance clients in DKI Jakarta with improved financial literacy and support, aligning with the values of Maqashid Shariah and fostering a robust silaturahmi bond.

III. Conclusion, Implications, and Recommendation

Conclusion

This chapter concludes the study on the impact of financial literacy strategies on microenterprise performance through financial access and financial risk attitude as a mediating variable. The research findings, derived from both quantitative and qualitative analyses, offer significant insights for Bank Syariah Indonesia's microfinance customers in DKI Jakarta. The following conclusions are drawn from this study:

1. **Financial Literacy's Influence on Microenterprise Performance:** The research affirms that financial literacy has a favorable and moderate impact on enhancing microenterprise performance. While existing literacy is sufficient, further improvement is essential to attain a "well literate" position. Collaborations with universities, workshops, and initiatives with National Committee for Shariah Economic and Financial (KNEKS)[14] contribute to this effort.
2. **Financial Access and Its Role:** The study establishes that financial access significantly improves microenterprise performance, exhibiting a moderate effect. Partnerships with PT. Telkomsel and digital applications such as i-Kurma streamline financing processes for microenterprises.
3. **Interplay of Financial Literacy and Access:** Financial literacy significantly impacts financial access, albeit with a low effect. Improved financial literacy enhances effective utilization of financial services offered by Bank Syariah Indonesia.

4. Financial Literacy's Influence on Financial Risk Attitude: The research demonstrates a significant, yet low effect of financial literacy on enhancing financial risk attitude. Boosting financial literacy can positively influence microentrepreneurs' financial risk attitudes in alignment with BSI's risk management practices.

5. Mediating Roles: Both financial access and financial risk attitude mediate the impact of financial literacy on microenterprise performance, albeit with low structural level mediation. Enhancing financial access and financial risk attitudes could strengthen these mediation roles.

Recommendations: Based on the research outcomes, a Strengths Opportunities (SO) approach is recommended. Vision: To achieve well-literate microfinance customers in DKI Jakarta, utilizing Bank Syariah Indonesia's financial products and services following Maqashid Shariah principles.

Implications

Theoretical Implications

Financial risk attitude's indirect and insignificant impact on microentrepreneurs' use of Shariah banking products for business performance.

Preference of microentrepreneurs for Shariah microfinance products over conventional options.

Managerial Implications

The study offers several managerial implications for Bank Syariah Indonesia:

1. Collaborative microfinance training through the Islamic Ecosystem.
2. Expansion and optimization of BSI UMKM Centre.
3. Micro Shariah financial planning workshops.
4. Support for microenterprise operators by BSI's human resources.
5. Enhancement of digitalization of Shariah microfinancial services.
6. Availability of integrated financial products and services with halal certification.

Recommendations

The research opens avenues for future studies, suggesting:

Comprehensive research on microfinance involving all Shariah banks in Indonesia.

Inclusive research on financial literacy across Indonesia for a broader national perspective.

These recommendations could serve as references for Bank Syariah Indonesia, regulators, and stakeholders in enhancing microenterprise performance in DKI Jakarta and Indonesia as a whole.

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