Financial Management Practice on Religious Micro-Entrepreneurs (Study on Nahdlatul Ulama Micro-Entrepreneurs in Blitar Regency, Indonesia)

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Abstract
MSMEs are an essential means of overcoming the problems of job creation, sustainable economic growth, equitable welfare, and income in Indonesia. The purpose of this research is to investigate the financial management practices of 33 micro-business actors who are members of The Nahdlatul Ulama Entrepreneurs (WIRANU) of the Blitar Regency. This research focuses on six components of financial management practice, including 1) financial planning and supervision; 2) accounting information; 3) financial analysis; 4) management accounting; 5) working capital management; 6) Investment decisions. The results showed that most Nahdlatul Ulama micro-entrepreneurs in Blitar Regency claimed to have practiced simple financial management. This simplicity is due to their business position as a side business to support the family economy. The simplicity of this application is also a reflection of *santri's* religious beliefs regarding God's destiny regarding his windfall and blessings.
Keywords: religious micro-entrepreneur, financial management practices, *Nahdlatul Ulama*
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1. Introduction

MSMEs (Micro, Small, and Medium Enterprises) have a large role in the economy of a country, especially developing countries (Fatoki, 2012; Ahmad, 2012; Attom, 2013).(Ahmad, 2012)(Attom, 2013) Governments around the world are focused on developing this sector to boost economic growth. MSMEs contribute between 61.07% to Gross Domestic Product and 99.99% to the share of business units, and 97.00% to the workforce in Indonesia (Central Statistics Agency, 2019).

The Open Unemployment Rate in Indonesia is quite high, with an estimated 5.28% (Central Statistics Agency, 2019). One way to overcome unemployment is through increased employment opportunities. MSMEs are expected to be an important means of overcoming the problems of job creation, sustainable economic growth, equitable welfare, and income in Indonesia.

According to Law No. 20 of 2008 on MSMEs, Micro businesses are businesses that: a) have an annual income of less than 300 million; and b) have total assets of less than $50 million excluding land and buildings. (Munoz, 2010) stated that micro-businesses include the smallest businesses that make up the majority in the small business sector in developed and developing countries.

Micro-businesses increase the country's economic value through job creation, increase revenue, strengthen purchasing power, reduce costs and add business convenience. In Africa, (Rolfe et al., 2010) found that micro-business activity (especially retail trade) is the most entrepreneurial activity in the informal sector. The sector absorbs a lot of labor and is identified by the government as a priority. According to data from the Ministry of Cooperatives and MSMEs, the total number of small businesses in Indonesia in 2018 amounted to 64.2 million (Central Statistics Agency, 2019). Informal businesses and mainly micro-businesses as many as 63.3 million. (Samujh, 2011) states that in addition to the importance of micro-businesses, their entrepreneurial role in building communities has sometimes not been taken into account. Micro-businesses tend to be invisible, intentionally or unintentionally, in small business research. Lack of participation by micro-businesses in small business research, placing them in the category of "the silent majority" (Samujh, 2011)

Maas & Herrington (2006) found that the creation of a new small business includes a two-stage process. The first stage is the start-up stage, which is a 3-month period during which a person identifies the products and services to be traded, searches for resources, and puts them in the necessary positions such as employees. The next phase is a period of 3-42 months, which is when small businesses start trading and competing with other companies in the market (marketplace). Therefore, a new micro-venture can be described as a business that has existed for a period of no more than 40 months. When a business has been successful for more than 42 months, it becomes an established venture.

MSMEs in Indonesia have a high failure rate. According to Wirasasmita (2019), almost 60% of new MSMEs created in Indonesia failed in the first three years of business.

Blitar Regency is one of the districts in East Java Province that has great potential in the development of tourism, culinary, and micro, small and medium enterprises (Pemerintah Kabupaten Blitar, 2019) Blitar Regency is one of the largest egg production centers in Indonesia by supplying 70% of eggs for East Java and 30% of the national egg supply (Wikipedia, 2021)

Nahdlatul Ulama entrepreneur is a society of entrepreneurs who have an ideological affinity with Nahdlatul Ulama. WIRANU Blitar Regency is a businessman who structurally becomes the administrator of Nahdlatul Ulama and is culturally affiliated with Nahdlatul Ulama.

Nahdlatul Ulama (NU) is the largest Islamic organization in the world (Esposito, 2013). The number of NU citizens, according to Alvara Research Centre, is not less than 80 million people or 58.8% of the total population of Indonesia (NU Online, 2014). NU is a religious organization that promotes moderation and anti-fundamentalism in religion, which is the middle ground between rationalists and scriptwriters (Wikipedia, 2021).

2. Literature Review

2.1 Financial Management

Financial management, according to (Gitman, 2007) is a part of business management that specifically discusses the use and selection of capital wisely and rationally (Esposito, 2013)in order to achieve organizational goals. Financial management focuses on planning the future of the company to ensure positive cash flow. (Brigham & Houston, 2013) defines financial management as an activity that focuses on decisions related to the acquisition of financial resources and ensures the effectiveness and efficiency of their use in order to increase the value of the company. Financial management includes the planning, organizing, directing, and supervision of financial activities such as the procurement and utilization of company funds.

According to (Rose et al., 2013), financial management decisions include 1) investment decisions (capital budgeting). Investment decisions are the process of planning and managing a company's long-term investments. Capital budgeting is used to evaluate whether investments in fixed assets such as new machinery, new products, research and development projects are feasible. Capital budgeting techniques consist of non-discounted cash flow techniques (payback period and accounting rate of return) and discounted cash flow techniques (net present value, internal rate of return, profitability index, and discounted payback period); 2) Working capital management, which includes the management of the company's assets and short-term debt. Working capital management ensures that the company has sufficient cash flow to meet short-term debt obligations and operating expenses; 3) Financing Decision (capital structure). This disconnect is related to the acquisition of funds from various sources depending on the type of source of funds, funding period, fund costs, and income. The capital structure describes how a company funds its assets through some combination of equity, debt, or mixed; 4) Dividend decision. Dividend decisions include sharing the company's profits or holding them for reinvestment.

2.2 Company's objectives

According to (Rose et al., 2013), the goal of financial management is to maximize the well-being of company owners. The company's goal is to maximize value for its shareholders. The value of the company is represented by the market price of the company's stock, which in turn is a reflection of the company's investment, financing, and dividend policies. The stock market price reflects the "focal judgment" of all market participants about how much a company is worth. The price takes into account the current conditions and future outlook of earnings per share, timing, duration, and risk on those earnings, and other factors affecting the stock's market price. Market prices act as performance indices or report cards of a company's progress.

Osteryoung et al. (1997) take the view that the company has a written and unwritten purpose. Corporate finance assumes that the company's goal is to maximize shareholder wealth. This is usually less in accordance with MSMEs that do not participate in the capital market. Small companies often show different objectives in running a business from traditional concepts of maximizing shareholder wealth. The purpose of small businesses is only to get a job, enjoy a certain lifestyle related to participation in a particular business, provide acceptance for entrepreneurs, and grow the business in the context of profit through sales.

According to (Newby et al., 2003), the goals of MSME owners can be measured quantitatively (financially) and qualitatively (non-financial). Financially includes earning as much as possible, earning as much disposable income as possible, achieving financial security, building family wealth in the future. Non-financial factors include:

a) personal satisfaction, b) independence/autonomy; c) instrinsic awards; d) the opportunity to hire the owner's family; e) family security; f) time flexibility; g) employee and customer relationships. (Osteryoung et al., 1997) explain that whatever the goals and objectives of small businesses, financial management for small businesses is still relevant and important. The effectiveness of financial management strategy is something that is important in maintaining the growth of small businesses.

2.3 Financial Management Practices and Financial Performance

MSME financial management literature shows that the components of financial management practice are essential to MSME performance, such as financial planning and supervision, financial analysis, accounting information, management accounting (pricing and costing), capital budgeting, and working capital management (Agyei-Mensah, 2011; Maseko & Manyani, 2011; Fatoki, 2012).

According to (Maseko & Manyani, 2011), the accounting system provides a source of information to MSME owners and managers in running all industries for the purpose of measuring financial performance. MSME accounting practices supply the financial information needed to improve economic decisions made by entrepreneurs. (Ismail & Zin, 2009) stated that business strategy is one of the components that support the growth of MSMEs. Padachi (2010) states that the main factors that support the success or failure of MSMEs can be grouped into internal and external factors. External factors include funding factors (availability and interest of funding, economic conditions, competition, government regulations, technology, and the environment. Internal factors include managerial expertise, manpower, and accounting systems. This is in accordance with the view (Ismail & Zin, 2009) that in the context of MSMEs, accounting information is important because it can help companies control important short-term problems such as costing, spending, and cash flow through the provision of information in support of monitoring and supervision. Shahwan & Al-Ain (2008) states that accounting information is also useful for the company's operations in a dynamic and competitive environment in helping to integrate operational initiatives in long-term strategic planning. Sarapaivanich (2003) found that MSMEs lack access to capital and are exposed to high-interest rates, have no accounting record, and have inefficiencies in the use of accounting information.

3. Research Method

The survey was conducted on entrepreneurs who are members of the WIRANU (Nahdlatul Ulama Entrepreneur) organization of Blitar Regency. Surveys are conducted in two ways: questionnaires and interviews. Questionnaires are shared through the *Whatshap* app by sharing *google-forms* with entrepreneurs. Interviews are also used in order to obtain valid data. Interviews are conducted *online* through *Zoom-meetings* by a team of researchers who understand financial statements and their implementation (Cooper &Schindler, 2003). The interviewer confirms the answers that have been given by respondents in filling out questionnaires that have been done before.

The interview method is a great way to confirm written answers through questionnaires to ensure the compatibility between written answers with oral answers. Interviews are also good for clarifying the reason and meaning of the answers that have been done through the questioner. Face-to-face interviews allow the interviewer to get to know the respondent and allow the interviewer to explain the question to the respondent and clarify some less obvious question items.

Because of the difficulty of finding the population of micro-entrepreneurs in this region, sampling is done conveniently through the snowball sampling method. According to (Cooper & Schindler, 2003), convenience sampling is a non-probability sampling technique in which subjects are selected because of their ease of access and proximity to researchers. *Snowball sampling* method is one of the *non-probability sampling* techniques where the existing study subject recruits the next subject from among his acquaintances until the sample is sufficient. A total of 33 entrepreneurs are willing to fill out 33 questionnaires that we share through google form and Whatsapp applications.

Questionnaires are divided into two sections: 1) entrepreneur profile questionnaires and business profiles, and 2) questionnaires related to financial management practices. The question presented is a combination of a dichotomous question and a Likert scale.

Statistical analysis used is primarily descriptive statistics. The pilot study was conducted on survey instruments used in this study with ten micro-business owners to ensure validity and face and content. The study focuses on the micro-businesses of the retail, services, and manufacturing sectors.

4. Results And Discussions

4.1 Result

4.1.1 Description of Respondents

Based on the results of a survey of 33 respondents, all respondents (100%) have responded to the questionnaire distributed.

Table 1 Respondent Description

Biographical Information	Frequency	Percentage
Age		
41-50 years	21	64
31-40 years	7	21
21-30 years	4	12
<20 years	1	3
Education		
Bachelor	18	55
Senior high school	12	36
Junior high school	3	9
Gender		
Woman	24	73
Man	9	27
Type of Industry		
Retail/Wholesale	21	64
Manufacturing	10	30
Service	2	6
Business Status		
Proprietorship	33	100
Partnership	0	0
Number of employees		
0 person	13	39
1 person	4	12
2 person	4	12
3 person	6	18
4 person	4	12
>4 person	2	6
Age of Business		
>3 years	19	58
1-3 years	11	33
<1 years	3	9

Table 1 obtained information that most respondents (64%)aged 41-50 years. In terms of education, most (55%) are undergraduates. Most of the respondents (73%) were female, and the rest (27%) were male.

From a business point of view, most (64%) of the types of businesses run by respondents are retail or distribution. All (100%) of the respondent companies are individual companies, with a relatively diverse number of employees. Nevertheless, most (39%) do not have an employee or owner concurrently as an employee. Based on the number of employees and the type of business legal entity shows that most of the employers who were respondents in this study were miro entrepreneurs. Most (58%) of respondents were over three years of age. Based on business age data, it can be concluded that most respondents are not start-up businesses but for businesses that run long enough.

Financial Management Practice

A large number (30.3%) of respondents admitted to always designing short-term goals under one year and often (24.2%). The conditions are the same for devising long-term goals of 5 to 10 years, which the vast majority (45.5%) of respondents sometimes do. The results show that there are claims from entrepreneurs that they have done financial planning both short-term and long-term.

Most (30.3%) entrepreneurs sometimes compare goals and performance results. This suggests that micro-entrepreneurs have been conducting surveillance, albeit at a fairly low level.

Most entrepreneurs (36.4%) always analyze sales trends, always analyze cost trends (45.5%), and always (45.5%) analyze profit trends. The results show that there are claims from entrepreneurs that they always do financial analysis.

Most employers (54.5%) do not use accounting notebooks, most (75.8%) have sales records, most (78.8%) have record purchases, most (60.6%) have record fees. Very few (21.2%) have a record of depreciation, few (39.4%) make a business description, very few (24.2%) have a fixed list of assets, and quite a lot (51.5%) have a record inventory of goods. Most (54.5%) entrepreneurs have cash records. Most (63.6%) employers have debt records, but most (51.5%) have no accounts receivable records, and very few (18.2%) record their transactions using computer devices.

Related to the method of selling price determination, most entrepreneurs (72.7%) use the cost method plus profit margin (mark-up pricing). Most (69.7%) also use profit target methods, most (51.5%) whose use break-event analysis. Very few (21.2%) entrepreneurs practices pricing methods are above competitors and most (60.6%) also do not implement price strategies below competitors.

The pricing is done with the aim of obtaining a satisfactory profit (63.6%), almost all (97%) aim to obtain satisfactory sales, and all (100%) aim to gain satisfactory market share.

They are related to working capital management, quite a lot (63.6%) entrepreneurs who use bank services as a means of daily transactions. Despite this, a large number (87.9%) do not serve credit sales, not many (30.3%) provide a grace period for customers to pay off their credit purchases. Most employers (78.8%) also do not make credit purchases, and most also (75,8%) are not given a credit purchase grace period. Nearly all (87.9%) employers check inventory daily or weekly. Most employers (60.6%) cut off to fill merchandise inventories when inventories decline, and a small percentage (36.4%) is based on customer demand.

The vast majority (69.7%) of respondents admitted to doing a business feasibility analysis before starting their business, and most entrepreneurs (69.7%) are unaware of a particular method of analyzing the feasibility of the business. Very few (18.2%) entrepreneurs admitted to using payback period methods in evaluating the viability of their investments. Lastly, most (5.7.6%) employers consider their financial performance condition to be moderate, and quite a lot (21.2%) feel their business is in good shape.

Discussion

The dominance of women in leading micro-businesses is due in large part to their efforts as side ventures. The side business is a manifestation of the role of women as housewives in helping the family economy. Female self-employment has indeed increased dramatically along with increasing the equalization of education (Hisrich & Brush, 2009). The dominance of female entrepreneurs is also identical to that of Western Uganda (Abanis et al., 2013). The dominance of retail business in MSMEs shows that retail business is the easiest and cheapest type of business for side businesses. The business life of respondents who are mostly over three years old shows that MSMEs are not dominated by start-up businesses but are dominated by side businesses.

Micro-entrepreneurs claim that they have done good long-term planning, even more so short-term planning. It's just that the planning they do is only memory-based and undocumented informal and written documents. Micro-entrepreneurs also claim to have conducted low levels of financial supervision by simmering between results and targets. Micro-entrepreneurs also always conduct financial analysis by observing profit, cost, and sales trends. These results are slightly different from those (Fatoki, 2012) who conducted research on start-up micro-entrepreneurs in South Africa and Abanis et al. (2013) in Western Uganda.

In the related to the availability of accounting information, micro-entrepreneurs record profit and loss in the form of sales and purchase records and cost records. Entrepreneurs also record current assets in the form of inventory, cash, debt but do not record receivables, very minimal availability of depreciation records, business overview, and fixed assets. These conditions make it difficult for micro-entrepreneurs to perform precise analyses of their financial performance. Accounting reform is important because it can help companies control important short-term problems such as costing, spending, and cash flow through the provision of information in support of monitoring and supervision (Nandan, 2010).

These results are very much in line with (Fatoki, 2012), (Agyei-Mensah, 2011), and (Maseko & Manyani, 2011). The use of information technology in accounting records is not an important and urgent matter for micro-entrepreneurs. This condition is actually the cause of cost insanity and slow decision-making due to inaccurate financial information (Amidu et al., 2011).

The price mark-up strategy is carried out by micro-entrepreneurs with certain profit targets. They also take into account break-even in the determination of the selling price of their products. Employers do not set prices above or below competitors. This means that they set a price that is identical to the competitor. Pricing strategies are carried out to make satisfactory sales. Satisfactory sales will result in satisfactory profits as well as good market share. The results are in accordance with Fatoki (2012) and Obigbemi (2010).

Working capital management is how entrepreneurs invest their funds in current assets such as cash, inventory, and receivables and how employers fund those current assets. The use of bank services in transactions shows that entrepreneurs have utilized technology in their current asset management. This condition is slightly different from what happened in South Africa (Fatoki, 2012).

Entrepreneurs also do not serve credit sales or purchases on credit. In other words, all sales and purchase transactions are made in cash. This shows the conservative attitude of entrepreneurs in carrying out sales and purchase policies. This condition is based on the religious belief of entrepreneurs that the purchase and sale of credit are not in accordance with the principle of blessings of *rizki*. The result is quite the opposite of those Fatoki (2012). Inventory management is done with regular inventory supervision and filling inventory when there is a decrease in inventory numbers.

Business feasibility analysis is done informally without any particular method. The use of payback periods in business feasibility analysis is because this method is simplest in its application compared to other methods. Whereas budgeting and capital planning strongly support business success(Peel & Bridge, 1998). This condition is not too different from Fatoki (2012) in South Africa.

CONCLUSIONS

Nahdlatul Ulama Micro-entrepreneurs in Blitar have done simple financial planning, analysis, and controlling. Entrepreneurs have also done simple and manual accounting records. Pricing strategies are carried out flexibly while still adjusting to competitors. Micro-entrepreneurs conduct working capital strategies conservatively by prioritizing sales and purchases in cash. Analysis of business feasibility is done by entrepreneurs in a simple and informal manner.

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