

Determinants Of MSMEs Welfare Through Sharia Financial Literacy In Ultra-Micro Financing

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Abstract

This research aims to determine how much influence sharia financial inclusion, financial experience and financial management have on the welfare of MSMEs through sharia financial literacy at PT. Pegadaian Syariah Langsa. This research uses a quantitative approach using 88 MSME actors who are registered in Ultra Micro financing. Based on cross section data using analysis techniques in the form of SEM-PLS. The results of the research analysis conducted with 5% alpha show that sharia financial literacy moderates by strengthening the relationship between sharia financial inclusion and sharia financial experience on the welfare of MSMEs, while sharia financial literacy neither strengthens nor weakens the relationship between financial management and the welfare of MSMEs. The welfare of MSMEs is based on a good and increasing condition of productive businesses owned by individuals and / or individual business entities that have micro business criteria must be based on an understanding of sharia financial literacy, because sharia financial literacy is a fundamental factor for economic growth and financial stability in sharia.

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1. Introduction

MSMEs are playing a commutual role to many industries as supportive organizations providing more opportunities of vertical integration in rural remote areas and thus this sector contributing tremendously to the fiscal progress of the nation. Beyond agricultural sector MSME provides huge opportunities for personal and wage employment. MSME is conjoined with superior rate of economic growth, constructing inclusive and tenable populace in numerous ways through promoting non- agricultural livelihood at least cost, unbiased regional development, equality in the society as well as gender, ecologically continuous up growth and apart from all, providing a protection against deflation, which MSME has always demonstrated. (Warno, 2020)

MSMEs have an important role in the economy in Indonesia, with the number reaching 99% of all business units. The contribution of MSMEs to GDP has reached 60,5%, and in labor absorption is 96,9% of the total national labor absorption. MSMEs have proven to be reliable as a safety valve in times of crisis, through the mechanism of creating employment opportunities and added value. (Arafah, 2023). Success in improving the capacity of MSMEs means strengthening the economic business of the community. (Irmawati, 2013) This will help accelerate the process of national economic recovery and is also a real source of support for local governments in implementing government autonomy. MSMEs are businesses or enterprises carried out by individuals, groups, small business entities and households. The development of MSMEs can expand employment and utilize the potential of natural and human resources so that it will increase the economic growth of a country.(Suci, 2017)

MSMEs in Indonesia also do not have access to capital from banks and non-bank financial institutions. According to the Ministry of Cooperatives and MSMEs, the most common obstacles faced by MSMEs are first, limited access to capital (51,09%), second, product marketing (34,72%), third, raw materials (8,59%), fourth, human resources or workers (1,09%), fifth, transportation (0,22%) and finally others (3,93%). The financing constraints experienced by MSMEs are the basis for the Government to provide support for other financing facilities, including through the partnership and community development program (PKBL), Mekaar PNM, Micro Waqf Bank, Ultra Micro Financing (UMi), and People's Business Credit (KUR).(Yanti, 2019).

UMi financing is also proven to be able to increase the economic value of its recipients based on surveys and audits from various domestic institutions and can be categorized as a successful poverty alleviation program in Indonesia. In this case, the Government also appointed the Public Service Agency (BLU) Government Investment Center (PIP) as the *coordinated fund* for UMi financing. UMi financing is channeled through LKBB (Wanital, 2021). One of the institutions that distribute Ultra Micro Financing (UMi) based on sharia principles is PT.Pegadaian Syariah (Persero). PT Pegadaian Syariah is one of the Sharia financial institutions.

PT. Pegadaian Syariah is spread across Indonesia, where one of the PT. Pegadaian Syariah which also participates in developing the Ultra Micro Financing program (UMi) is PT. Pegadaian Syariah Langsa. PT. Pegadaian Syariah is an institution that distributes UMi financing in 2020 which is adjusted to the Minister of Finance Regulation No. 193/PMK.05/2020 dated December 20, 2020, which aims to provide easy and fast financing facilities for Ultra Micro businesses and increase the number of individual entrepreneurs facilitated by the government. The existence of this program allows MSME actors to survive with their businesses due to the provision of capital loans (financing) which can reach up to



IDR 20.000.000 (PMK. No.193/PMK.05/2020) which previously in 2017 the maximum amount that could be received was IDR 10.000.000 (PMK.No. 22/PMK.05/2017).The following are funds from UMi distribution at PT. Pegadaian Syariah Langsa, as follows:

Table 1. Distribution of UMi Financing at PT. Pegadaian Syariah Langsa
Years 2020-2022

No	Years	MSMEs actors	UMi Financing (IDR)
1	2020	31	IDR 205.480.000
2	2021	37	IDR 384.350.000
3	2022	45	IDR 437.050.000
Total		113	IDR 1.026.880.000

Source: PT Pegadaian Syariah Langsa

From the table 1 above, MSME actors who use UMi financing have increased every year from 2020 to 2022. The total number of MSME actors is 113 and the total UMi financing is IDR. 1.026.880.000. The welfare of MSME actors is inseparable from the determinant factors that influence it is Sharia financial inclusion, financial experience and financial management. Where, Sharia financial inclusion is used as access to appropriate Sharia financial products including financing, savings, insurance and payments, the availability of quality access including convenience, affordability, suitability and by taking into account consumer protection and the availability is also given to everyone.(Puspitasari, 2020) Financial experience also one of the determinant factors in improving the welfare of MSMEs. Where, financial experience is the ability to make considerations from events related to financial problems that have been experienced (lived, felt, borne, and so on), whether it has been a long time ago or has just happened so that from this financial experience it encourages good financial management behavior in order to achieve the welfare of MSMEs (Brilianti, 2019). And financial management is a company activity related to how to obtain funds, use funds and manage assets in accordance with overall company objectives. Weak financial management is one of the factors that cause the failure of a company, this results in the welfare of MSMEs cannot be achieved. (Nasution & Fatira, 2019). Sharia financial literacy is used as knowledge to be able to make financial choices, discuss money and financial matters without discomfort, as a means to plan for the future, and serves as a basis for one's understanding to take part in responding to life events related to finance in everyday life, including in general economic events (Yushita, 2017).

Based on the description above, Sharia financial literacy that affects ultra-micro financing has not been widely research because previous research only discuss the development of MSMEs through ultra-micro financing. However, this research examines how MSME actors choose ultra-micro financing as a solution in developing their MSMEs, especially in capital. Because ultra-micro financing This financing comes as an easy and fast financing model for MSMEs. UMi financing is an advanced stage of the business independence social assistance programme targeting micro-business actors who cannot be facilitated by banks through the KUR programme. UMi financing is here to complement the KUR scheme. UMi financing also aims to be a bridge between the government's social assistance programme and existing bank credit in Indonesia. And sharia financial literacy is inseparable in one's life because sharia financial literacy is the key to making better financial decisions. Thus this research intends to analyse the impact of sharia financial literacy in moderating the relationship between sharia financial inclusion, financial experience, and financial management on the welfare of MSMEs.



2. Literature Review

MSMEs is businesses run by individual households. MSMEs are also proven to absorb a larger workforce in the national economy. With the large number of workers absorbed, the MSME sector is able to increase people's income. Thus MSMEs are considered to have a strategic role in reducing unemployment and poverty. For the contribution and role of MSMEs, it is important for the government to continue to support MSMEs through strengthening so that their role as a pillar in building the nation's economy can run optimally. The welfare of MSME actors is inseparable from the determinant factors that influence it is sharia financial inclusion, financial experience and financial management.

Sharia Financial Inclusion

Sharia financial inclusion is used as access to appropriate sharia financial products including financing, savings, insurance and payments, the availability of quality access including convenience, affordability, suitability and by taking into account consumer protection and the availability is also given to everyone. (Arafah & Miko, 2023). Sharia financial inclusion itself is the availability of access to various products, services, and sharia financial institutions for the needs of the community. In short, sharia financial inclusion explains how the public can access a product, service, and sharia financial institution. (Mindra et al., 2017) However, according to data from the Financial Services Authority, sharia financial inclusion in Indonesia is only able to penetrate the 12,12 percent mark in early 2022. This means that Indonesia as the largest Muslim-majority country in the world, awareness of sharia finance is still low.(M. Mahbubi Ali et al., 2019)

Financial Experience

Financial experience is the ability to make considerations from events related to financial problems that have been experienced (lived, felt, borne, and so on), whether it has been a long time ago or has just happened so that from this financial experience it encourages good financial management behavior in order to achieve the welfare of MSMEs (Brilianti, 2019). And financial management is also part of one of the determinants of an MSMEs in achieving the welfare of its MSMEs. Where, financial management is a company activity related to how to obtain funds, use funds and manage assets in accordance with overall company objectives. Weak financial management is one of the factors that cause the failure of a company, this results in the welfare of MSMEs cannot be achieved. (Nasution & Fatira, 2019)

Financial Management

Financial management is a description of the results of the economic consequences that can be obtained by the company in a certain period in making profits effectively and efficiently through the company's operational activities, whose progress can be measured by analyzing the financial data contained in the financial statements. And in order to achieve the welfare of MSMEs, Therefore, to bridge the gap between sharia financial inclusion, financial experience, and financial management, it is necessary to have sharia financial literacy. Sharia financial literacy is a fundamental factor for economic growth and financial stability in sharia. From a consumer perspective, good sharia financial literacy will lead to spending decisions that prioritize quality.(Lusardi & Mitchell, 2011)

Sharia Financial Literacy

Sharia financial literacy is a person's ability to use financial knowledge to manage their funds in accordance with sharia principles and implement it in sharia financial attitudes and behaviors in order to achieve future prosperity. (Handayani, 2021). One form of implementation of sharia



financial attitudes and behavior is by choosing financing that is in accordance with sharia principles and deciding to become a customer at an Islamic bank or Islamic non-bank financial institution that does not use an interest system. Sharia financial literacy in Indonesia is only able to penetrate the 9,14 percent mark in early 2022. The level of Islamic financial literacy in Indonesia is still low because Indonesian people still do not understand the benefits of sharia financial services. This results in the achievement of a low level of shaira financial literacy for MSME actors which is feared to have an impact on the performance of MSMEs in managing their finances so that it also has a direct impact on the sustainability of MSMEs which causes obstacles to the welfare of their MSMEs (Mas, 2021). And this makes the importance of Sharia financial literacy for personal financial management. Limited sharia financial literacy will result in inappropriate financial decision making and lack of financial planning for the future. Limited sharia financial literacy in a person will also cause undirected spending and can make poor financial decisions. (Yushita, 2017).

3. Research Methods

Research Design

This research reviews the use of UMi financing from 2020-2022 with a total financing of IDR 1.026.880.000. This study uses determinant factors consisting of sharia financial inclusion, financial experience, and financial management which are linked to sharia financial literacy in seeing the welfare of MSME actors. The population in this study were MSME actors registered in Ultra Micro Financing at PT. Pegadaian Syari'ah Langsa, totaling 113 people. Thus, in representing the number of samples used in this study which aims to reach the population due to the limitations of researchers, the population is sampled using the slovin formula with a level of 5%, then the research sample in this research amounted to 88 people from MSME actors who were registered in Ultra-Micro Financing registered at PT. Pegadaian Syari'ah Langsa. The sampling technique used is *nonprobability* sampling with the use of *purposive sampling* technique, namely the technique of determining the sample with certain considerations based on certain criteria (Hamdi & Bahruddin, 2015). This purposive sampling technique was taken in this research because PT. Pegadaian Syariah has other service products so that to limit one product, this sampling technique was taken. The criteria of the respondents for purposive sampling used in this research are:

Table 2. Respondents Criteria

No	Content	Frequency	Percentage
1	Gender		
	Male	68	77%
	Female	20	23%
2	Age		
	20-29 years	11	13%
	30-39 years	29	33%
	40-49 years	40	45%
	50-59 years	5	6%
	>59 years	3	3%
3	Educational Status		
	SLTA/Equivalent	56	64%
	Diploma/Undergraduate	32	36%
	Postgraduate	-	-
4	Occupation		
	Civil Servant/Government Employee	13	15%
	Privat Sector Employee	27	31%



	Entrepreneur	48	54%
	Others	-	-
5	Income		
	< Rp 500.0000	18	21
	Rp 500.000-1.500.000	46	52
	Rp 1.500.000-3.000.000	15	17
	Rp >3.000.0000	9	10
6	Investment Behaviour		
	Yes (Sharia)	47	53%
	Yes (Conventional)	7	8%
	Yes (Both)	34	39%
7	Pegadaian Intruments		
	Rahn	-	-
	Arrum Haji	-	-
	Multiple Online Payment	-	-
	Gold Saving	-	-
	Arrum BPKB	-	-
	Arrum Financing	-	-
	Mulia	-	-
	UMi Financing	88	100%

Source: Research Data

Data Analysis Technique

The data analysis technique used in this research is SEM-PLS analysis. SEM- PLS is used to predict endogenous latent variables or identify key variables if the research is exploratory research or expansion of an existing structural theory (Musyaffi, 2022). Sem pls technique provides more in-depth analysis results and provides insights between variable relationships, so that this research can understand the context and influencing factors. The SEM-PLS method used is:

1. Outer Model (measurement model) is a model whose measurement combines indicators with latent variables is sharia financial inclusion, financial experience, financial management, and sharia financial literacy on the welfare of MSMEs. The outer model in this research consists of validity test and reliability test
2. Inner Model (structural model) or inner model measurement is a model with measurements that connect latent variables with the aim of knowing whether there is an influence between variables that are correlated between constructs is sharia financial literacy in moderating the relationship between sharia financial inclusion, financial experience, and financial management on the welfare of MSMEs. The inner model in this research consists of coefficient of determination (r square) and bootstrapping.(Juliandi, 2018)

The illustrated in the following this research model:



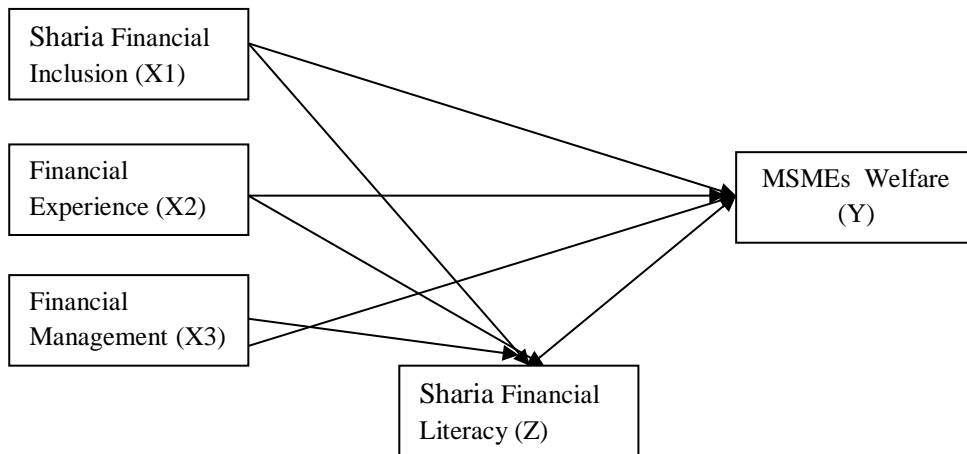


Figure 1. Research Model

4. Results

The Level of Welfare of MSMEs in the use of UMi Financing Through Sharia Financial Literacy

UMi financing is an advanced stage of the business independence social assistance program targeting micro business actors who cannot be facilitated by banks through the KUR program. UMi financing also aims to bridge the existing banking credit government social assistance programs in Indonesia. The percentage level of MSMEs welfare in the use of UMi financing, as follows

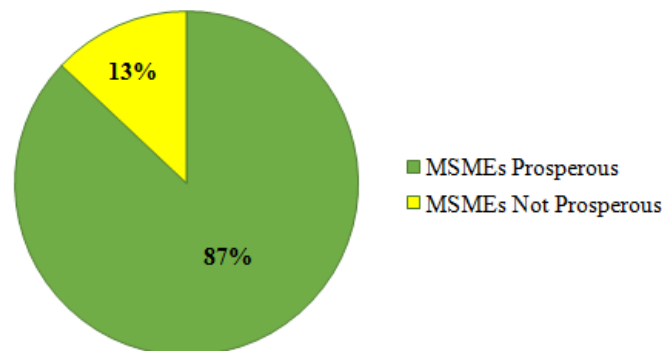


Figure 2. Welfare Level of MSMEs Using UMi Financing

Based on the figure above, it can be seen that the welfare level of MSME actors who use UMi financing is around 87%, while 13% have not been categorized as prosperous because these MSME actors have just started using UMi financing. The welfare of MSME actors is marked by an increase in their business branches, an increase in the number of workers, sufficient daily needs and an increase in the amount of income of MSME actors. In this case, the welfare of MSMEs is based on the sharia financial literacy of MSME actors, where this sharia financial literacy has a positive impact, namely helping MSME actors determine sharia-compliant loan products, utilize sharia financial services, master good finances so that they are able to control finances, assist in decision making, especially in financial matters and increase competence and business legality for MSMEs.

Thus, UMi financing is proven to be able to increase the economic value of its recipients based on surveys and audits from various domestic institutions and can be categorized as a successful poverty alleviation program in Indonesia. In this case, the Government also

appointed the Public Service Agency (BLU) Government Investment Center (PIP) as the coordinated fund for UMi financing. UMi financing is channeled through LKBB.(Yuliawati, 2022). The characteristics of UMi financing for MSMEs include; first, loans in amounts intended for entrepreneurial and non-consumptive activities. Second, loans are only for people living below the poverty line, especially for women and for those who do not have access to formal financial services. Thirdly, no collateral is required or can be replaced by a group of borrowers (joint responsibility), mandatory savings, and/or submission of collateral in the form of goods that have little economic value but are still valuable to the borrower. Fourth, the loan application process is easy and simple. If the borrower's repayment performance on the previous loan is relatively smooth, then the borrower can apply for another loan or a larger amount. Fifth, providing loans and supporting assistance such as training, education and others. This UMi loan borrowers can be given capital of up to IDR 10.000.000, and starting in 2021 it has been increased so that they can get up to IDR 20.000.000. UMi financing comes from the State Budget (APBN) which is channeled by the Government Investment Center (PIP), a Public Service Agency (BLU) work unit under the Ministry of Finance.(Hia et al., 2021)

Measurement Model Evaluation (Outer Model dan Inner Model)

Data analysis in this study used Structural Equation Modeling (SEM) and Partial Least Square (PLS). The output of the SEM PLS research results is as follows:

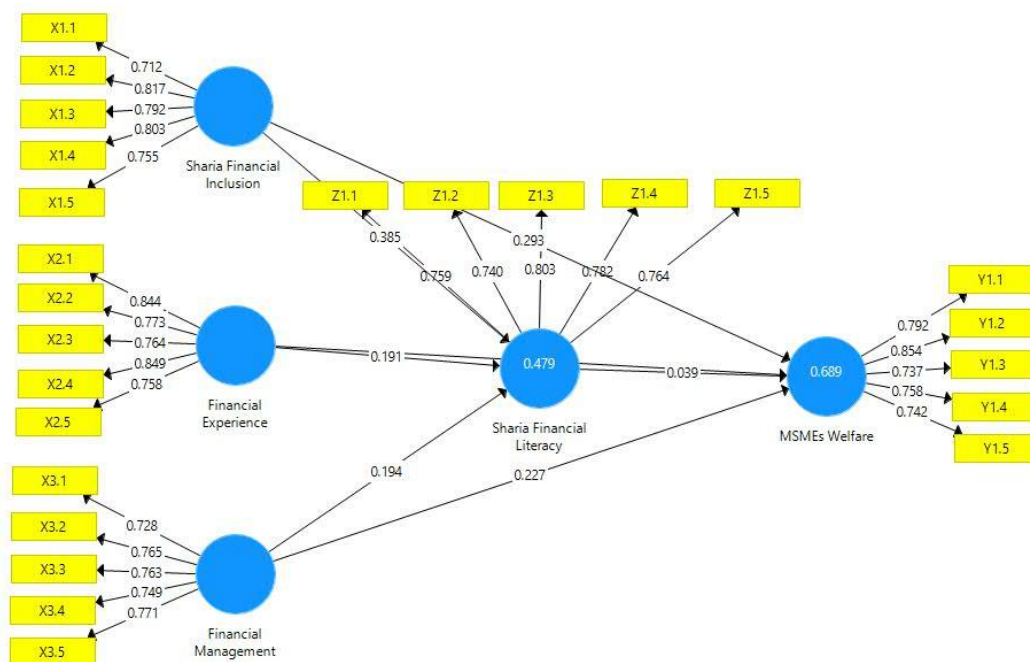


Figure 3. SEM PLS Research Results

Outer model

The SEM-PLS outer model or outer measurement is also known as the measurement model. This outer measurement consists of 2 is reflective and formative model measurements.(Ghozali, 2021)

Reflective model measurement

This measurement model is measured based on the use of validity and reliability.(Rifai, 2015)



Validity Test

The validity test in SEM-PLS used is the HTMT (Heterotrait-Monotrait) test. This method uses a multitrait-multimethod matrix as the basis for measurement. The HTMT value must be less than 0,9 to ensure discriminant validity between two reflective constructs (Musyaffi, 2022). The following is the output of the discriminant test results through HTMT.

Table 3. Discriminant Validity Test Results Through HTMT

	SFI (X1)	FE (X2)	FM (X3)	SFL (Z)	MSMEs.W (Y)
Sharia Financial Inclusion (X1)					
Financial Experience (X2)	0.791			0.672	0.875
Financial Management (X3)	0.899	0.759		0.722	0.853
Sharia Financial Literacy (Z)	0.783				0.694
MSMEs Welfare (Y)	0.882				

Source: Research Data

Based on table 3 which has been displayed above, it can be seen that the HTMT value is $< 0,9$, so it can be stated that all variable constructs have valid discriminant validity based on the HTMT calculation.

Reliability Test

Reliability test is a test conducted to obtain reliable information to reveal information in the field as a data collection tool.(Juliandi, 2018) The following is the output of the reliability test results:

Table 4. Reliability Test Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Sharia Financial Inclusion (X1)	0.835	0.840	0.884	0.603
Financial Experience (X2)	0.857	0.863	0.898	0.638
Financial Management (X3)	0.812	0.814	0.869	0.571
Sharia Financial Literacy (Z)	0.828	0.831	0.879	0.593
MSMEs Welfare (Y)	0.836	0.844	0.884	0.605

Source: Research Data

From table 4 which has been displayed above, it can be seen that the value of Cronbach's alpha and composite reliability $> 0,7$.

Inner Model

The SEM-PLS inner model is also called the inner measurement. This measurement consists of, coefficient of determination (r square), bootstrapping and blindfolding. (Wingdes, 2019)



Coefficient of Determination (R Square)

The coefficient of determination (r square) is a way to assess how much the endogenous construct can be explained by the exogenous construct. The coefficient of determination (R Square) is expected to be between 0 and 1. In the R Square value, the goodness-fit-model test is used. (Sholihin & Ratmono, 2021) Chin provides criteria for R Square values of 0,67, 0,33 and 0,19 as strong, moderate, and weak.

Table 5. Determination Coefficient Test Results (R Square)

	<i>R Square</i>	<i>R Square Adjusted</i>
Sharia Financial Literacy (Z)	0.479	0.461
MSMEs Welfare (Y)	0.689	0.674

Source: Research Data

Based on table 5, it can be seen that the coefficient of determination of the joint or simultaneous influence, namely the variable constructs of Sharia Financial Inclusion (X1), Financial Experience (X2) and Financial Management (X3) on Sharia Financial Literacy (Z) is categorized as moderate or moderate because 0,461 or 46,1% and outside the construct of other variables around 53,9%. Because the adjusted r square value is less than 0,67. And the r square value that affects jointly or simultaneously between exogenous variable constructs Sharia Financial Inclusion (X1), Financial Experience (X2) and Financial Management (X3) and moderating variables sharia financial literacy (Z) on MSME Welfare (Z) is categorized as strong because 0,674 or 67,4% and outside the construct of other variables around 32,6%. Because the adjusted r square value is equivalent to a value of 0,67.

Hypothesis Testing (Boostrapping)

Hypothesis testing is carried out to assess the level of significance or probability between variables. This hypothesis testing uses the bootstrapping method. decision making in this hypothesis test with the bootstrapping method can be done in two ways, including:

1. If the p value > 0,05, it is concluded that Ho is accepted
If the p value < 0,05, it is concluded that Ho is rejected
2. If t statistic < t table (5% alpha level = 1,96), it is concluded that Ho is accepted
If t statistics > t table (alpha level 5% = 1,96), it is concluded that Ho is rejected

Based on the above provisions, the following is the output of the bootstrapping test results.

Table 6. Bootstrapping Test Results

	Original Sample (O)	Sample Mean (M)	Std. Dev (STDEV)	T-Statistics ((O/STDEV))	P Values
Sharia Financial Inclusion (X1) → Sharia Financial Literacy (Z)	0.385	0.374	0.137	2,808	0.005
Sharia Financial Inclusion (X1) → MSMEs Welfare (Y)	0.293	0.284	0.129	2,263	0.024
Financial Experience (X2) → Sharia Financial Literacy (Z)	0.191	0.197	0.096	1,989	0.047



Financial Experience (X2) → MSMEs Welfare (Y)	0.383	0.405	0.143	2,689	0.007
Financial Management (X3) → Sharia Financial Literacy (Z)	0.194	0.202	0.105	1,848	0.065
Financial Management (X3) → MSMEs Welfare (Y)	0.227	0.222	0.113	2,000	0.046
Sharia Financial Literacy (Z) → MSMEs Welfare (Y)	0.039	0.029	0.072	0.546	0.585

Source: Research Data

From the table above, it can be seen that sharia financial inclusion and financial experience have a positive influence on sharia financial literacy. and sharia financial inclusion, financial experience and financial management have a positive influence on the welfare of MSMEs, this can be seen from the p value < 0.05 and t statistics > t table. whereas, financial management on sharia financial literacy has no effect and sharia financial literacy on the welfare of MSMEs has no effect, this can be seen from the p value > 0.05 and t statistics > t table.

Discussion

The Ability of Sharia Financial Inclusion to Affect the Welfare of MSMEs in Ultra Micro Financing (UMi) at PT. Pegadaian Syariah Langsa. Based on the research results that have been obtained, Sharia financial inclusion has an influence on the welfare of MSMEs is sharia financial inclusion has a significant positive effect on MSME welfare. So it can be concluded that the higher the Sharia financial inclusion of MSME actors, the higher the welfare of these MSMEs, because financial inclusion is a comprehensive activity that aims to eliminate all forms of obstacles, both price and non-price based, to community access in using and / or utilizing financial services.

This is in accordance with the theory put forward by Alam in (Nasution, 2014) that Islamic financial inclusion is the expansion of financial / banking services at affordable costs for marginalized communities and low-income communities. Where, sharia financial inclusion is a comprehensive activity that aims to eliminate all forms of barriers, both price and non-price based, to community access in using and / or utilizing financial services. This is in line with research conducted by (Ningrum, 2021) that sharia financial inclusion is one of the things needed for additional capital for MSME players in improving and developing their business. And also in line with research conducted by (Septiani & Wuryani, 2020) that financial inclusion is in accordance with the theory of financial behavior where someone who has good financial behavior will be responsible and will more effectively use their finances so that they can prosper their lives.



The Ability of Financial Experience to Affect the Welfare of MSMEs in Ultra Micro Financing (UMi) at PT. Pegadaian Syariah Langsa. Based on the research results that have been obtained, financial experience has an influence on the welfare of MSMEs is financial experience has a significant positive effect on the welfare of MSMEs. So a conclusion can be drawn that the higher the financial experience of MSME actors, the higher the welfare of MSMEs. This is based on a person's ability to make considerations from events related to financial problems that he has experienced either long ago or recently so that financial experience can encourage good financial management behavior. so that financial experience is used as a reference in choosing and sorting out financing products to be used in order to achieve an MSME welfare.

This is in accordance with the theory put forward by (Brilianti & Lutfi, 2020) that financial experience is a person's ability to be considered from events related to financial problems that he has experienced either long ago or recently so that from this financial experience it can encourage good financial management behavior. the research is in line with research conducted by (Putri, 2020) that financial experience has a significant influence on the welfare of MSMEs, where a business actor with good financial experience can solve his business financial problems well, and also one's financial experience will encourage him to carry out good financial management.

The Ability of Financial Management to Affect the Welfare of MSMEs in Ultra Micro Financing (UMi) at PT. Pegadaian Syariah Langsa. Based on the research results that have been obtained, financial management has an influence on the welfare of MSMEs is financial management has a significant positive effect on the welfare of MSMEs. So it can be concluded that the higher the financial management of MSMEs, the higher the welfare of MSMEs. This is based on the fact that financial management is a company activity related to how to obtain funds, use funds and manage assets in accordance with overall company objectives. Thus, financial management is the main key to conducting neat and precise bookkeeping and administration which aims to achieve the welfare of MSMEs.

This is in line with the theory put forward by Sumarsono in (Dessler, 2015) that financial management is a company activity related to how to obtain funds, use funds and manage assets in accordance with overall company goals. This is the main key in managing good finances is to do neat and precise bookkeeping and administration. In addition, according to (Wibowo, 2018) MSME actors who cannot control finances and chaotic administration are one of the main factors in the failure of a company. And the research is in line with research conducted by (Dermawan, 2019) that MSME actors are able to survive for a long period of time if in the process of their activities they are able to generate income and cover all costs incurred from the income, which makes MSME financial management well managed.

The Ability of Sharia Financial Literacy to Affect the Welfare of MSMEs in Ultra Micro Financing (UMi) at PT. Pegadaian Syariah Langsa. Based on the research results that have been obtained, sharia financial literacy has an influence but is not significant on the welfare of MSMEs is Sharia financial literacy has a positive but insignificant effect on the welfare of MSMEs, which can be categorized as having no influence. So it can be concluded that the higher the Sharia financial literacy, it does not affect the welfare of MSMEs because Sharia financial literacy must be accompanied by financial experience, financial management, and financial knowledge so as to create knowledge skills to apply understanding of concepts and risks, in order to make effective decisions in a financial context to improve the welfare of their MSMEs, which aims to make business actors in the MSME sector have adequate financial literacy skills, then the business and financial decisions created will lead to improved



development over time, increase the ability of businesses to survive in the midst of a crisis, and ultimately will make the business have long-term sustainability.

This is in accordance with the theory put forward by Sutrisno which states that the community is authorized to manage its own development funds both from the government and from other parties and the community must have the knowledge and skills to apply understanding of concepts and risks, skills in order to make effective decisions in a financial context to improve financial well-being, both individual and social, and can participate in the community environment. And also in line with research conducted (Ahmad, 2020) which states that sharia financial literacy needs to be improved to support public financial decision making. Based on factor analysis, sharia financial literacy has two extracted sharia financial literacy factors, namely: Subjective knowledge of Sharia compliance and knowledge of usury and profit sharing concepts.

The Ability of Sharia Financial Literacy in Moderating Sharia Financial Inclusion on MSMEs Welfare in Ultra Micro Financing (UMi) at PT Pegadaian Syariah Langsa. Based on the research results that have been obtained, Sharia financial inclusion affects Sharia financial literacy on the welfare of MSMEs, which means that the Sharia financial literacy variable moderates by strengthening the relationship between the Sharia financial inclusion variable and the MSME welfare variable is Sharia financial inclusion has a significant positive influence in influencing Sharia financial literacy on the welfare of MSMEs. So it can be concluded that, the higher the Sharia financial inclusion of an MSME, the higher its Sharia financial literacy in influencing the welfare of MSMEs, which means that the Sharia financial literacy variable moderates by strengthening and producing a better relationship between the Sharia Financial Inclusion variable and the MSME welfare variable because Sharia financial inclusion and Sharia financial literacy have a close correlation between each other. (Mohammad Mahbubi Ali, 2020) Where, the selection of financial products and / or services needed must be based on their Sharia financial literacy so that there are no mistakes in making financial decisions on MSME actors.

This is in accordance with what is stated by (Keuangan, 2017) that sharia financial inclusion and sharia financial literacy have a close correlation between each other. This correlation has a directly proportional relationship, where the determination of financial products and / or services needed by the community will increase the use of products and utilization of financial services by the community based on an increase in a person's understanding and ability to determine the financial products and / or services needed. This is in line with research conducted by (Bachtiar, 2021) that the selection of financial products and / or services needed is based on financial knowledge or public understanding of financial management, with the aim of avoiding mistakes in making financial decisions by MSME actors.

The Ability of Sharia Financial Literacy in Moderating Financial Experience on MSMEs Welfare in Ultra Micro Financing (UMi) at PT Pegadaian Syariah Langsa. Based on the research results that have been obtained, financial experience affects Sharia financial literacy on the welfare of MSMEs, which means that the Sharia financial literacy variable moderates by strengthening the relationship between the financial experience variable and the MSME welfare variable is financial experience has a significant positive influence on Sharia financial literacy on MSMEs. So, it can be concluded that the higher the financial experience of MSME actors, the higher their Sharia financial literacy will be in influencing the welfare of MSMEs, which means that the Sharia financial literacy variable moderates by strengthening and producing a better relationship between the financial experience variable and the MSME



welfare variable. This is based on financial experience can make people more receptive to financial education programs and relate to the internal drive to obtain better Sharia financial literacy.

This is in accordance with the theory put forward by Frijins in (Triani & Mulyadi, 2019) that financial experience can make people more receptive to financial education programs and associate with internal encouragement to obtain better sharia financial literacy. And this research is also in line with research conducted by (Justyn, 2020) that financial experience is used as a foundation in motivating oneself to achieve goals with the long term and can control money wisely.

The Ability of Sharia Financial Literacy in Moderating Financial Management on MSMEs Welfare in Ultra Micro Financing (UMi) at PT Pegadaian Syariah Langsa. Based on the research results that have been obtained, financial management has an influence but is not significant in influencing Sharia financial literacy on the welfare of MSMEs, which means that the Sharia financial literacy variable moderates by not strengthening or weakening the relationship between the financial management variable and the MSME welfare variable because financial management is a strategy that if carried out by someone, it can help to achieve future goals. This management must also be accompanied by a financial management system, so that financial management cannot stand alone if the management system is not under control. In addition, this Sharia financial literacy must also be based on financial knowledge.

This is based on the theory put forward by Widdowson & Hailwood in (Hidajat, 2016) that financial management is based on sharia financial literacy, where sharia financial literacy emphasizes a person's ability to understand the basic concepts of financial science which is expected to be able to apply it appropriately in accordance with sharia rules. Where, sharia financial literacy must be accompanied by financial knowledge while financial management must also be accompanied by a financial management system. This research is not in line with research conducted by (Setiawan, 2022) that financial management is carried out to develop businesses and achieve goals based on their sharia financial literacy. Good sharia financial literacy will provide ideas in carrying out financial management rules. (Rahmanita et al., 2020)

5. Conclusion and Suggestion

Based on the research results described above, the hypothesis is accepted. Which is, sharia financial literacy is able to minimize the occurrence of wrong decisions on economic and financial issues that arise so that they are able to manage personal finances properly. Limited sharia financial literacy will result in inappropriate financial decision making and lack of financial planning for the future. Sharia financial literacy in a person will also cause undirected spending and can make poor financial decisions. This of course makes sharia financial literacy an inseparable thing in a person's life because sharia financial literacy is used as knowledge to be able to make financial choices, discuss money and financial matters without discomfort, as a means of planning for the future, and serves as a basis for one's understanding to take part in responding to life events related to finance in everyday life, including in general economic events.

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