

Financial management for MSME actors: enhancing the value of Siwalan skin as an eco- friendly creative scrub industry in Tuban Regency

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Abstract

Financial management is essential for MSME practitioners, as it impacts the future development and prosperity of their businesses. This study aims to analyze the development of MSMEs in enhancing the value of the Siwalan fruit in relation to financial management within the creative industries in Tuban Regency, which utilize the Siwalan fruit not only for food and beverage products but also by repurposing Siwalan fiber waste into eco-friendly dishwashing tools. This study employs a descriptive analysis approach, with data collected through direct interviews with MSME practitioners, as well as literature review from sources such as journal articles, research reports, and other relevant data. The results indicate that financial management within MSMEs impacts the sustainability and future growth of creative industries in the Palang area of Tuban Regency. This finding highlights the importance of financial management for MSME practitioners through financial literacy, enabling them to make wise financial decisions consistently.

Keywords:

Creative industries; Financial management; MSME; Siwalan fruit; Tuban Regency

JEL Code: B26

Received November 5, 2024; Received in revised form November 10, 2024; Accepted November 12, 2024; Available online November 15, 2024

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INTRODUCTION

In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) play a vital role in supporting national economic growth, creating jobs, and improving community welfare (Ministry of Cooperatives and SMEs, 2022). In facing competition and global economic challenges, effective financial management and strong financial literacy are determining factors that can support the sustainability of MSME businesses. Previous studies have shown that sound

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financial management can help MSMEs manage cash flow, improve capital allocation efficiency, and make better investment decisions (Agyapong et al., 2020; Fatoki, 2020). However, low financial literacy among MSME practitioners remains a barrier that can hinder their business growth and stability.

In Tuban Regency, East Java, the siwalan fruit (*Borassus flabellifer*) is a local commodity with significant economic potential that has not been fully utilized. The siwalan fruit is typically processed into food and beverages, but other parts, such as the fiber, can also be utilized for eco-friendly products like dishwashing tools. Using siwalan fiber for creative products aligns with the industry's trend toward sustainable and environmentally friendly products, thus adding economic value for local MSME practitioners in Tuban. However, this potential cannot be realized without proper financial management, especially in capital allocation, cash flow management, and long-term financial planning. Financial literacy has proven to be a significant factor in ensuring the sustainability of MSMEs, yet there is limited research specifically examining the impact of financial management on the sustainability of creative industry-based MSMEs in Tuban, particularly those utilizing local resources such as siwalan. Previous research has focused more on the production and marketing aspects of local commodities without considering the role of efficient financial management in supporting these businesses (Adomako & Danso, 2019). This gap highlights the need to explore how financial literacy and management among MSMEs can optimize the value-added potential of siwalan and develop eco-friendly products.

The object of this research is MSME practitioners in the Palang area, Tuban Regency, who process the siwalan fruit into creative products, including its fiber, which is used to make eco-friendly dishwashing tools. This study adopts a qualitative approach, with data collected through direct interviews with MSME practitioners and literature reviews from journals, reports, and other relevant sources. The descriptive analysis method is chosen to achieve a deeper understanding of the perceptions, challenges, and financial management practices faced by MSME practitioners in their efforts to utilize siwalan in an innovative and sustainable manner.

The contribution of this research lies in identifying and analyzing financial management factors that support the sustainability of MSMEs in the creative industry sector. This study provides practical insights for MSMEs regarding the importance of financial literacy in managing businesses based on local products. As such, MSME practitioners are expected to be more prudent in managing finances, considering financial risks, and designing long-term development strategies. The novelty of this study is its focus on utilizing siwalan as a creative, eco-friendly product—an approach that remains underexplored in creative industry MSME research in Indonesia.

The findings from this research are expected to contribute academically by adding to the literature on the importance of financial management in creative industry MSMEs and to offer practical recommendations for local governments and stakeholders in formulating policies that support the development of MSMEs based on local products.

LITERATURE REVIEW

The Influence of Financial Literacy on Financial Management

Financial literacy is an essential factor in supporting sound financial management, especially for small business owners like SMEs (Small and Medium Enterprises), who must manage income, cash flow, and investments to achieve business sustainability. According to the Financial Services Authority (OJK, 2017), basic financial knowledge is a fundamental element of financial literacy. This understanding includes the skills to make smart day-to-day financial decisions, such as budgeting, debt management, and investment. Good financial literacy also helps SMEs prepare for business risks and optimize profits. Previous studies indicate that financial literacy positively influences financial management, where individuals with high financial literacy tend to manage their finances better (Herawati et al., 2018; Mashud et al., 2021). On the other hand, low financial literacy can lead to poor financial decisions, potentially threatening business continuity. In the context of SMEs in the creative industries using local materials, such as siwalan (palm fruit) in Tuban, East Java, financial literacy is crucial, as these business owners must optimize limited resources and plan finances for long-term business development (Utami et al., 2022).

The Influence of Financial Management on the Sustainability of SMEs

Good financial management is vital for achieving business sustainability, especially for SMEs with limited capital and other resources. Effective financial management allows SMEs to maintain stable cash flow, manage debt wisely, and allocate funds for business expansion or product innovation. Research by Fatoki (2020) found that good financial management among SMEs in developing countries significantly impacts business sustainability, where SMEs that effectively manage their finances tend to be more resilient to market changes and economic conditions.

In creative industries based on local commodities, such as products made from siwalan, financial management also affects SMEs' ability to optimize local raw materials, innovate products, and adapt to market trends. For example, SMEs that produce dishwashing brushes from siwalan fiber need to wisely allocate capital for raw material purchases, production equipment, and product marketing. Good financial management also helps SMEs maintain profit margins and reinvest for product development or increased production capacity

(Irijayanti & Azis, 2021). Other studies, such as Agyapong et al. (2020), indicate a positive relationship between financial management and innovation capability in SMEs within the creative industries sector, where good financial management enables entrepreneurs to invest in product innovation and more effective marketing.

The Influence of Financial Literacy on the Development of Creative Products Based on Siwalan

Financial literacy not only impacts financial management in general but also encourages SMEs' ability to develop creative products based on local materials. A sound understanding of financial literacy enables SMEs to identify new business potential from local raw materials that were previously underutilized, such as using siwalan fiber as an eco-friendly dishwashing brush. High financial literacy can help SMEs conduct cost-benefit analyses, create appropriate budgets, and plan investment strategies for product innovation. Research conducted by Adomako & Danso (2019) shows that financial literacy has a positive relationship with innovation capabilities among SMEs, especially in identifying new business opportunities and allocating funds for creative product development. This is relevant for SMEs in Tuban processing siwalan into various products, where financial literacy helps them develop high-value, eco-friendly products that can compete in broader markets. However, some research suggests that financial literacy alone is insufficient without support from infrastructure and a conducive business environment (Subekti & Kusumawardhani, 2023). In the context of SMEs operating in the siwalan-based creative industry, local government support in providing access to information, funding, and training is also essential to encourage creative product innovation.

RESEARCH METHOD

This study uses a descriptive analysis method to gain in-depth information on financial management among MSMEs in Tuban Regency that produce eco-friendly dishwashing brushes made from the fiber waste of siwalan fruit. This approach includes direct interviews with MSME practitioners and a literature review from online sources. The study is descriptive, focusing on MSMEs in Palang District, Tuban, engaged in the processing of siwalan-based products. A purposive sample is selected from experienced MSME practitioners who have developed siwalan fiber-based dishwashing brushes.

Data Collection Methods:

Direct Interviews: Semi-structured interviews were conducted with MSME practitioners to gain insights into their financial management and product innovation strategies.

Online Literature Review: Secondary data from journal articles, government reports, and other publications were used to complement the interview data.

The data were analyzed using a descriptive method, which included transcribing interviews and categorizing key factors such as financial literacy and product innovation. The analysis results provide an overview of the impact of financial literacy on MSME management and sustainability.

FINDINGS AND DISCUSSION

The results of this study are based on an in-depth descriptive analysis of financial management among MSMEs in Tuban Regency, particularly those in the creative industry who utilize siwalan fiber waste as the primary material for their flagship product, an eco-friendly dishwashing brush. Data obtained from interviews with MSME practitioners were analyzed and presented descriptively. The main findings of the study are outlined below, supplemented with tables, graphs, and diagrams to clarify the analysis results.

Financial Literacy of MSME Practitioners

Interviews revealed that the financial literacy levels of MSME practitioners in Tuban Regency vary widely. Some practitioners with basic financial literacy skills are able to manage capital and expenses effectively, resulting in sound financial management that supports business sustainability. Financial literacy data is presented in Table 1, which shows a comparison of financial literacy levels among several MSME practitioners.

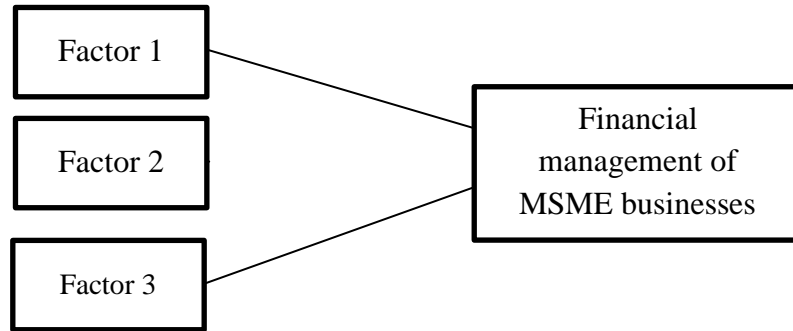
The Impact of Financial Management on MSMEs in Tuban Regency

This study found that the quality of financial management has a significant impact on the sustainability and growth of MSMEs. MSME practitioners with good financial management tend to sustain their businesses longer and have the ability to adapt to market changes. Table 2 presents data depicting the financial management conditions of various MSMEs.

Financial Literacy and Fund Allocation for Creative Product Development

MSME practitioners with higher financial literacy are better able to allocate funds for various aspects of product development, such as purchasing quality raw materials, enhancing production technology, and implementing effective marketing strategies. Table 3 illustrates the comparison between financial literacy levels and fund allocation for siwalan-based product innovation.

Figure 1
Research Framework



Source: Author(s) work

This study shows that financial literacy plays a crucial role in supporting financial management and the development of siwalan-based creative products, as well as influencing the sustainability of MSMEs in Tuban Regency. Good financial literacy enables MSME practitioners to manage their finances more efficiently, allocate funds wisely, and innovate competitive products, such as eco-friendly dishwashing brushes made from siwalan waste. Good financial management within MSMEs helps maintain business stability, minimize risks, and support the sustainability of businesses amidst competition. Therefore, improving financial literacy among MSME practitioners is essential to strengthen financial structures, encourage locally-based innovation, and ensure the continuity of sustainable businesses.

Table 1.
Data Financial Literacy Levels of MSME Actors in Tuban Regency

| Financial Literacy Level | Number of MSMEs | (%) |
|--------------------------|-----------------|------|
| High | 12 | 40% |
| Medium | 10 | 33% |
| Low | 8 | 27% |
| Total | 30 | 100% |

Note: Factors of Financial Literacy for MSME Actors
 Source: Author(s) work

Table 2.

Data Financial Management Conditions of MSMEs in Tuban Regency

| Financial | | |
|------------------|-----------------|------|
| Management Level | Number of MSMEs | (%) |
| Good | 10 | 33% |
| Satisfactory | 15 | 50% |
| poor | 5 | 17% |
| Total | 30 | 100% |

Note: Factors Influencing Financial Management in SMEs in Tuban Regency

Source: Author(s) work

Table 3.

Data Financial Literacy Levels and MSME Product Innovation

| Financial | | | Focus of Innovation on |
|----------------|-----------------|------|-------------------------------------|
| Literacy Level | Number of MSMEs | (%) | Siwalan Product |
| High | 12 | 40% | Product design development. |
| Medium | 10 | 33% | Packaging and marketing innovation. |
| Low | 8 | 27% | Lack of innovation. |
| Total | 30 | 100% | |

Note: The Factor of Financial Literacy Level and Its Relationship with Product Innovation

Source: Author(s) work

The findings of this study show that the level of financial literacy significantly affects financial management and the sustainability of MSMEs in the creative industry. Business practitioners with high financial literacy can allocate capital more effectively, which aligns with the basic financial literacy theory according to Herawati et al. (2018). However, this study also identified common challenges in accessing capital and marketing, which affect product development, consistent with the findings of Gunawan et al. (2020), who highlighted limited capital as one of the main barriers to MSME development.

Overall, the findings of this study support existing literature by emphasizing the importance of financial literacy in strengthening the sustainability and growth of MSMEs in the siwalan-based creative industry in Tuban. By improving financial literacy and access to financing, MSMEs are expected to innovate and create added value in eco-friendly products made from siwalan fiber waste.

CONCLUSIONS

Based on the findings of this study, it can be concluded that financial literacy plays a vital role in supporting financial management and fostering product innovation in MSMEs, particularly those in Tuban Regency engaged in the siwalan-based creative industry. MSME practitioners with high levels of financial literacy are better equipped to allocate capital efficiently, manage their financial resources effectively, and create competitive products, such as eco-friendly dishwashing brushes made from siwalan fiber waste. The study confirms that good financial management is essential for maintaining business stability, minimizing risks, and ensuring the sustainability of MSMEs in the face of market challenges.

The study also highlights the importance of improving financial literacy among MSME practitioners to strengthen financial structures, promote locally-based innovation, and support the growth of sustainable businesses. It emphasizes that addressing the common barriers such as limited access to capital and marketing resources is crucial for further developing the siwalan-based creative products.

Suggestions

It is recommended that local authorities and financial institutions provide targeted financial literacy training programs for MSME practitioners in Tuban Regency. These programs should focus on enhancing their financial management skills, capital allocation strategies, and innovation capabilities. Additionally, there should be efforts to improve access to capital and marketing platforms to support the growth of eco-friendly product industries, particularly those based on local resources like siwalan.

LIMITATION & FURTHER RESEARCH

This study acknowledges several limitations. First, the research focuses only on MSMEs in Tuban Regency, and the findings may not be fully representative of other regions. Second, the study relies on self-reported data from interviews, which could be subject to bias or inaccuracies. Further research could involve expanding the sample size to include MSMEs from other regions, conducting longitudinal studies to observe long-term trends, and exploring the impact of government policies on the growth and sustainability of MSMEs in the creative industry sector. Moreover, future studies could also delve deeper into the specific challenges faced by MSMEs in accessing financing and marketing channels.

AUTHOR CONTRIBUTION

Author: Conceptualisation and Research Design, Data Collection, Methodology, Supervision, Writing Entire Paper, Conceptualisation, Data

Collection and Analysis, Editing and Layouting. All Authors have read the final version of the paper.

Declaration of interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Acknowledgements

The authors would like to thank the anonymous referees for their helpful comments and suggestions.

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