



Empowerment of UP2K Cadres through the Sharia Financial Literacy Program as an Effort to Strengthen MSMEs in Sajen Village, Pacet District, Mojokerto Regency

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ABSTRACT

The Student Creativity Program (PKM) aims to empower Family Income Improvement Enterprise (UP2K) cadres through a sharia financial literacy program to strengthen the capacity of Micro, Small, and Medium Enterprises (MSMEs). Problems faced by MSMEs at the village level are often related to a lack of understanding of financial management, particularly in the context of sharia finance that aligns with the religious values of the local community. Through an educational and participatory approach, this activity involves training, mentoring, and a simple application-based sharia financial recording simulation. Implementation methods include needs mapping, developing a sharia financial literacy module, training cadres of the Sajen Village UP2K, and monitoring and evaluating the impact on strengthening the fostered MSMEs. The results of the activity show a significant increase in the cadres' understanding of sharia financial concepts and practical financial recording skills. This program is expected to become a sustainable empowerment model that encourages economic independence based on sharia values at the grassroots level.

Program Kreativitas Mahasiswa (PKM) ini bertujuan untuk memberdayakan kader Usaha Peningkatan Pendapatan Keluarga (UP2K) melalui program literasi keuangan syariah guna memperkuat kapasitas pelaku Usaha Mikro, Kecil, dan Menengah (UMKM). Permasalahan yang dihadapi UMKM di tingkat desa seringkali terkait rendahnya pemahaman tentang pengelolaan keuangan, khususnya dalam konteks keuangan syariah yang sesuai dengan nilai-nilai religius masyarakat setempat. Melalui pendekatan edukatif dan partisipatif, kegiatan ini melibatkan pelatihan, pendampingan, serta simulasi pencatatan keuangan syariah berbasis aplikasi sederhana. Program ini diharapkan dapat menjadi model pemberdayaan berkelanjutan yang mendorong kemandirian ekonomi berbasis nilai-nilai syariah. ^tThis is an open access article under the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license

A. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a key pillar of the Indonesian economy. Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute



more than 60% to the national Gross Domestic Product (GDP) and absorb more than 97% of the workforce (Ministry of Cooperatives and SMEs, 2022). However, despite their significant contribution, MSMEs still face various challenges, particularly in financial management. Weak financial literacy makes it difficult for many MSMEs to develop sustainably. One fundamental weakness often encountered is the inability of MSMEs to separate personal and business finances. Lack of financial record-keeping makes it difficult for them to determine net profits, impacting business decision-making (Lusardi & Mitchell, 2014). This situation is exacerbated by limited access to formal financial institutions, both conventional and Islamic. Financial literacy is crucial for increasing the competitiveness of MSMEs in a dynamic market. On the other hand, the development of the Islamic economy in Indonesia is growing rapidly in line with the growing awareness of the Muslim community regarding the importance of a financial system compliant with Sharia principles. The Financial Services Authority (OJK) (2020) stated that the Islamic financial literacy index still lags far behind conventional financial literacy. This indicates the need for more extensive efforts to provide an understanding of Islamic finance, especially for MSMEs, the backbone of the people's economy. In the context of community empowerment, the role of the Sajen Village UP2K, managed by Family Welfare Empowerment (PKK) cadres, is highly strategic. The Sajen Village UP2K not only serves as a vehicle for increasing family income but also as a means to foster an entrepreneurial spirit and manage small, household-based businesses. However, Sajen Village UP2K cadres often face challenges in managing business finances, including record-keeping, capitalization, and access to Islamic financing (Nurhayati, 2021).

Therefore, a community service program focused on improving Islamic financial literacy among Sajen Village UP2K cadres is needed. This program aims to equip cadres with basic knowledge of financial management in accordance with Sharia principles, such as simple record-keeping, capital management, profit sharing, and access to Sharia microfinance institutions. With these skills, UP2K Sajen Village cadres can become agents of change, assisting their fostered MSMEs in managing their finances. Besides serving as a form of education, Sharia financial literacy also serves as an empowerment tool. Empowerment in this context not only increases individual capacity but also builds economic independence for families and communities. By understanding Sharia financial literacy, MSMEs can avoid detrimental financial practices, such as usury and high-interest informal loans. Instead, they can utilize Sharia financial products that are more in line with Islamic values and support the sustainability of their businesses (Antonio, 2012).

Based on this background, this community service program focuses on empowering UP2K Sajen Village cadres through Sharia financial literacy as an effort to strengthen MSMEs. Through this activity, it is hoped that cadres will be created who are capable of serving as mentors, facilitators, and drivers of the Sharia economy at the village level. Thus, strengthening MSMEs based on Islamic financial literacy can be a real solution for sustainably improving family and community welfare.

B. METHODS

The method used in this community service activity was a participatory action research (PAR) approach, actively involving cadres of the Sajen Village UP2K (Family Welfare Movement) and Micro, Small, and Medium Enterprises (MSMEs) in the target area. This approach was chosen because it aligned with the activity's objective, namely empowering communities through increasing Islamic financial literacy as a strategy to strengthen economic capacity. With a participatory approach, cadres are not only objects but also subjects involved in program planning, implementation, and evaluation.



The community service activity was carried out through several stages. First, the preparation stage, which included problem identification through initial interviews, field observations, and discussions with PKK (Family Welfare Movement) administrators and cadres of the Sajen Village UP2K. This stage revealed the cadres' limited understanding of Islamic-based financial management, business record keeping, and strategies for sustainable MSME development.

Second, the program planning stage, which defined Islamic financial literacy needs relevant to the partners' circumstances. The material prepared includes household and business financial management, basic principles of Islamic finance, simple book-based recording.

C. RESULTS AND DISCUSSION

The community service program, "Empowering UP2K Cadres in Sajen Village through the Sharia Financial Literacy Program as an Effort to Strengthen MSMEs," aims to improve the understanding and skills of UP2K cadres in Sajen Village in managing small business finances based on Sharia principles. This activity stems from the reality that most MSMEs, particularly those in the food and processed food sectors, still have limitations in financial record-keeping and capital management. These limitations hinder their businesses from growing sustainably and are even vulnerable to losses due to a lack of financial planning and oversight (Huda, 2019).

The concept of Sharia financial literacy serves as the main foundation of this program. Sharia financial literacy emphasizes not only the ability to calculate and prepare financial reports, but also teaches the values of fairness, transparency, and money management in accordance with the principles of halal (permissible) and thayyib (good). According to the Financial Services Authority (OJK), Sharia financial literacy encompasses an understanding of the prohibitions on usury (riba), gharar (excessive uncertainty), and maysir (speculation), as well as encouraging business actors to manage their finances based on the principles of profit-sharing, transparency, and sustainability (Rahmawati, 2021).

In the context of empowering MSMEs, Sharia financial literacy is a crucial instrument for changing the mindset of business actors. Many MSMEs are currently focused solely on daily survival, lacking a capital management strategy, savings, or business expansion plans. Through financial literacy, MSMEs are encouraged to understand that orderly record-keeping will facilitate their ability to calculate real profits, identify waste, and plan business investments. This is particularly relevant for the UP2K cadres of Sajen Village, who serve as drivers of the family economy and mentors for local MSMEs (Suharto, 2020).

In the initial phase, community service was carried out by identifying problems faced by UP2K cadres of Sajen Village and the MSMEs they assist. Interviews revealed that most cadres still mix household and business finances. For example, capital to purchase raw materials is taken from family savings, while sales proceeds are used directly for daily needs. As a result, there is no clarity about the net profit earned from the business. This situation is also experienced by the souvenir chip and salted egg businesses that are the focus of this program's mentoring.

Using a participatory approach, the Sharia financial literacy activity began with a simple discussion on the importance of financial record-keeping. Participants were given case studies on how small businesses can thrive if managed transparently and disciplined. Participants' enthusiasm was evident in their responses, recognizing that many small businesses fail not

due to a lack of customers, but due to a lack of proper cash flow management (Munandar, 2020).

The application of Sharia financial literacy was then tested on a souvenir chip MSME. This business is a well-known local icon, but lacks a robust record-keeping system. Previously, business owners had only recorded expenses for raw materials, such as cassava and cooking oil, without accounting for other costs such as packaging, transportation, and labor. After receiving training, business owners were assisted in preparing simple cash flow reports. From these records, it was discovered that during this time business profits were often used for family needs so that net profits were never visible.



Figure 1. Observation of Souvenir Chips MSMEs in Sajen Village

With guidance, the chip business owner began to separate household and business finances. They kept two separate records: one for production costs and another for family needs. This change had a tangible impact, as within three months of mentoring, they saw a capital surplus that could be allocated to purchase a new frying machine. This machine is expected to increase production capacity while reducing labor costs. This demonstrates that Islamic financial literacy is not merely theoretical but truly helps business owners make wiser strategic decisions (Hasanah, 2021). Furthermore, this souvenir chip business was also guided to understand Islamic financial concepts in terms of transactions. Previously, the business owner often took loans from local loan sharks at high interest rates to cover urgent capital needs. After receiving training, the owner became familiar with Islamic financing products through cooperatives and BMT (Baitul Maal wat Tamwil). This is a crucial step in avoiding the trap of usury and opening up opportunities for more sustainable access to capital.

In addition to the chip business, the program also targets salted duck egg MSMEs. This business was initially managed traditionally with limited capital and simple marketing. The owner calculated profits solely based on the number of eggs sold minus the costs of salt and feed. However, after mentoring, it was revealed that many hidden costs had not been recorded, such as transportation to market, packaging, and electricity. Without clear record-keeping, the owner assumed the business was consistently profitable, when in fact, net profit was often very small.



Figure 2. Observation of Salted Egg MSMEs in Sajen Village

Financial literacy mentoring helped salted egg owners prepare simple cash flow-based reports. The reports revealed that net profit was only around 8–10% of turnover, much lower than previously estimated. This fact served as an important lesson for owners to implement efficiency measures, such as purchasing salt in bulk to obtain wholesale prices. Furthermore, owners began saving profits to purchase additional ducks, hoping to increase production capacity in the future. The success of this program was evident in the shift in mindset among salted egg business owners. Previously viewed as a supplementary household activity, the business is now viewed as a business unit requiring serious management. Owners have also become interested in Sharia financing to expand their distribution networks. This aligns with the primary goal of Sharia financial literacy, which is to empower entrepreneurs to be more independent, wise in decision-making, and avoid usury (Rahmawati, 2021).

The social impact of this program is also significant. The UP2K cadres from Sajen Village who participated in the training not only applied the knowledge gained to their own businesses but also began sharing it with other community members. Some cadres even initiated small groups to discuss simple financial record-keeping and joint business strategies. This phenomenon demonstrates the program's multiplier effect, where Sharia financial literacy serves as an empowerment tool that spreads to the community level (Suryani, 2020). Furthermore, the program strengthens the institutional capacity of the Sajen Village UP2K (Family Welfare Unit) as a platform for family economic empowerment. With cadres who understand Sharia financial literacy, the Sajen Village UP2K can act as an intermediary between MSMEs and Sharia financial institutions. This is crucial to ensure that MSMEs have access to halal and sustainable capital, while also strengthening public trust in the Sajen Village UP2K as an institution capable of professionally managing empowerment programs (Nurhayati, 2022).



Figure 3. Community Service Activities with UP2K Cadres

Levels of participants, meaning not all cadres immediately grasp accounting concepts, even simple ones. To address this, the community service team employed a hands-on approach with case studies of participating MSMEs. This strategy proved effective because participants more easily understood material directly related to their daily businesses (Munandar, 2020). Overall, this activity demonstrated that Islamic financial literacy can be a crucial instrument in strengthening MSMEs. Its application to souvenir chips and salted egg businesses demonstrated that orderly financial record-keeping can open up space for efficiency, capital planning, and business development. With Islamic financial literacy, MSMEs not only acquire technical skills but also develop ethical awareness to manage their businesses according to halal, fair, and sustainable principles.

D. CONCLUSION

The implementation of the UP2K Sajen Village Cadre Empowerment Program through the Islamic Financial Literacy Program as an Effort to Strengthen MSMEs provides a clear illustration of how strengthening the financial capacity of small business owners is a crucial step in creating community economic resilience. This program focuses not only on the technical aspects of financial recording but also on internalizing Sharia values, which emphasize fairness, sustainability, and halal business management. Thus, Sharia financial literacy has proven to be a foundation for building independent, healthy, and competitive small businesses.

Overall, this activity successfully raised awareness among Sajen Village UP2K cadres regarding the importance of separating business and household finances. Many participants who initially did not understand the importance of cash flow recording have now become accustomed to keeping simple records. This demonstrates a significant shift in mindset, from being solely focused on daily survival to focusing more on long-term business development. From a social perspective, the program's success is also demonstrated by the initiative of Sajen Village UP2K cadres to share knowledge with the surrounding community. Several cadres have begun initiating small discussion groups on simple financial recording, demonstrating the organic transmission of financial literacy. This ripple effect is crucial, as community empowerment extends beyond individual participants to the broader community level.

This activity also strengthens the Sajen Village UP2K institution as a platform for economic empowerment. With cadres possessing Sharia financial literacy skills, the Sajen Village UP2K now has a more strategic role in assisting MSMEs and bridging access to Sharia financial institutions. This is crucial for building a healthy and sustainable small business ecosystem. However, several challenges remain. The varying education levels of participants pose a



barrier to understanding the material. Some cadres require more intensive mentoring to truly grasp the concept of financial recording. However, a hands-on approach with real-life business examples has proven effective in addressing this gap in understanding.

Thus, it can be concluded that Sharia financial literacy is not only relevant but also highly effective in strengthening MSMEs. Its application to souvenir chips and salted egg businesses demonstrates that small changes in financial recording can have a significant impact on business planning and development. Therefore, similar programs need to be further expanded to enable more MSMEs to develop healthily and sustainably.

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