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CAPITAL GOVERNANCE IN SMALL INDUSTRIES IN WEST KWANYAR VILLAGE: A SHARIA FINANCIAL MANAGEMENT APPROACH

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Abstract

System, reduce risks, and promote sustainable economic growth by Islamic principles. Small industries in Kwanyar face several complex issues related to capital management, including a lack of transparency in financial transactions, the prohibition of usury, and profit sharing. This research aims to determine whether the principles of transparency and fairness in capital management, as stated in Sharia financial management, have been implemented. The research method used is a qualitative research method, which produces descriptive data in the form of written or spoken words from people and observable behavior, using a descriptive analysis approach. The results of this research show that the capital management process in the Small Industrial Business group in Kwanyar District, Bangkalan, is by Sharia financial management. This is evident from the application of the pecking order theory, a capital structure theory where financing starts from retained earnings (internal capital), and if insufficient, through debt or issuing new equity as a last resort (external). This aligns with Islamic law, which strictly prohibits usury in debt. In practice, business actors first use internal capital as the main capital and seek external financing when internal capital is insufficient.

Keywords: *Governance, Capital, Sharia Financial Management*

A. INTRODUCTION

Unemployment is a major problem in the Indonesian economy. A total of 7.86 million people is the number of Open Unemployment

Rates (TPT) in Indonesia as recorded by the Central Statistics Agency (BPS) in August 2023.¹ The main cause of the high unemployment rate in Indonesia is the large

¹ central statistics agency, 'August 2023: Open Unemployment Rate (TPT) of 5.86 Percent and Average Labor Wages of 3.07 Million Rupiah per Month', 2023 <<https://www.bps.go.id/pressrelease>

/2022/11/07/1916/augustus-2022--open-unemployment-rate-tpt--of-5-86-percent-and-average-labour-wages-of-3-07-million-rupiah-per-month.html> [accessed 6 January 2024].

workforce compared to the number of jobs available. A high unemployment rate will have an impact on economic inequality which will later trigger criminal acts such as robbery or theft and so on. The government has an important role in overcoming unemployment in Indonesia. What the government can do is prepare policies, strategies, and concrete steps to overcome the problem of unemployment. The government can also collaborate with educational institutions, training institutions, or entrepreneurs to create jobs so that the unemployment rate in Indonesia can decrease.²

In an increased sector economy in the middle downturn global economy MSMEs And business Small industry is a solution to this problem. Based on data obtained from the Ministry of Cooperatives and Small and Medium Enterprises, MSME businesses in Indonesia reached 62.9 million units, of which 89% of MSMEs are engaged in the micro sector³. This then has a quite large impact in reducing unemployment due to labor absorption.⁴ Small industries or small businesses can create jobs by involving job seekers so that personal and family needs can be met from the results of entrepreneurship. In this way, the unemployment rate can decrease.

However, as time goes by, small industries have difficulty developing into large

businesses. Some of the causes of problems that occur in small industries are lack of quality human resources, lack of guidance and coaching from related parties, limited technology, limited capital resources, management that is still traditional, inadequate infrastructure, raw materials that are difficult to obtain, problems in obtaining business permits or legal entities, as well as obstacles in marketing products.⁵ As a result of these various problems, capital problems have also become one of the factors that influence the existence and development of the small business industry.

Islam has arranged all forms of solutions to various problems including problems with finances. Islamic finance or Islamic finance is trusted as one of the instruments that play a role in supporting recovery programs economy and reducing poverty through the empowerment business/economy public⁶. This matter caused Sharia finance that gives way to, a framework, that regulates assets and transactions based on the principle of justice and sincerity. All That is seen from mechanism financing fair risk in Sharia financing as well as the presence of social Sharia finance such as zakat, waqaf, and infaq.⁷

² Agung Nurrahman, 'Government Efforts to Overcome Unemployment Problems in Indonesia', *Registratie Journal*, 2.1 (2020), 1–8 <[http://eprints.ipdn.ac.id/6283/1/Registratie IPDN Vol 2 No 1 of 2020 COMPLETE-page-5-12.pdf](http://eprints.ipdn.ac.id/6283/1/Registratie_IPDN_Vol_2_No_1_of_2020_COMPLETE-page-5-12.pdf)>.

³ Taufiqur Rahman and Others, 'Keputusan Pelaku UMKM Dalam Memilih Pembiayaan Berbasis Syariah', *Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah*, 6.2 (2023), 852.

⁴ Ida Bagus Putu Purbadharmaja and Anak Agung Bagus Putu Widanta, 'Keberlanjutan Dan Inklusi Keuangan Pada Pelaku UMKM Penerima BPUM Di Provinsi Bali', *Jurnal Ilmu Sosial Dan Humaniora*, 12.1 (2023), 108–119 <<https://doi.org/10.23887/jish.v12i1.56242>>.

⁵ Hadari Nawawi, 'Human Resource Management for Competitive Business. Yogyakarta: Gajah Mada University.', 2001, p. 169

<<https://lib.pasca.isi.ac.id/index.php?author=NAWAWI%2C+Hadari&search=Search>>.

⁶ D Q Alva Salam and Ahmad Makhtum, 'Implementasi Jaminan Produk Halal Melalui Sertifikasi Halal Pada Produk Makanan Dan Minuman Umkm Di Kabupaten Sampang', *Qawwam : The Leader's Writing*, 3.1 (2022), 10–20.

⁷ Ministry of Finance of the Republic of Indonesia, 'Sharia Finance Plays a Very Important Role in National Economic Recovery', 2021 <<https://fiskal.kemenkeu.go.id/baca/2021/08/25/4308-keuangan-syariah-cepat-berperan-dalam-pemulihan-national-economy>> [accessed 17 April 2024].

In Kesllin P and Sabrina's research, they implemented a quantitative descriptive method approach. This research aims to explore and analyze the process of implementing capital governance among Micro, Small, and Medium Enterprises (MSMEs) in West Semarang District. The indicators used in MSME governance are transparency, accountability, liability, independence, and fairness or equality. The results of the research show that the indicators of accountability and accountability, as well as fairness and equality, have been implemented well.

Meanwhile, transparency and independence indicators are still relatively weak. Overall, the governance of the West Semarang MSME Group has been implemented well. This is proven by the number of 62% of MSMEs that have implemented good capital management while the other 24% are still classified as poor.⁸

The details and information used in Ersty et al's research were collected using observation, interviews, and documentation techniques. This is because the majority of MSMEs in Kampong Radjoet, Binong Jati, and Bandung City have a low understanding of the importance of accounting and bookkeeping as well as preparation and analysis of financial management, so this research aims to increase knowledge about financial governance that can be implemented by MSME actors who play a role as a partner. Results study show that activity carried out can increase business actors' understanding of better MSME financial governance so that it can help maintain the sustainability of their business.⁹

Data and information used in the research of Hartato Riyanto et al. were collected with observation, interview, and documentation techniques. The study has the aim of strengthening governance and management finance business for MSME actors. Business actors can plan an effective and efficient organizational system, design a quality control system, carry out a SWOT analysis, prepare business financial reports, and foster a sense of professionalism and consistency in entrepreneurship. From the research conducted, it was concluded that a significant increase in knowledge occurred after training and outreach to the community regarding the governance and financial management of a business.¹⁰

The researcher selected Kwanyar as the study location due to its strategic potential. In West Kwanyar Village, several small industries primarily run by women, especially housewives, face complex capital management issues such as lack of transparency, prohibition of usury, and profit sharing. Despite these challenges, the industry's growth fosters innovation, particularly in improving product quality, like shrimp crackers. This has led to intense competition among local brands such as Bintang, Prawn Essence, and Indra Rasa. Besides shrimp crackers, small businesses also produce and sell shrimp paste and other seafood products. Given this background, the study aims to examine how small industries in West Kwanyar Village manage capital and whether they adhere to the principles of transparency and fairness in Islamic financial management.

⁸ Jurnal Akuntansi and others, 'KECAMATAN SEMARANG BARAT Corresponding Author : 212201703637@mhs.Dinus.Ac.Id Sumber : Daftar UMKM Kota Semarang , IUMK . Semarangkota . Go . Id Pada Pembangunan Perekonomian Hingga Saat Ini . Melihat Kontribusi Yang Begitu Besar Dan', 2.1 (2021), 65–78.

⁹ Eristy Minda Utami, Devy Mawarnie Puspitasari, and Farida Nursjanti, 'Penguatan Tata Kelola

Keuangan Usaha Mikro , Kecil , Dan Menengah Di Kampong Rajoet Bandung', 4.1 (2023), 348–57.

¹⁰ Hartato Riyanto, Hastuti Olivia, and Awin Fahmi, 'Strengthening System manage And Management Finance On Perpetrator Business In Region Tour Three Lake Toba', *JMM (Journal Public Independent)* , 4.2 (2020), 291–99 <<https://doi.org/10.31764/jmm.v4i2.2050>>.

B. RESEARCH METHODS

Study This uses method study. Research methods Qualitative is procedure research that produces descriptive data in the form of written words or oral of the people and behavior that can be observed his approach directed at settings and individuals holistically.¹¹

The approach in study This uses approach analysis descriptive. Analysis is research conducted To know the existing variable independent, fine only on one variable or more (standing variable alone) without making comparisons and searching connection variables with other variables¹². Data collection is carried out through observation, interviews, and studies documentation, which is later analyzed To identify capital governance practices and implementation management in Islamic finance. Result of study This expectation can give a comprehensive picture of capital governance and management practices in Islamic finance in industry small West Kwanyar Village.

C. RESULTS AND DISCUSSION

Capital Governance

In the context of the business industry, capital management is very important because capital is one of the main factors that supports the success and growth of industrial businesses. Business industrial capital includes

the costs of purchasing equipment, raw materials, employee salaries, operational costs, and all other costs related to industrial activities.¹³ Capital management and good capital management can help industrial businesses optimize the use of capital, manage risks well, and achieve long-term financial goals.¹⁴ This involves making wise decisions in terms of capital use, determining appropriate capital structure, and effective liquidity management. However, limited access to financing is often a challenge for home businesses in the industrial sector.¹⁵ To overcome this, the Indonesian government is considering establishing an industrial financing institution to support small industrial businesses in obtaining business capital. Institution This expected can grant access to financing Which is easier and more affordable for businesses home in the industrial sector, so that it can encourage the growth and development of the industrial sector in Indonesia.

Capital is wealth businessman which originates from wealth paid or which derives from external entrepreneurs and wealth resulting from business activities themselves. Capital is any form of wealth that is used to produce more wealth. Establishing and managing a business requires capital, both in the form of money and energy (expertise).¹⁶ In Islam, capital costs are closely related to the production process, including costs sacrificed by entrepreneurs to produce a product, including costs used to purchase raw materials

¹¹ Dr. H Zuchri Abdussamad, 'Metode Penelitian Kualitatif', cetakan 1, 2021.

¹² Bernard D. Coleman and Raymond M. Fuoss, 'Quaternization Kinetics. I. Some Pyridine Derivatives in Tetramethylene Sulfone', *Journal of the American Chemical Society* , 77.21 (1955), 5472–76 <<https://doi.org/10.1021/ja01626a006>>.

¹³ Novita Febriany, 'The Influence of Intellectual Capital on Entrepreneurs' Financial Performance', *Kompartemen: Scientific Accounting Journal* , 17.1 (2020) <<https://doi.org/10.30595/kompartemen.v17i1.3971>>.

¹⁴ Azizul Mukminun Ghofur, 'Analysis of the Influence of Corporate Governance on Company Financial Performance with Capital Structure as Moderation and Firm Size, Firm Age, Sales Growth, and PBV as Control Variables', *Diponegoro Journal of Management* , 12 (2023), 1–11.

¹⁵ Ibid

¹⁶ Sumirah , 'Influence Capital Business To Sword Culinary In Embankment Cempae City Parepare (Analysis Economy Islam)', *Journal of Engineering Research* , 2023, 1–14 <<https://www.ncbi.nlm.nih.gov/books/NBK558907/>>.

from producers, payment of employee salaries, and other costs. Capital is a very important factor in an entrepreneur's financial system, therefore business capital has several types as follows.

1. Owner's Capital

Owner's capital refers to business capital sourced from the personal wealth of the business owner¹⁷, such as savings, donations, and resources. Using owner's equity for business funding is free from interest burdens and only requires paying dividends.

2. Borrowed Capital

Borrowed capital¹⁸ is obtained through loans from external parties. The advantage of using borrowed capital is its unlimited availability, allowing sufficient funds to operate the business. However, it involves interest costs, administrative fees, and significant provisions and commissions, motivating management to efficiently run the business to repay the loan.

3. Joint Venture Capital

Joint venture capital is a method of obtaining business capital by sharing ownership with one or more business partners. Combining personal capital with partner capital is a joint venture strategy.¹⁹

Industry /Small Business

A small business is²⁰ a self-standing productive economic enterprise run by individuals or entities that are not subsidiaries or branches of larger companies. According to the Central Statistics Agency, a small industry is a home-based business involved in production and goods manufacturing. Intermediate industries are slightly larger than small industries. Small industries have assets under IDR 5 billion for industrial activities and under IDR 600 million for other activities.²¹

Small and intermediate industries differ based on the capital used for production, without considering workforce size or business turnover. Capital amount indicates the scale of business activities²². According to the Department of Industry and Trade (Disperindag) in RIPIKM, a small industry is defined as an economic activity by individuals, households, or entities producing goods or services for commercial trade, with net assets up to 200 million rupiahs and annual sales up to 1 billion rupiahs. An intermediate industry involves similar economic activities but with annual sales ranging from 1 billion to under 50 billion rupiahs.²³

Management Finance Sharia

Sharia financial management involves individuals or groups managing finances based

¹⁷ Q C Cardiana and I S Jasmine, 'Influence Education Entrepreneurship, Trust Self And Expectation Income To Interest Entrepreneurship', *Economics Education Analysis Journal*, 8.3 (2019), 1182–97 <<https://doi.org/10.15294/eeaj.v13i2.35712>>.

¹⁸ Rita Mariati, Mariyah Mariyah, and Carissa Nadine Irawan, 'Analisis Kebutuhan Modal Dan Sumber Permodalan Usahatani Padi Sawah Di Desa Jembayan Dalam', *JURNAL AGRIBISNIS DAN KOMUNIKASI PERTANIAN (Journal of Agribusiness and Agricultural Communication)*, 5.1 (2022), 50 <<https://doi.org/10.35941/jakp.5.1.2022.7305.50-59>>.

¹⁹ Jacline I. Sumual Mohammed Reza Latif, Daisy BC You 'Influence Perception About Capital Business, Location, And Type Trade To Well-being Trader In

Road Wheel (Jarod) Manado', *Efficiency Scientific Periodical Journal*, 18.5 (2018), 174–85.

²⁰ Mochamad Reza Rahman dan Paulinus, 'Perkembangan UMKM (Usaha Mikro Kecil Dan Menengah) Di Indonesia', 2022.

²¹ Nurmalia Hasanah, *Easy to Understand Micro, Small and Medium Enterprises (UmkM)*, Law no. 20, 1st Edn (Uwais Inspirasi Indonesia, 2019).

²² Fransiska Bonita Diliiana And Other, *Profil Industri Mikro Dan Kecil 2023 Profile Of Micro And Small Industries*, 2023.

²³ Arif Rahman Hi Abas, 'Upaya Dinas Perindustrian Dan Perdagangan Sulawesi Tengah Dalam Pemberdayaan Industri Kecil Menengah (Ikm) Rumah Coklat Kota Palu Dalam Perspektif Ekonomi Islam Skripsi', 21.1 (2020), 1–9.

on Islamic principles and laws. These principles guide all aspects, including planning, analysis, and control activities related to obtaining funds, using funds, and managing assets, ensuring compliance with Sharia principles to achieve financial goals.²⁴

Islam regulates capital in Sharia financial management, strictly prohibiting interest-based instruments, including debt. Instead, Sharia banks offer alternatives such as murabahah (cost-plus markup) and ijarah (leasing). In these instruments, the bank buys and then sells or leases assets to the businessman at a profit over a set period. Despite their use, Sharia regulatory bodies limit debt financing due to fairness concerns, as debt allows financiers to earn interest without effort, conflicting with Islamic principles of justice.

In Islamic economics, capital must circulate to benefit society, as hoarded money cannot generate value. Investing capital in business helps create employment and stimulate economic growth. Islam permits profit-sharing on capital, but it must not be predetermined as a percentage of capital. Profits are calculated after business operations and obligations are settled. Key principles in Sharia financial management include Prohibition of interest (riba), Risk-sharing, and Ethical investments. Asset-backed financing.²⁵

1. Haram and Halal

This principle distinguishes between permissible (halal) and impermissible (haram) activities according to Islamic law, such as prohibiting businesses involving alcohol, gambling, or usury.

2. Transparency and Justice

Islamic finance emphasizes transparency in all financial transactions and fairness in the distribution of profits and losses among involved parties

3. Profit sharing

Profit-sharing is a key principle, promoting the sharing of risks and profits between parties in a transaction or investment

4. Prohibition Usury

Usury (interest) is prohibited in Islam, so Islamic finance avoids all forms of interest in financial transactions²⁶

5. Investment Sustainable

This principle stresses investing in long-term beneficial projects for society and the environment, avoiding harmful investments.²⁷

6. Avoidance Risk Excessive

Islamic finance advocates managing risk prudently and avoiding high-risk speculation or practices

7. Sharia Compliance

Ensuring all financial and investment activities adhere to established Sharia principles is crucial

8. Concern social

Islamic finance promotes contributing positively to society and the environment through philanthropic and socially responsible activities aligned with Islamic values

Apart from the principles of management Islamic finance, in context capital management, there are several capital structure theories, namely:²⁸

²⁴ M.Ag H. Dadang Husen Sobana, *Manajemen Keuangan Syariah*, 2018.

²⁵ Iwan Setiawan, 'PRINSIP-PRINSIP DASAR MANAJEMEN KEUANGAN SYARI'AH', *Jurnal Ilmu Akuntansi Dan Bisnis Syariah*, 3 (2021).

²⁶ Badrus Zaman and Muhammad Ersya Faraby, 'ANALISIS KESADARAN HALAL PADA PELAKU MIKRO KECIL DI SEKITAR KAMPUS UNIVERSITAS TRUNOJOYO', *Justisia Ekonomika Magister Hukum Ekonomi Syariah*, 7.1 (2023)

<<https://doi.org/https://doi.org/10.30651/justeko.v7i2.20470>>.

²⁷ Putra Halomoan HSB, 'Tinjauan Hukum Islam Terhadap Sistem Penghitungan Profit Sharing Dalam Investasi Syariah', *Ahkam: Jurnal Hukum Islam*, 5.2 (2017), 381–403 <<https://doi.org/10.21274/ahkam.2017.5.2.381-403>>.

²⁸ Desy Ernawati, '1. Analysis Influence Capital Structure To Performance Finance Reviewed From

1. Pecking order theory, company funding is allocated in the following order, starting with initial retained earnings (internal capital).²⁹ As a last resort, a business can issue new shares or take on debt (external capital) if internal capital is insufficient. Using internal sources to finance assets indicates above-average business performance.
2. Trade-off Theory
Using debt as a financing source has pros and cons for business owners. Interest on debt reduces taxable income, lowering tax liability. However, a high debt-to-capital ratio can endanger a business financially or lead to bankruptcy, indirectly affecting operations. Therefore, careful control of external financing, especially debt, is essential to avoid financial difficulties and potential bankruptcy.
3. MM Theory
Modigliani and Miller's theory asserts no clear link between capital financing and debt use or between capital structure and financing. This maintains financial stability, company value, and investor welfare. To maximize performance, the cost of debt is often neutralized, making tax burden debates in capital structure irrelevant. However, this can lead to the misconception that investors are uniform and no market transactions occur if the tax burden is ignored.
4. Agency Theory
Based on conflicts of interest between managers and stakeholders, especially investors and creditors, agency theory addresses how managers mediate between the industry and stakeholders. Misuse of investor information by management to

benefit themselves without consent is a concern. Hence, creditors monitor managers to safeguard investor interests and maintain the industry's reputation, leading to the implementation of control measures known as agency costs.

5. Signaling Effect (Signal Theory)

Signaling theory suggests that management and shareholders possess different information. When a company issues debt, investors interpret changes in capital structure as signals of potential changes in company value. Increased debt signals higher costs and cash flow requirements for expansion, impacting firm value.

Entrepreneurs who are generally *profitable* borrow a small amount on needs. Matter the caused businessmen need *external financing* Which A little.³⁰

The existing industry in Kwanyar inspires many villagers to innovate and enhance product quality, particularly in small-scale seafood processing businesses. However, these businesses face challenges, especially regarding capital. In Kwanyar Village, entrepreneurs often rely on personal savings and loans for capital but struggle to obtain and grow it. One aspect under investigation is the management of internal capital in these small businesses. Effective capital management is crucial for business development and market expansion. Below are interview findings from local industry entrepreneurs in Kwanyar.

Table 1. Capital Used by Small Home Industry

Source person	Personal Capital	Foreign Capital	Joint Venture Capital
Shrimp Cracker Entrepreneur (Bintang)	✓	✓	
Shrimp Crackers (Sari Udang) Entrepreneur Businessman	✓		✓
Petis (Ikan Tuna)	✓		
Shrimp Cracker Entrepreneur (Indra Rasa)	✓	✓	
Terasi Business Rebon IJN	✓	✓	

Source Data processed

Profitability And Liquidity Businessman (Studies Empirical On Businessman Fast Moving Consumer Goods Which Registered In Exchange Effect Indonesia Period 2019-2022)', *Editor 2 Uajy*, 2023 <<http://ejournal.uajy.ac.id/id/eprint/29618>>.

²⁹ Bella Anjani Arsadena, 'FAKTOR-FAKTOR YANG MEMENGARUHI STRUKTUR MODAL

DENGAN PROFITABILITAS SEBAGAI VARIABEL INTERVENING', *Jurnal Ilmu Manajemen*, 8 (2020).

³⁰ Darmawan, *Manajemen Keuangan Syariah, Cv Pustaka Setia* (uny press, 2022).

Capital is crucial for initiating and ensuring smooth business operations. It forms the foundational basis for business success. Financial reports are equally essential for business actors as they provide valuable information for evaluating financial performance and making informed decisions. Below is data collected during interviews at small industrial businesses in Kwanyar Village.

1. Bintang Brand Shrimp Cracker Business

When starting the small shrimp cracker production business, Udang Bintang had a capital of IDR 75,000,000, sourced from personal funds and a bank loan of IDR 50,000,000. This capital was used to purchase equipment, furniture, cover operational costs, and buy production ingredients.

Table 2. Initial Capital

INITIAL CAPITAL FOR BINTANG SHRIMP CRACKERS PERIOD 2023		
ACCOUNT NAME	DEBIT	CREDIT
Bank	Rp. 30,230,000	
Equipment and Machinery	Rp. 25,750,000	
Vehicle	Rp. 19,020,000	
Capital		Rp. 75,000,000

Source Data processed

Table 2 shows that out of the IDR 75,000,000 capital, IDR 44,770,000 is used to purchase company requirements, and the remaining IDR 30,230,000 is deposited into the bank account. Further details on assets categorized according to their source are provided in the subsequent table.

Table 3. List of Fixed Assets

LIST OF FIXED ASSETS BINTANG SHRIMP CRACKERS PERIOD 2023			
FIXED ASSETS NAME	ACQUISITION COST	ECONOMIC AGE	USED
Equipment and Machinery	Rp. 25,750,000	5	2 years
Vehicle	Rp. 19,020,000	6	2 years

Source Data processed

Table 3 provides the author's estimates of the economic life of fixed assets, which are used to calculate depreciation. Using the straight-line method formula, depreciation for equipment and machinery is calculated annually at IDR 4,120,000 and monthly at IDR 343,333. For vehicles, annual depreciation is calculated at IDR 2,641,666 and monthly at IDR 220,138. These calculations show the monthly reduction of fixed asset depreciation over the specified economic period.

Table 4. Profit and Loss Statement

SMALL INDUSTRY OF BINTANG SHRIMP CRACKERS	
Income statement	
2023 Ending November 30, 2023	
ACCOUNT	YEAR 2023
INCOME	
Income Sale	IDR 85,440,000
PRODUCTION COSTS	
Production cost	IDR 35,256,000
Labor costs	IDR 13,200,000
Equipment and Vehicle Depreciation Costs	IDR 6,198,195
Electricity and Water Costs	IDR 3,720,000
Amount Burden	IDR 58,374,195
Profit Clean	IDR 27,065,805

Source Data processed

Table 4 displays the Profit and Loss report for the period ending in November 2023. The Bintang Brand Shrimp Cracker Small Industry Business generated total revenue of 85,440,000, with total expenses

amounting to 58,374,195, resulting in a net profit of 27,065,805.

2. Shrimp Crackers Brand Sari Udang Business

At the outset, the small-scale Sari Udang Prawn Crackers industry had an initial capital of IDR 60,000,000 sourced from personal funds and joint investments totaling IDR 25,000,000. This capital was utilized for equipment purchases, building renovations, operational expenses, and procurement of production ingredients.

Table 5. Initial Capital

INITIAL CAPITAL FOR SARI UDANG CRACKERS PERIOD 2023		
ACCOUNT NAME	DEBIT	CREDIT
Cash	Rp. 10,000,000	
Equipment and Machinery	Rp. 15,000,000	
Renovation Building	Rp. 35,000,000	
Capital		Rp. 60,000,000

Source Data processed

Table 5 indicates that out of the Rp. 60,000,000 capital, Rp. 50,000,000 was allocated for purchasing company requirements, while the remaining Rp. 10,000,000 was retained as cash.

Table 6. List of Fixed Assets

LIST OF FIXED ASSETS FOR KRUPUK SARI SHRIMP PERIOD 2023			
FIXED ASSETS NAME	ACQUISITION COST	ECONOMIC AGE	USED
Equipment and Machinery	Rp. 15,000,000	5	1 year
Renovation Building	Rp. 35,000,000	10	1 year

Source Data processed

3. Ikan Tuna Petis Business

At the outset of production, the Tuna Petis small industrial business had an initial capital of IDR 1,250,000 sourced from the entrepreneurs' funds. This capital was utilized

Table 6 presents the author's estimation of the economic life of fixed assets based on their utility. Depreciation of fixed assets can be calculated using the straight-line method without a residual value. For equipment and machinery, annual depreciation is IDR 2,400,000, and monthly depreciation is IDR 200,000. For building renovation, annual depreciation is IDR 4,050,000, and monthly depreciation is IDR 337,500. These calculations demonstrate the monthly reduction of fixed asset depreciation over the specified economic period.

Table 7. Profit and Loss Statement

SMALL INDUSTRY OF SARI UDANG CRACKERS	
Income statement	
2023 Ending November 30, 2023	
ACCOUNT	YEAR 2023
INCOME	
Income Sale	IDR 78,300,000
PRODUCTION COSTS	
Production cost	IDR 31,252,000
Labor costs	IDR 12,000,000
Depreciation Expenses Equipment and Buildings	IDR 5,912,500
Electricity and Water Costs	IDR 2,450,000
Total Load	IDR 51,614,500
Net profit	IDR 26,685,500

Source Data processed

Table 7 displays the Profit and Loss report for the period ending in November 2023 for the Small Industrial Business of Shrimp Cracker Brand Sari Udang. The total income amounted to 78,300,000, with total expenses totaling 51,614,500, resulting in a net profit of 26,685,500.

to purchase equipment, cover operational expenses, and procure production materials. Further details on fixed assets acquired for business needs are outlined in the following table.

Table 8. List of Fixed Assets

LIST OF FIXED ASSETS FOR IKAN TUNA PETIS PERIOD 2023			
FIXED ASSETS NAME	ACQUISITION COST	AGE ECONOMIC	USED
Equipment and Machinery	Rp. 565,000	5	2 years

Source Data processed

The author estimates the economic life of fixed assets based on their utility. Depreciation is calculated using the straight-line method, which assumes a consistent reduction in value over time without considering any residual value. For equipment and machinery, the annual depreciation is IDR 90,400, which translates to a monthly depreciation of IDR 7,533. This means that each month, the value of the fixed assets decreases by IDR 7,533 over their estimated useful life.

Table 9. Profit and Loss Statement

SMALL IKAN TUNA PETIS INDUSTRY	
Income statement	
2023 Ending November 30, 2023	
ACCOUNT	YEAR 2023
INCOME	
Income Sale	Rp 22,176,000
BURDEN COST VARIABLES	
Cost Production	Rp 6,597,000
Cost Power Work	Rp 3,300,000
Cost Depreciation Equipment	Rp 82,867
Cost of Electricity And Water	Rp 1,000,000
Amount Burden	Rp 9,980,867
Profit Clean	Rp 12,195,133

Source Data processed

In Table 9, the Profit and Loss report for the period ending in November 2023 shows that the Ikan Tuna Petis Small Industry Business generated total income of 22,176,000, with total expenses of 9,980,867, resulting in a net profit of 12,195,133.

Based on this data, the Ikan Tuna Petis business has effectively managed its capital structure following the pecking order theory. They prioritize internal funds before resorting to borrowing from banks, aligning with principles of Sharia finance that prohibit usury. Personal capital is prioritized over bank financing.

4. Indra Rasa Brand Shrimp Cracker Business

When beginning the production business industry small Prawn Sari Prawn Crackers has a capital of IDR 85,250,000. the capital originates from personal and bank money amounting to IDR 50,000,000. the capital used For buying equipment and furniture, paying cost Operational, and purchasing ingredients production.

Table 10. Initial Capital

INITIAL CAPITAL FOR SHRIMP CRACKERS INDRA RASA PERIOD 2023		
ACCOUNT NAME	DEBIT	CREDIT
Bank	Rp. 20,230,000	
Equipment and Machinery	Rp. 35,750,000	
Vehicle	Rp. 15,020,000	
Furniture	Rp. 14,250,000	
Capital		Rp. 85,250,000

Source Data processed

Table 10 shows that a capital of IDR 85,250,000 is used To pay IDR 65,020,000 needed company, with the remaining IDR 20,230,000 transferred to the Bank account. The collection of assets still that is part of need need-purchased business shown in the table following :

Table 11. List of Fixed Assets

LIST ASSET STILL CRACKERS PERIODIC INDRASASA 2023			
NAME ASSET STILL	PRICE ACQUISITION	ECONO MIC AGE	USED
Equipment And Machine	Rp. 35,750,000	5	2 Year
Vehicle	Rp. 15,020,000	6	2 Year
Furniture	Rp. 14,250,000	5	2 Year

Source Data processed

Based on the utilization data provided in Table 11, the author calculates the economic life of fixed assets. Depreciation can be determined using the straight-line method formula without a residual value. For equipment and machinery, annual depreciation is Rp. 5,720,000, and monthly depreciation is Rp. 476,666. For vehicles, annual depreciation is Rp. 2,295,000, and monthly depreciation is Rp. 191,250. For furniture, annual depreciation is Rp. 2,280,000, and monthly depreciation is Rp. 190,000. These calculations demonstrate that the fixed assets will depreciate in value every month over the specified economic life.

Table 12. Profit and Loss Statement

SMALL INDUSTRY OF INDRASASA CRACKERS	
Income statement 2023 Ending November 30, 2023	
ACCOUNT	YEAR 2023
INCOME	
Income Sale	IDR 81,200,000
PRODUCTION COSTS	
Production cost	IDR 35,620,000
Labor costs	IDR 12,000,000
Depreciation Expenses Equipment	IDR 9,437,084
Electricity and Water Costs	IDR 2,420,000
Total Load	IDR 59,477,084
Net profit	IDR 21,722,916

Source Data processed

In Table 12, the Profit and Loss report for the period ending in November 2023 shows that the Indra Rasa Brand Shrimp Cracker

Small Industry Business generated total income of IDR 81,200,000 and total expenses of IDR 59,477,084, resulting in a net profit of IDR 21,722,916. Based on this data, the Indra Rasa small cracker business has applied the pecking order theory in its capital structure. They prioritize internal funds before considering borrowing from institutional banking if necessary, adhering to principles of Sharia finance that prohibit usury. Personal capital is prioritized over bank financing.

5. Terasi Business Rebon HJN

When beginning production business industry small Terasi Rebon HJN has a capital of IDR 93,000,000. the capital originates from personal money perpetrator businesses and banks amounting to IDR 50,000,000, the capital used For buying equipment, paying cost Operations, and purchasing ingredients production.

Out of necessity efforts that have been made purchased, available group assets still be explained in the table following :

Table 13. List of Fixed Assets

LIST OF FIXED ASSETS FOR TERASI REBON HJN PERIOD 2023			
FIXED ASSETS NAME	ACQUISITI ON COST	ECONO MIC AGE	USED
Equipment and Machinery	Rp. 56,730,000	5	2 years

Source Data processed

In Table 13, the author estimates the economic life of fixed assets based on their utilization. Depreciation of fixed assets can be calculated using the straight-line method formula without a residual value. For equipment and machinery, annual depreciation is IDR 54,460,800, and monthly depreciation is IDR 756,400. These calculations demonstrate that fixed assets will depreciate in value every month over the specified economic period.

Table 14. Profit and Loss Statement

SMALL INDUSTRY TERASI REBON HJN	
Income statement	
2023 Ending November 30, 2023	
ACCOUNT	YEAR 2023
INCOME	
Income Sale	IDR 149,400,000
VARIABLE COSTS	
Production cost	IDR 45,345,000
Labor costs	IDR 21,600,000
Depreciation Expenses Equipment	IDR 8,320,400
Electricity and Water Costs	IDR 3,035,000
Total Load	IDR 78,300,400
Net profit	IDR 71,099,600

Source Data processed

D. CONCLUSION

Capital governance is a regulatory process that optimizes fund allocation and manages risk with long-term financial objectives. In the context of Islamic finance, capital management adheres to Sharia values,

Table 14 displays the Profit and Loss report for the period ending in November 2023 for the Terasi Small Industrial Business Rebon HJN. The total income amounted to IDR 149,400,000, with total expenses of IDR 78,300,400, resulting in a net profit of IDR 71,099,600. In practice, the Terasi Rebon HJN small industrial business adheres to the pecking order theory in its capital structure. They prioritize internal funds over loans from institutional banking if necessary, aligning with principles of Islamic finance that reject usury. Personal capital is prioritized over bank financing.

emphasizing transparency, prohibiting usury, and ensuring fairness in sharing benefits and risks. In practice, small businesses in West Kwanyar Village generally adhere to these principles of Islamic finance, implementing a capital structure aligned with the pecking order theory and Sharia finance principles.

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