Journal of Islamic Economics and Business
p-issn: 2798-8562| e-issn: 2798-4834

Vol.5. No.1 (2025)

Neglected Financial Inclusion: A Study of the Financing Disparity of Ultra-Micro Enterprises in Indonesia

Fatmah Watty Pelupes[1], Fatmawati Sungkawaningrum[2]
Corresponding Author: fatmah84pelupessy@iainambon.ac.id

[1] State Islamic Institute Ambon, Indonesia
[2] Nahdlatul Ulama Islamic Institute, Temanggung, Indonesia

KEYWORD

financial access, formal financial institutions, Ultra micro business

Article history:
Received
Sep 3, 2025
Revised
Nov 11, 2025
Accepted
Nov 12, 2025

Edition
Vol.5 No.1 (2025)
Journal of Islamic Economics and Business

ABSTRACT

The ultra-micro business sector, dominated by street vendors, daily traders, and itinerant traders, faces limited access to financing from formal financial institutions (LKF), especially for needs below IDR 3,000,000. This study aims to analyze the obstacles faced by ultra-micro business actors in accessing formal financing. Using a qualitative approach, data were collected through in-depth interviews with business actors and LKF representatives. The results of the study show that LKF has not optimally reached this segment due to regulatory and internal bureaucratic constraints. As a result, business actors turn to Informal moneylenders who offer high-interest loans, which actually increases the burden and worsens the inequality of financial access. This study emphasizes the importance of redesigning financial inclusion policies to be more adaptive, and fair in responding to the needs of ultra-micro business actors.

1. INTRODUCTION

The ultra-micro business sector is widely run by various levels of society, including small traders, street vendors, traveling vendors, and the like. This business can be done by anyone, without requiring special skills, and often involves marginalized individuals, such as victims of layoffs, retirees, and other community groups who need alternative sources of income. In this sector, the capital required is relatively affordable for the community, although not a few of these ultra-micro business actors require loans from outside parties (Muthoifin et al., 2024), (Sungkawaningrum, 2022), (Kusuma et al., 2024).

Facts on the ground show that the share of loans for the ultra-micro business sector has not been touched by large financial institutions such as Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI 46), and other similar banks. In this case, loans with a value of less than IDR 3,000,000 have not been the main focus of these financial institutions. As a result, this segment is actually dominated by microfinance institutions, and in many cases, by Informal moneylenders. (Satriadi, 2021), (Jeaheng et al., 2023),

The non-involvement of large banks in ultra-micro financing is caused by various factors, including regulations that do not specifically support and internal management structures that tend to prioritize efficiency through larger-scale financing.(Akhmad Affandi, 2024) This condition shows that financial inclusion, especially for ultra-micro business actors, is still far from expectations.(Rohma, 2024), (Merroun & Hamiche, 2023), (Meki & Quidt, 2025)

Therefore, it is necessary to build more inclusive and widespread financial communication and strategies, so that the chain of dependence on Informal moneylenders can be reduced, even broken. This approach is also an important step in encouraging equitable financial transformation and has a direct impact on the economic empowerment of lower-class communities. (Makhroja et al., 2023), (Karyono, 2024), (Jannah Richatul, 2024)

The phenomenon of financial behavior in the ultra-micro business sector shows that business actors tend to prefer borrowing funds from Informal moneylenders or, in certain cases, accessing financing through microfinance institutions (MFIs).(Kurniasih et al., 2024) This is because formal financial institutions, such as large banks, generally do not serve loans with a value of less than IDR 3,000,000. In addition, ultra-micro business actors consider that the loan application procedure at large banks is too complicated and bureaucratic. As a result, even though they are aware that Informal moneylender interest rates are much higher than formal financial institutions, they still choose Informal moneylenders as their main source of financing. This dependency continues to this day. (Susanto et al., 2023), (Nguyen et al., 2024)

When ultra-micro business actors need external loan funds in a short time, then the one who is present in that short time is a Informal moneylender. The disbursement time is relatively fast and the requirements are easy without administration, namely only with a photo of an ID card (Resident Identity Card), especially if you already know each other, loans with an amount of less than IDR 3,000,000 can be disbursed immediately. The funds are immediately used by the customer. In this condition, the ease of disbursement of loan funds is an icon in the eyes of its customers. This is what causes ultra-micro business actors to depend on loans from Informal moneylenders. (Fadhilah et al., 2024), (Sungkawaningrum, Sholihin, et al., 2024)

In fact, Informal moneylenders in handling the loan market of less than IDR 3,000,000 also have competitors in finance, namely Microfinance Institutions. This means that the loan market with that amount is a potential customer potential. Similar to Informal moneylenders, Microfinance Institutions also only apply the requirement of a KTP photo when applying for a loan, even the interest is lower than the Informal moneylender's interest. The problem is why ultra-micro business actors tend to choose Informal moneylenders in terms of operations or loan disbursement. Microfinance Institutions lose in terms of operating hours and loan quotas. It is possible that when ultra-micro business actors need loans from Microfinance Institutions, the loan quota happens to be full, so the loan application is canceled. In contrast, Informal moneylenders do not limit the quota or number of customers who will borrow, so the choice returns to the Informal moneylender. (Sungkawaningrum, Handona, et al., 2024)

Banks that already have a big name, have not or even do not touch the ultra-micro business sector loan level. The reason is that the management structure considers loans with a ceiling of less than IDR 3,000,000 to be considered too small a margin. Assuming a loan of that amount, without collateral, is one of the reasons why large banks do not come into contact with ultra-micro loans. (Thi et al., 2024) This is what causes large banks to be uninterested in ultra-micro business actors. Access to financing is an important element in encouraging business growth and sustainability. Including the ultra-micro business sector which consists of business actors such as street vendors, daily traders, and traveling vendors. In reality, this business group still faces limitations in obtaining support from formal financial institutions, especially large banks. Although the People's Business Credit (KUR) program has been launched to answer this challenge. As stated by Manuhutu and Battista (2024), its implementation still leaves problems. Especially related to collateral requirements and the limited quota available. The study also did not detail the business sectors receiving KUR, raising questions about the extent to which KUR actually reaches ultra-micro businesses.(Arkan, 2016)

Meanwhile, ultra-micro business actors tend to turn to Informal moneylenders who offer easy access without administrative requirements, even with high interest rates. This shows that there is a gap in financing services that formal institutions have not been able to fill. As an alternative, microfinance institutions such as Baitul Maal Wat Tamwil (BMT) seek to provide solutions by instilling financial insight into the community, as mentioned by Chairunnisa and Marlina (2020). However, this approach is not specific enough in explaining the form of financial insight provided and how it is relevant to the problems faced by ultra-micro business actors.(Chairunnisa & Marlina, 2020)

Based on the limitations of previous studies, this study aims to analyze why large banks have not been able to reach the ultra-micro business sector. Meanwhile, Informal moneylenders and microfinance institutions are more effective in reaching this segment. This study also highlights the failure of the existing financial system in providing fair and inclusive financing, and reveals the role of parties who have more information for their own benefit (adverse selection)in risk avoidance by large financial institutions.

The novelty of this study lies in the formulation of an adaptive financial communication framework specifically designed to address the financing constraints faced by ultra-micro business actors. Unlike the conventional concept of *financial literacy*, which predominantly emphasizes the dissemination of financial knowledge and skills at the individual level, the proposed framework highlights two-way, contextual, and systemic communication between financial institutions (LKF) and ultra-micro entrepreneurs. This approach recognizes that the limited financial access experienced by these actors is not merely a result of low literacy, but also of asymmetric information, rigid institutional procedures, and insufficient communication channels that fail to capture the real needs and behavioral patterns of ultra-micro businesses.

In this context, adaptive financial communication refers to a dynamic, participatory, and needs-based process in which financial institutions continuously adjust their strategies, messages, and products based on direct feedback and socio-economic realities of ultra-micro business communities. The model emphasizes relationship-building, trust creation, and co-learning mechanisms between financial institutions and business actors, ensuring that communication becomes an enabling tool for inclusive policy design rather than a top-down literacy campaign.

This conceptual innovation differs from existing financial literacy models that tend to treat micro-entrepreneurs as passive recipients of information. Instead, the study proposes an interactive ecosystem of financial dialogue, where inclusion is achieved through mutual understanding, adaptive regulations, and iterative communication flows. Through this framework, the study contributes to the literature by offering a systematic linkage between financial communication and inclusive policy reformulation, positioning communication as a strategic instrument to foster equity and sustainability in financial inclusion for the ultra-micro sector.

2. LITERATURE REVIEW

Research on access to ultra-micro business financing cannot be separated from theoretical studies on information dynamics, financing efficiency, and social relations between loan providers and recipients. One relevant theory in this context is the Information Asymmetry Theory proposed by Akerlof (1970). This theory explains that in a transaction, one party has more complete or accurate information than the other party. In the context of banking and ultra-micro business actors, information inequality occurs when business actors do not have formal financial reports or historical records of the business, so they cannot meet the administrative requirements of large financial institutions. On the other hand, large banks consider this sector to be high risk because there is not enough data to objectively assess business feasibility. This causes rejection of financing applications, while also narrowing access opportunities for the most economically vulnerable groups.(Mi'raj & Ulev, 2024)

Furthermore, Adam Smith's Theory of Economies of Scale and Profitability (1776) explains that cost efficiency and increasing production scale are the keys to achieving profitability. In practice, large banks tend to serve business segments that are considered to have larger economies of scale and high profit potential. The ultra-micro business sector is considered inefficient in the use of funds because the small loan amount is not comparable to the administrative costs and risks borne. This view strengthens the reasons for large banks to avoid this sector, and encourages the exclusion of ultra-micro business actors from the formal financial system.(Sungkawaningrum, 2024)

As a complement, the Embeddedness Theory or Local and Social Information introduced by Granovetter (1985), provides an understanding of why microfinance institutions and Informal moneylenders are actually better able to reach ultra-micro business actors. This theory emphasizes that economic decisions are not entirely rational and formal, but rather embedded in social networks. Informal moneylenders and microfinance institutions usually have social closeness to local communities, as well as access to information that large banks do not have.

They understand the daily cash flow patterns of ultra-micro business actors and are able to offer flexible installment schemes (daily, weekly, or monthly). This relationship-based approach makes the informal sector more responsive to the real needs and conditions of small business actors (Zhong & Werner, 2024), (Jeaheng et al., 2023).

These three theories show that the failure of the formal financial system in reaching ultra-micro businesses is not solely due to the financial capabilities of business actors, but rather due to structural bias and systemic weaknesses in understanding and responding to the characteristics of this segment. The existing literature still lacks discussion of the importance of a financial communication approach based on real needs and social context, which is the key to success for informal actors. Therefore, this study fills this gap by proposing the development of financial communication that is more adaptive, structured, and relevant to the conditions of ultra-micro business actors (Sungkawaningrum, Sholihin, et al., 2024), (Kamah, 2024), (Karyono, 2024).

3. METHODOLOGY

This study employs a non-participatory descriptive qualitative approach, designed to obtain an in-depth understanding of the phenomenon of limited access to financing experienced by ultra-micro business actors and to explore the interactions among formal financial institutions (LKF), microfinance institutions, and informal moneylenders (Informal moneylenders) (Zakaria & Kuah, 2024), (Kamah, 2024). The qualitative design is considered appropriate because it enables the researcher to capture the social, cultural, and economic realities of business actors within their daily contexts, as well as to examine the relational dynamics between lenders and borrowers (Nurpramana et al., 2024).

The research was conducted in three urban and peri-urban areas in Indonesia that exhibit a high density of informal economic activity: Medan City (North Sumatra), Bekasi City (West Java), and Malang City (East Java). These areas were chosen purposively because of their concentration of ultra-micro enterprises such as street vendors, itinerant traders, traditional market sellers, and home-based business operators (Budiarto et al., 2024), (Aminu & Manko, 2024).

The study involved a total of 27 informants, selected using purposive sampling with the criterion that they had direct experience in seeking financing from either formal or informal sources. The informants consisted of:

1. 15 ultra-micro business actors (who had borrowed from Informal moneylenders, microfinance institutions, or attempted to access bank credit);
2. 6 representatives of formal financial institutions (banks and cooperatives that manage micro-loan schemes);
3. 6 representatives of microfinance institutions and informal moneylenders. This composition allowed the triangulation of perspectives from various financing actors and ensured that findings reflected the multidimensional nature of financial access.

Primary data were obtained through in-depth semi-structured interviews and non-participant field observations. Interviews were conducted face-to-face, lasting between 45 to 90 minutes, and guided by a set of open-ended questions focusing on financing experiences, perceived constraints, trust issues, and communication patterns between borrowers and lenders. Field observations were carried out in business locations to capture daily economic interactions and the socio-spatial context of ultra-micro entrepreneurship.

In addition, documentary analysis was performed using secondary data, including internal reports from microfinance institutions, government policy documents on financial inclusion, and informal transaction records (Budiarto et al., 2024; Aminu & Manko, 2024). All interviews were recorded with participants' consent and transcribed verbatim for analysis. The collected data were analyzed using thematic analysis, following the six-step framework proposed by Braun and Clarke (2006). The process included:

1. Familiarization with data through repeated reading of transcripts and observation notes,
2. Generating initial codes that captured meaningful segments of data,
3. Searching for themes by clustering related codes into broader conceptual categories,
4. Reviewing themes to ensure coherence and internal consistency,
5. Defining and naming themes to capture the essence of each pattern, and
6. Producing the final report, integrating empirical evidence with theoretical insights.

The analysis was conducted inductively, allowing patterns and interpretations to emerge naturally from the data rather than being imposed by pre-existing theoretical frameworks.

To maintain data credibility and trustworthiness, the study employed triangulation of sources and techniques, combining interviews, observations, and document analysis. Member checking was conducted by revalidating interpreted findings with several key informants to confirm their accuracy and consistency. The researcher also maintained a reflexive journal throughout the fieldwork to document analytical decisions and minimize subjective bias (Arkan, 2016), (Ali, 2024), (Fonseca et al., 2024).

4. RESULT AND DISCUSSIONS

1. Inability of Large Banks to Reach the Ultra Micro Business Sector

Field findings indicate that large banks consistently avoid extending credit to the ultra-micro business segment, especially those seeking loans below IDR 3,000,000. This behavior aligns with Adam Smith's (1776) theory of Economies of Scale and Profitability, which underlines that institutions seek operational efficiency through cost minimization and high return margins. From this theoretical perspective, loans of minimal value are considered inefficient because administrative and monitoring costs outweigh the potential profit margins (Moskovitz et al., 1989).

Empirical observations reinforce this theoretical view. Several bank officers interviewed noted that *"processing a loan of three million requires the same paperwork as processing three hundred million, but the return is incomparable."* This statement reflects how administrative burden and strict compliance procedures act as deterrents. Similarly, Thein et al. (2024) emphasized that investor and managerial expectations push banks toward capital efficiency rather than inclusion.

However, from the perspective of Islamic economic principles, such exclusion raises ethical concerns related to *adl* (justice) and *maslahah* (public benefit). The lack of financial access for ultra-micro entrepreneurs contradicts the Islamic value of ensuring fairness and inclusivity in economic participation. Justice (*adl*) demands that financial services be accessible to all social strata, not merely to those with strong collateral or credit records. Therefore, while large banks' avoidance aligns with capitalist efficiency logic, it diverges from Islamic moral imperatives emphasizing equity and social welfare.

2. Information Asymmetry and Adverse Selection Phenomenon

A crucial challenge preventing formal institutions from financing ultra-micro entrepreneurs lies in information asymmetry, as described by Akerlof's (1970) Information Asymmetry Theory. Most ultra-micro enterprises lack formal bookkeeping systems and cannot present transparent financial histories. This information gap leads to adverse selection, where banks struggle to differentiate between credible and high-risk borrowers (Sayyid & Lubis, 2024), (Nadilla, 2024) .

Field data show that ultra-micro businesses—such as street vendors, home-based snack producers, or mobile phone repair workers—often blend personal and business finances. As one respondent explained, *"I don't separate my capital from daily expenses; if I have sales today, I use part of it for groceries."* This statement exemplifies the practical difficulties of applying formal financial assessment models in informal contexts (Muamarah & Wahyudi, 2025), (Abro, 2021).

The findings confirm prior studies (Nurpramana et al., 2024), (Rohma, 2024) that highlight banks' withdrawal from the ultra-micro segment due to the lack of reliable credit information. Moreover, as noted by Muamarah & Wahyudi (2025) and Abro (2021), the absence of cost accounting knowledge hinders these businesses from measuring profitability accurately. This low level of financial literacy perpetuates vulnerability and dependency on informal credit sources.

From an Islamic finance perspective, the condition violates the principle of *maslahah*, which advocates empowerment and protection of the economically weak. Providing accessible, transparent, and fair financing instruments to such groups aligns with *maqasid al-shariah* (the higher objectives of Islamic law), particularly the preservation of wealth (*hifz al-mal*) and social welfare. Thus, addressing information asymmetry is not merely an administrative challenge but an ethical obligation in Islamic economics (Gavana et al., 2025), (Priskilla et al., 2024).

3. The Role of Microfinance Institutions and Informal Moneylenders: Embeddedness and Social Trust

Unlike large banks, microfinance institutions (MFIs) and informal moneylenders demonstrate greater adaptability and social embeddedness in reaching ultra-micro business actors. According to Granovetter's (1985) Embeddedness Theory, economic activities are deeply rooted in social relationships and trust networks. MFIs and informal lenders thrive within these networks, where repayment is sustained by social proximity, mutual recognition, and moral obligation rather than formal contracts.

Empirical evidence shows that many borrowers prefer informal lenders despite higher interest rates because of the immediacy and flexibility of access. A micro-entrepreneur stated, *"I* *can borrow in the morning and start selling in the afternoon; I only need to show my ID and promise to pay back daily."* This illustrates how embedded financial relationships can substitute formal institutional mechanisms.

Nevertheless, while these institutions embody *ukhuwah iqtishadiyyah* (economic brotherhood) in practice—emphasizing mutual trust and social solidarity—they also risk fostering dependency if not complemented with financial education. As Chairunisa (2024) and Nurjaman & Abdullah (2024) note, initiatives like Baitul Maal wat Tamwil (BMT) attempt to balance accessibility with education, but the content often lacks contextual relevance. Strengthening these institutions to integrate Islamic microfinance principles, such as *qard al-hasan* (benevolent loans) or *mudharabah* (profit-sharing), can enhance both inclusion and justice (Nurjaman & Abdullah, 2024).

4. The Urgency of Relevant and Adaptive Financial Communication

The research further identifies ineffective financial communication as a structural barrier between formal institutions and ultra-micro actors. Current literacy programs tend to be one-directional—focused on information dissemination rather than participatory dialogue. This approach fails to build the practical competencies needed by micro-entrepreneurs, such as basic bookkeeping, capital-profit separation, and cash flow management.

Field participants frequently expressed confusion regarding formal procedures. As one vendor noted, *"I attended a bank training, but it was full of terms I didn't understand; I need examples, not theory."* This highlights the gap between institutional communication and grassroots understanding.

In alignment with Zamore et al. (2023) and Nurhidayat et al. (2023), the study suggests that financial communication must adopt a *context-sensitive* and *dialogical model*. From an Islamic communication perspective, this aligns with the concept of *tabligh*—the duty to convey information clearly, persuasively, and beneficially. Financial education should thus promote empowerment (*tamkin*), ensuring that ultra-micro actors can manage their finances independently and sustainably (Zamore et al., 2023), (Nurhidayat et al., 2023)

Table 1. Comparison of Credit Access Between Large Banks and Microfinance Institutions

No	Aspect	Big Bank	Microfinance Institution
1	Loan Ceiling	>Rp 3.000.000	< from 3.000.000
2	Document	Formal and strict (bank	Loose, just KTP/simple

No	Aspect	Big Bank	Microfinance Institution
	Requirements	statements, financial reports)	guarantee
3	Risk Assessment	Based on documents and credit scoring	Based on social proximity/field observations
4	Payment system	Monthly	Daily, weekly, monthly (flexible)
5	Trust level	Low on the ultramicro sector	High because it is based on a local network
6	Advantage	Lower interest rates	Quick access, without many requirements
7	Deficiencies	Does not reach the informal sector	Higher interest rates, prone to dependency

The table above shows the main differences between loans with a ceiling above and below IDR 3,000,000 lies in the formality and approach of the institution.(Metu & Nwogwugwu, 2024), (Aminu & Manko, 2024) Loans above IDR 3 million are generally distributed by formal financial institutions such as banks or large cooperatives with strict requirements, such as bank statements and financial statements. The risk assessment uses credit scoring and official documents, with a monthly payment system and relatively low interest rates. However, this type of loan is less accessible to the informal sector or small business actors due to limited access to the required documents.

On the other hand, loans under IDR 3 million are more flexible and easily accessible, especially for micro-entrepreneurs and the informal sector. The requirements are quite light, such as only requiring an ID card or simple collateral, and the risk assessment process relies more on social proximity or field observation. Payments can also be made daily, weekly, or monthly, depending on the borrower's ability. Although the interest tends to be higher and is prone to causing dependency, this system provides greater convenience and trust because it is based on local networks or local communities.(Uddin et al., 2024), (Ali, 2024),(Zamore et al., 2023)

Table 2. The Reason Big Banks Don't Channel Credit To Ultra-Micro Businesses

High procedures and costs			5
Economies of scale are inefficient			5
Focus on profitability		4	
High risk			5
Limited service		4	
Strict regulations		4	

Importance score 1-5

The graphic image illustrates various factors that cause large banks to be reluctant to provide credit to ultra-micro businesses. The three factors that received the highest score, namely 5, are: high procedures & costs, inefficient economies of scale, and high risk. This shows that banks consider the process of providing credit to ultra-micro businesses to require complicated procedures with administrative costs that are not commensurate with the loan value. In addition, because the scale of ultra-micro businesses is relatively small, banks consider this activity to be economically inefficient. The high risk of bad debt in this segment is also a major consideration for rejection.(Johri et al., 2024), (Frost et al., 2022)

Other factors that scored 4, such as focus on profitability, limited services, and strict regulations, show that although not dominant, these factors still influence bank decisions. Banks prefer to channel credit to business segments that are considered more profitable, have a wider service coverage, and are less constrained by regulations. This graph reinforces the finding that ultra-micro businesses are often marginalized from access to formal financing because they are considered not in line with the operational characteristics and commercial interests of large banks (Aminu & Manko, 2024), (Budiarto et al., 2024), (Fonseca et al., 2024).

The three highest-rated determinants—high procedural costs, inefficiency, and perceived risk—reflect banks' operational priorities rather than social inclusion objectives. These priorities are rational within the neoclassical economic model but contradict the Islamic finance paradigm, which promotes equitable distribution and socio-economic justice.

In Islamic terms, prioritizing only profit (*ribh*) while neglecting welfare (*maslahah*) and justice (*adl*) represents an ethical imbalance. Financial institutions guided by *maqasid al-shariah* should design instruments that balance risk and social responsibility, enabling capital circulation to the most vulnerable yet productive segments.

The synthesis of theoretical and empirical analysis demonstrates a systemic disconnection between formal banking logic and the socio-economic realities of ultra-micro actors. Large banks operate under the logic of efficiency and profitability, while the ultra-micro sector operates on survival, trust, and social reciprocity. Bridging this gap requires adaptive financial communication, contextual literacy programs, and Islamic financial innovations (such as *qard al-hasan* or *murabahah micro schemes*) that ensure inclusivity, justice, and sustainability.

Ultimately, empowering ultra-micro businesses is not only an economic agenda but also a moral imperative grounded in *adl*, *maslahah*, and *ukhuwah iqtishadiyyah*. By integrating these values, financial institutions can transform from profit-centered entities into agents of equitable development.

5. CONCLUSION

This study reveals a persistent and significant gap in the financing approach between formal financial institutions—particularly large banks—and non-formal financial actors such as microfinance institutions (MFIs) and informal moneylenders in serving the ultra-micro business sector. Large banks tend to avoid engaging with this segment due to perceptions of high administrative burden, inefficiency in economies of scale, and elevated credit risk. Rigid operational procedures and strict regulatory requirements further reinforce this exclusion.

Conversely, MFIs and informal moneylenders exploit this financing gap by providing simpler, more flexible, and socially embedded mechanisms that rely heavily on interpersonal trust and community-based relationships. Their ability to disburse funds quickly, impose minimal administrative requirements, and maintain lower operational costs makes them more accessible and attractive to ultra-micro business actors. These findings confirm the structural disparity between formal and informal financial systems, where the informal sector demonstrates higher adaptability and responsiveness to the urgent financing needs of small entrepreneurs.

From a strategic perspective, this study recommends that Islamic regulators and financial institutions adopt a more inclusive and adaptive financial intermediation model. Regulators should design micro-sharia-based financial frameworks that integrate principles of justice, trust, and social solidarity, while simplifying administrative processes without compromising governance. Islamic financial institutions, in particular, can develop Sharia-compliant ultra-micro financing instruments—such as qard al-hasan or micro-murabahah schemes—supported by community-based financial communication systems. This approach would not only enhance financial inclusion but also align with the ethical and social objectives (maqasid al-shariah) of Islamic finance, fostering equity, empowerment, and sustainability among marginalized ultra-micro business actors.

ACKNOWLEDGEMENT

The author would like to express his deepest gratitude to all parties who have provided support in the preparation of this research. In particular, appreciation is given to: the leaders and lecturers of INISNU Temanggung, who have provided direction, motivation, and opportunities to develop this research, sands ultra-micro business actors who have been willing to provide the information and data needed in the research.

REFERENCE

Abro, G. (2021). Impact of Ultramicro Holding on Financial Performance and Business Sustainability. *Research Horizon*, *1*(3), 86–93.

Akhmad Affandi, dkk. (2024). Integrating Islamic Finance Principles and The Digital Disruptive Age to Support Global Sustainability. *Al-Uqud : Journal of Islamic Economics*, *6*(2), 204–216. https://doi.org/https://journal.unesa.ac.id

Ali, S. (2024). The Effect of E-Commerce Factors on Consumer Purchasing Behavior. *Journal Terekam Jejak (JTJ)*, *2*(2), 1–22. https://doi.org/10.1109/IT61232.2024.10475736

Aminu, I. Y., & Manko, B. A. (2024). Impact of Non-Financial Services by Listed DMBs on the Development of SMEs in Nigeria. *Fudma Journal of Accounting and Finance Research [FUJAFR]*, *2*(1), 191–205. https://doi.org/10.33003/fujafr-2024.v2i1.85.191-205

Arkan, M. H. (2016). Penurunan Pendapatan Pedagang Pasar Pondok Labu, Dampak Munculnya Marketplace. *Jurnal Ilmiah Wahana Pendidikan*, *10*(June), 1–23.

Budiarto, B. W., Wulandari, Sugeng Karyadi, Loso Judijanto, & Wenny Desty Febrian. (2024). Analysis Of The Influence Of Spiritual Capital, Motivation And Work Competencies On Performance Of Human Resource In Smes Sector. *JEMSI (Jurnal Ekonomi, Manajemen, Dan Akuntansi)*, *10*(1), 240–246. https://doi.org/10.35870/jemsi.v10i1.1906

Chairunnisa, C., & Marlina, M. (2020). Peran KSPPS BMT Bahtera Pekalongan Dalam Meminimalisir Ketergantungan Pedagang Terhadap Rentenir Melalui Pembiayaan Murabahah. *SERAMBI: Jurnal Ekonomi Manajemen Dan Bisnis Islam*, *2*(1), 63–72. https://doi.org/10.36407/serambi.v2i1.153

Fadhilah, R., Yunus, S., Anam, H., Yunus, R., & Nasruddin, M. A. (2024). The Effectiveness of KUR Sharia Products in PT. Pegadaian Talise Branch UPC Tawaeli in SME Development. *Golden Ratio of Data in Summary*, *4*(1), 28–35. https://doi.org/10.52970/grdis.v4i1.501

Fonseca, S., Moreira, A. C., & Mota, J. (2024). Profitability of microfinance institutions and borrowers: a systematic literature review. *Cuadernos de Gestion*, *24*(2), 39–53. https://doi.org/10.5295/CDG.232011AM

Frost, J., Gambacorta, L., & Jagtiani, J. (2022). *Working Papers Giulio Cornelli Bank for International Settlements Bank for International Settlements The Impact of Fintech Lending on Credit Access for U.S. Small Businesses The Impact of Fintech Lending on Credit Access for U.S. Small Businesses Giulio C*. https://doi.org/https://doi.org/ 10.21799/frbp.wp.2022.14

Gavana, G., Grechi, D., & Moisello, A. M. (2025). Earnings management in family business research: yesterday, today and tomorrow. *Journal of Financial Reporting and Accounting*. https://doi.org/10.1108/JFRA-09-2024-0587

Jannah Richatul. (2024). Strategi Managemen Keuangan Bagi Pelaku Usaha Ultra Mikro : Optimalkan Keuntungan dengan Harga Pokok Produksi. *Jurnal Pengabdian Masyarakat*, 6(2), 453–470. https://doi.org/10.35316/assidanah.v6i2.453-470

Jeaheng, Y., Al-Ansi, A., Chua, B. L., Ngah, A. H., Ryu, H. B., Ariza-Montes, A., & Han, H. (2023). Influence of Thai Street Food Quality, Price, and Involvement on Traveler Behavioral Intention: Exploring Cultural Difference (Eastern versus Western). *Psychology Research and Behavior Management*, *16*(02), 223–240. https://doi.org/10.2147/PRBM.S371806

Johri, A., Asif, M., Tarkar, P., Khan, W., Rahisha, & Wasiq, M. (2024). Digital financial inclusion in micro enterprises: understanding the determinants and impact on ease of doing business from World Bank survey. *Humanities and Social Sciences Communications*, *11*(1), 1–10. https://doi.org/10.1057/s41599-024-02856-2

Kamah, I. S. (2024). THE ROLE OF INFORMAL LENDING PRACTICES IN SUPPORTING MICROENTERPRISE DEVELOPMENT : A CASE STUDY OF MOLOMPAR VILLAGE , SOUTHEAST MINAHASA. *Maqrizi: Journal of Economics and Islamic Economic*, *4*(2), 104–116. https://doi.org/http://ejournal.iain-manado.ac.id/

Karyono, O. (2024). Strategy for Building Sharia-Conscious Competitiveness in Small and Medium Enterprises Based on Local Wisdom. *AlIntaj Jurnal Ekonomi Dan Perbankan Syariah*, *10*(2), 1--14. https://doi.org/https://ejournal.uinfasbengkulu.ac.id/index.php/Al-Intaj

Kurniasih, E. P., Andini, N., Kartika, M., & Dosinta, N. F. (2024). Unveiling the links : How poverty , unemployment , education , and income inequality drive crime in Indonesia ? *Al-Uqud : Journal of Islamic Economics*, *8*(2), 189–210. https://doi.org/https://journal.unesa.ac.id

Kusuma, K. A., Fauji, I., Futaqi, F. A., & Ramlan, S. I. bin. (2024). Bankziska and Informal moneylenders eradication in Souhteast Asia: Evidence from Indonesia. *Al-Uqud: Journal of Islamic Economic*, *08*(01), 161–174. https://doi.org/https://journal.unesa.ac.id/index.php/jie

Bankziska

Makhroja, M. N., Ramdhani, M. A., Khaerunnisa, T. F., & Saputra, Y. F. (2023). Understanding the Phenomenon of Vietnamese Diaspora in Poland: Migration Networks Analysis. *(SeaCMD 2023), Atlantis Highlights in Social Sciences, Education and Humanities 16, 1*(SeaCMD), 180–193. https://doi.org/10.2991/978-94-6463-362-7_14

Meki, M., & Quidt, J. De. (2025). Senior Editors: *Microfinance*, *3*(3), 36.

Merroun, M. A., & Hamiche, M. (2023). Access To Microcredit and Its Impact on the Performance of Small and Medium-Sized Enterprises: a Literature Review / Acces Au Microcredit Et a Ses Impact Sur La Performance Des Petites Et Entreprises De Taille Moyenne : Une Revue De La Littérature. *European Journal of Economic and Financial Research*, *7*(3), 105–123. https://doi.org/10.46827/ejefr.v7i3.1535

Metu, A. G., & Nwogwugwu, U. C. C. (2024). Challenging Factors Affecting Access to Finance by Female Micro Entrepreneurs in Anambra State, Nigeria. *Journal of African Business*, *25*(1), 142–154. https://doi.org/10.1080/15228916.2022.2064677

Mi'raj, D. A., & Ulev, S. (2024). A bibliometric review of Islamic economics and finance bibliometric papers: an overview of the future of Islamic economics and finance. *Qualitative Research in Financial Markets*, *16*(5), 993–1035. https://doi.org/10.1108/QRFM-03-2023-0068

Moskovitz, F., Ft, A., & Road, L. (1989). *Intellectual Discourse* (D. M. Y. (Malaysia) (ed.); Islamic We, Vol. 31, Issue 3). IIUM Press, International Islamic University Malaysia P.O. Box 10, 50728 Kuala Lumpur, Malaysia.

Muamarah, H. S., & Wahyudi, E. (2025). ULTRA MICRO FUNDING PROGRAM : SURVEY OF SMALL AND Ultra Micro Funding Program:Survey Of Small And Medium Enterprises. *Jurnal Aplikasi Ekonomi, Akuntansi Dan Bisnis*, *7*(1), 191–208. https://doi.org/DOI : doi.org/10.37641/riset.v7i1.2599 ULTRA

Muthoifin, M., Amelia, I., & Eprahim Ali, A. B. (2024). Islamic accounting: Ethics and contextualization of recording in Muamalah transactions. *Multidisciplinary Reviews*, *7*(8), 2 14. https://doi.org/10.31893/multirev.2024132

Nadilla, N. (2024). Identify Factors in Increasing the Income of Micro, Small and Medium Enterprises (MSMEs) in Padang City. *Journal of Business and Economics (JBE)*, 9(2), 1–6.

Nguyen, T. N., Duong, M. H. T., & van Nguyen, D. (2024). Natural resources and the underground economy: A cross-country study in ASEAN using Bayesian approach. *E a M: Ekonomie a*

Management, 27(2), 1–15. https://doi.org/10.15240/tul/001/2024-2-001

Nurhidayat, M., Kusuma, H., & Hanafi, S. M. (2023). the Role of Locus of Control in Consumer Credit Debt Behavior During the Pandemic Covid-19 By Using Religiosity As a Moderating Variable. *Jurnal Aplikasi Manajemen*, *21*(2), 466–477. https://doi.org/10.21776/ub.jam.2023.021.02.15

Nurjaman, M. I., & Abdullah, F. D. (2024). Sistem Marketing Rentenir: Skema Baru Perluasan Jangkauan Perbankan Syariah. *Gunung Djati Conference …*, *42*(1), 299–307. https://doi.org/https://creativecommons.org/licenses/by/4.0 301

Nurpramana, D., Gumanti, T. A., Safitri, J., & Handriani, E. (2024). Do Debtor's Business and Welfare Better? Study on Ultra Micro Financing Program in Indonesia. *Indonesian Journal of Business Analytics*, *3*(6), 2267–2284. https://doi.org/10.55927/ijba.v3i6.6966

Priskilla, B. Y., Simangunson, B., Darmawanto, A. T., & Adrian, R. (2024). The Analysis of MSME Empowerment : The Impact of Financing Support and Training on the Output Value of Micro and Small Enterprises in Sumatra Island. *Sustainable Business Funding for Small and Ultra-Micro Traders*, *0*.

Rohma, F. F. (2024). Research of Finance and Banking The Pattern of Budget Slack in Sharia Microfinance Institutions : A Phenomenology Study. *Research of Finance and Banking*, *2*(2), 64–72. https://doi.org/ttps://doi.org/10.58777/rfb.v2i2.211

Satriadi, T. A. (2021). Green Transformational Leadership, Green Human Resource Management and Green Innovation: Key To Environmental …. *Ioer-Imrj.Com*, *3*(3), 48–58. https://doi.org/10.24034/j25485024.y2025.v9.i1.6908

Sayyid, P., & Lubis, A. (2024). Peran Lembaga Keuangan Mikro (LKM) Dalam Upaya Pengembangan Usaha Kecil Dan Mikro. *Trending: Jurnal Ekonomi, Akuntansi Dan Manajemen*, *2*(1).

Sungkawaningrum, F. (2022). Philosophical Perspective of Islamic Economics. *International Journal of Religious and Cultural Studies*, *4*(2), 207–212. https://doi.org/10.34199/ijracs.2022.10.09

Sungkawaningrum, F. (2024). Tutorial Environmental Integration in Development Strategy and Economic Growth: A Macroeconomic Perspective. *Teumulong: Journal of Community Service*, *2*(3), 130–139. https://doi.org/10.62568/jocs.v2i3.33

Sungkawaningrum, F., Handona, F., & Sariyekti, E. (2024). Transforming the Household Economy

Through Home Industry: (Analysis of the Social and Economic Impact of the Ijuk Argo Jaya Home Industry). *Sharia Oikonomia Law Journal*, 2(2), 116–126. https://doi.org/10.55849/solj.v2i2.1154

Sungkawaningrum, F., Sholihin, M., Hanafi, S. M., Hartono, S., Irma, I., & Pelupes, F. W. (2024). Analysis of Small Traders' Preferences When Deciding To Owe Loans Using Behavioral Planning Theory. *Revista de Gestao Social e Ambiental*, *18*(5), 1–18. https://doi.org/10.24857/RGSA.V18N5-100

Susanto, D., Khairul Anwari, M., Supriadi, F., Agama Islam, F., & Muhammadiyah Pontianak, U. (2023). Determinan Faktor Keinginan UMKM Untuk Menggunakan Layanan Fintech Syariah; Studi Kasus UMKM Pontianak, Kalimantan Barat. *Jurnal Ilmiah Ekonomi Islam*, 9(1), 1509–1516.

Thi, D., Tran, P., Thi, H., Dang, M., Luong, T. T., Pham, D. T., & Cao, P. T. (2024). Cuadernos de economía Enhancing the Competitiveness of Vietnamese SMEs in the. *Cuadernos de Economía Www.Cude.Es*, 47(133), 73–81.

Uddin, M. H., Akter, S., Mahi, M. Al, & Mollah, S. (2024). Why do microfinance institutions charge higher interest rates than banks? The role of operating costs. *Finance Research Letters*, *70*(April), 106319. https://doi.org/10.1016/j.frl.2024.106319

Zakaria, Z., & Kuah, Y. C. (2024). SMEs Fintech Financing: Does Board Governance Matter? *Gadjah Mada International Journal of Business*, 26(2), 185–207. https://doi.org/10.22146/gamaijb.66123

Zamore, S., Beisland, L. A., & Mersland, R. (2023). Excessive focus on risk? Non-performing loans and efficiency of microfinance institutions. *International Journal of Finance and Economics*, 28(2), 1290–1307. https://doi.org/10.1002/ijfe.2477

Zhong, S., & Werner, C. (2024). The hidden strength of small business: Social networks and wet market vendors in China. *Economic Anthropology*, *November 2022*, 1–14. https://doi.org/10.1002/sea2.12323