

Segmental Analysis of Financial Management Challenges in MSEs Through the Lens of Shariah-Based Practices in the Halal Industry

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Abstract

Purpose: This study aims to examine the business financial management challenges faced by Micro and Small Enterprises (MSEs), with a particular focus on segmental analysis within the context of Sabah's halal industry. This study seeks to explore how MSEs incorporate Shariah-based financial management practices into their operations, thereby highlighting key areas for improvement and supporting the long-term sustainability of MSEs in the region.

Design/methodology/approach: A qualitative research design was employed, utilizing semi-structured interviews and focus group discussions with MSEs in Sabah's halal industry. Thematic analysis was applied to the collected data to uncover key financial issues related to business financial planning and management. The findings aim to provide valuable insights into the financial needs of MSEs, helping to identify areas for improvement and inform the development of strategies to enhance Shariah-based business operations for MSEs.

Findings: Micro and Small Entrepreneurs (MSEs) in Sabah face financial literacy challenges, particularly in managing Shariah-based financial practices such as budgeting, projecting cash flow, and analyzing financial plans. These challenges often lead to poor financial management and hinder business growth aligned with Islamic values.

Research limitations/implications: This study is limited by its sample size and its geographic focus on Sabah, which may affect the generalizability of the findings to other regions or larger enterprises. Future research could expand the scope by including a broader sample and exploring the impact of the module across various industries and regions.

Practical implications: The findings from this research provide a valuable foundation for supporting initiatives and financial development modules that promote structured and effective financial education, particularly for the Micro and Small Entrepreneurs (MSEs) segment.

Originality/value: This research helps bridge existing knowledge gaps and offers practical guidance to enhance Shariah-based financial practices, especially within Sabah's halal industry.

Keywords: Shariah-Based Practices, Financial Management, Micro and Small Entrepreneurs (MSEs), Segmentation Analysis, Halal Industry

Introduction

Micro and Small Enterprises (MSEs) serve as the backbone of Malaysia's economic structure, contributing approximately 39.5% to the Gross Domestic Product (GDP) and 48.7% to employment (Department of Statistics Malaysia, 2025). In the context of the halal industry, Saimani and Yusmaii (2022) identify the nine schemes that make part of the Malaysian Halal Certification Program. Depending on the kind of product or service they offer, manufacturers or companies can select the plan that best suits their needs. Food and beverage, cosmetics, pharmaceuticals, hotels or food premises, consumer goods, logistics, slaughterhouses, OEMs (original equipment manufacturers), and medical devices are among the schemes. As a result, companies that are involved in the schemes mentioned may apply halal applications for their product or services. Regulatory and certifying bodies play a vital role in ensuring the reliability and credibility of halal certifications. Their responsibilities include establishing standards, overseeing the certification process, conducting audits, verifying ingredients, providing training, issuing certifications, and enforcing legal requirements. Understanding the difference between micro, small, and medium-sized enterprises is essential for identifying their respective capacities and challenges. Microenterprises in Malaysia typically generate less than RM300,000 in annual sales and employ fewer than five people, while small enterprises operate on a larger scale but still face structural barriers (SME Corp. Malaysia, 2020). These differences affect their ability for practicing structured financial management as well as their access to capital.

Financial planning and management are important for sustainability of business because it helps entrepreneurs to better allocate resources, prepare for uncertainties, and improve their profitability. Studies have found that many micro business entrepreneurs in Sabah acknowledge the importance of an effective business plan for accessing their external financing but are dissatisfied with their ability to produce one (Topimin & Hashim, 2020). Moreover, informal business practices, limited digitalisation, and low financial literacy further hinder proper financial management (Surianshah et al., 2024). A deficiency in financial literacy among micro, small, and medium enterprises significantly contributes to higher failure rates, underscoring the urgent need for educational initiatives (Thabet et al., 2019). Surianshah et al. (2024) state that additional efforts addressing these socioeconomic business factors are needed, such as implementing microfinance programs to develop more micro and SME entrepreneurs in Sabah with improved financial literacy skills. The global halal industry, valued for its ethical and religious adherence, presents a significant growth opportunity, yet micro-enterprises within this sector often lack the specialized financial knowledge to fully capitalize on it (Qurniawati & Nurohman, 2021).

While the ultimate purposes of Islamic teachings are outlined in the concept of *maqasid al-shariah*, which provides a simplified and accessible articulation of Shariah's overall objective. These goals can be distilled into five basic purposes: the protection of faith (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*). As outlined by Kholish et al. (2020), these above five core necessities are considered vital to human well-being and societal stability, and their preservation is central of putting Islamic law into practice. The gaps widens further when it comes to Shariah-based financial management. Shariah-based financial management promotes financial planning among entrepreneurs that prioritises not only material profit but also public welfare (*maslahah*), harmony between individual and collective rights, and spiritual responsibility in managing funds (Suginam, 2025). Damit and Mohammed (2025) also found that Takaful, despite its strong presence in regions with a long-

standing Islamic finance tradition, can still be relatively unfamiliar or misunderstood in other areas.

Focusing on financial planning, financial management, risk management, and support systems, this paper segments the issues of financial management faced by MSEs in Sabah halal industry. In order to enhance financial literacy and planning, improve determination, and especially promote the sustainability of the halal industry, the study aims to contribute to the development of a cultural sensitive Islamic Financial Management Module and incorporate these elements with Shariah-based nature of the concepts. The purpose of this article is to provide an overview of the literature, explain the qualitative research method used, discuss the data analysis and findings of this study, and provide conclusions and implications from the research.

Literature Review

MSEs Concept: Differences Between Micro, Small and Medium

Micro, small, and medium enterprises (MSEs) form the backbone of the Malaysian economy, contributing over 97% of total business establishments and playing a critical role in employment and income generation (SME Corp, 2013). The classification of MSEs is based primarily on annual sales turnover and the number of employees. Table 1 below summarizes the official criteria across both the manufacturing and services sectors. Microenterprises, typically with fewer than five workers and annual sales not exceeding RM300,000, operate in a much more constrained financial and operational environment compared to small and medium firms (SME Corp, 2013).

Table 1: Categories of SME

| Categories | Micro | Small | Medium |
|-------------------------|---|--|---|
| Factory | Sales less than RM300,000 or total full-time staff not more than 5 people | Sales from RM300,000 until RM15 million or full-time staff between 5 to 75 people. | Sales from RM15 million until RM50 million, or total of full-time staff between 75 to 200 people. |
| Services & Other Sector | | Sales from RM300,000 until RM3 million or a total of full-time staff between 5 to 30 people. | Sales from RM 3 million until RM 20 million or total of full-time staff between 30 to 75 people. |

(Source: LHDN Malaysia 2024)

Micro enterprises often face constraints in accessing financial resources and tend to function within informal business settings, while small enterprises are generally more structured and operate with a higher degree of formalisation in their management practices (Ishak et al., 2022). The distinction among these segments is more than statistical, as it has direct implications for financial behaviour, access to resources, and policy eligibility. Alkharib et al. (2025) highlighted that micro enterprises tend to face more constraints than small firms regarding leadership capability, internal controls, and awareness of halal compliance requirements. These organisational limitations contribute to lower readiness levels for implementing consistent Shariah-compliant practices. Furthermore, Marjudi et al. (2020) found that micro-entrepreneurs involved in halal businesses face greater challenges in adopting Islamic

transactions due to internal limitations such as lack of knowledge, manpower, and digital capability. These constraints often result in informal financial practices that are harder to monitor or integrate with formal Islamic finance institutions.

Business Financial Management Challenges

Financial management is one of the most recurring problems faced by micro and small enterprises (MSEs) in Malaysia. These businesses tend to be run as informal with a minimal financial documentation, underdeveloped budgeting systems, and limited access to institutional support. Muhammad et al. (2017) found that many halal-oriented SMEs, particularly micro-enterprises, exhibit weak financial literacy, leading to poor budgeting, ineffective cost control, and reactive rather than strategic financial decisions. A key barrier is the lack of awareness and understanding of structured financial planning. Awang et al. (2016) has noticed that although there is growing acceptance of Islamic financial principles among halal SMEs, this does not necessarily translate into practical implementation. Many entrepreneurs are unfamiliar with financial tools such as capital planning, cash flow forecasting, or profit reinvestment strategies, which are essential for long-term growth and sustainability.

Halal micro and small enterprises face a variety of internal and external barriers that affect their operational and financial performance. As noted by Marjudi et al. (2020), these barriers include challenges in capital access, technological limitations, insufficient skilled labour, and weak management systems, all of which hinder efficient business practices. A key internal issue is the limited knowledge among halal SME owners, particularly regarding affordable financial and management training. This lack of training contributes to informal practices and weak compliance with Islamic financial standards. Additionally, many of these entrepreneurs lack digital literacy, with the authors suggesting that digital platform training could significantly improve internal productivity. Although not explicitly stated, the study implies that many micro-enterprise owners in the halal sector juggle multiple roles, as they often operate without advisory support and handle compliance, operations, and financial matters independently. Furthermore, Alkharib et al. (2025) pointed out that many small firms struggle with integrating halal compliance into their financial governance systems due to inconsistent internal policies and limited organizational readiness. This compounds financial challenges by creating regulatory blind spots and operational inefficiencies.

Therefore, this study on the segmental analysis of financial management challenges in MSEs, viewed through the lens of Shariah-based practices in the halal industry, focuses on four key elements: financial planning (FP), financial management practices (FMP), financial risk management (FRM), and financial business support (FBS).

Shariah-based practices in Financial Management

Shariah-based financial management applies Islamic principles to business and financial decision-making, ensuring compliance with the prohibitions of *riba*, *gharar*, and *maysir* (Kholish et al., 2020). It also aligns with the objectives of *maqasid al-shariah* to protect faith (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-‘aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*) (Bahri et al., 2019; Kholish et al., 2020). For Malaysia’s MSEs, embedding these principles enhances ethical compliance, stakeholder trust, and long-term sustainability (Suginam et al., 2025; Awang et al., 2016). From a broader market perspective, Shariah-compliant financial practices are well-institutionalised at the corporate level, according to the Shariah Advisory Council’s list dated 30 May 2025, approximately 80% of listed securities on Bursa Malaysia are classified as Shariah-compliant (Securities Commission Malaysia, 2025).

Bahri et al. (2019) highlight that the success of micro-entrepreneurs should be assessed not only through financial and non-financial performance but also through transformative and spiritual growth. Such a holistic perspective enables the principles of maqasid al-shariah to be applied more effectively.

Shariah-based practices, as defined by the Securities Commission Malaysia through its Shariah screening methodology, emphasis compliance with the principles of the Qur'an and Sunnah, prohibiting elements such as *riba* (interest), *gharar* (excessive uncertainty), and activities contrary to Islamic values. For companies listed on Bursa Malaysia, compliance is determined through rigorous financial ratio screening and business activity assessments. However, from a micro-entrepreneurship perspective, most businesses are not subject to such formal listings, and Shariah adherence is instead reflected in day-to-day financial management, ethical dealings, and contract choices. Therefore, in this study, the four elements of Shariah-based financial management are identified as namely: (1) financial planning (FP), (2) financial management practices (FMP), (3) financial risk management (FRM) and (4) financial business support (FBS).

Financial planning (FP)

Financial planning remains a major challenge for micro and small halal enterprises (MSEs) in Sabah. While many entrepreneurs strive to offer halal-certified products and services, their understanding of Islamic financial principles, such as avoiding *riba*, planning for zakat, and participating in halal investment instruments, is minimal. For most micro-entrepreneurs, financial decisions are made day-to-day, driven by immediate income, rather than guided by structured financial planning. A study by Nik Azman et al. (2023) showed that while Islamic financial literacy correlates with financial sustainability among Malaysian micro-entrepreneurs, awareness of specific tools like *Takaful*, *Mudarabah*, or profit-sharing schemes remains low. Financial behaviour often stems from immediate cash flow, rather than from long-term strategic planning.

Similarly, Yeop Johari et al. (2023) found that among micro-entrepreneurs in farmers' markets (*Pasar Tani*), 50% did not keep any records, and the rest tracked only minimal financial details, indicating a lack of budgeting or planning structures. This limits their ability to manage income, plan for zakat, or reinvest in business proactively. Further, Noor & Zaini et al. (2024) investigated female micro-entrepreneurs in Malaysia and concluded that most lack basic financial literacy skills, such as separating personal vs. business income, saving systematically, or calculating product costs. These gaps lead to reliance on informal cash flows and often hinder growth. In a broader context, Awang et al. (2016) conducted an extensive study on the acceptance and application of Islamic financial planning among halal SME operators in Peninsular Malaysia. The authors identified that financial planning within Islamic finance involves the creation, protection, purification, and distribution of wealth. This process is linked to the preservation of wealth (*hifz al-mal*), one of the core maqasid al-shariah. They found that entrepreneurs with higher levels of Islamic financial literacy were more likely to integrate Shariah-compliant instruments such as *mudarabah*, *musharakah*, and *takaful* into their business planning.

Financial management practices (FMP)

Financial management practices among micro and small halal enterprises in Sabah are significantly influenced by local educational, structural, and institutional constraints. Low levels of financial literacy were found in a study by Topimin and Hashim (2020) that surveyed

microbusiness owners on the southeast coast of Sabah. More than 70% of respondents received scores below the midpoint on a basic financial understanding test, which had a major effect on their capacity for cash flow planning, record-keeping, and budgeting. In support of this, Surienshah et al. (2024) looked at 301 youth-run micro and small businesses in Sabah and discovered that the average length of company experience is between one and two years. It had a favourable impact on financial literacy, especially in the areas of insurance and investing knowledge. These findings highlight the role of both age and experiential learning in influence financial capability. Gaps in financial management are made worse by the informality of many Sabah businesses. According to research by Sabu et al. (2025), more than half of Sabah's SMEs are unregistered or run informally, which keeps them out of institutional banking services, grants, and advising programs. This digital exclusion compromises the resilience of businesses and erodes structured financial planning. From an Islamic financial management perspective, Awang et al. (2016) highlight that halal operators must integrate financial controls with halal production standards to maintain market credibility. This approach not only protects wealth but also strengthens community trust, to fulfil *hifz al-nasl* by maintaining morally upright businesses for coming generations.

Finance Risk Management (FRM)

Effective risk management is essential for sustaining halal micro and small enterprises (MSEs) in Sabah. However, many entrepreneurs remain in reactive mode, without formal tools or strategies, particularly within a Shariah-compliant framework. Sabu et al (2025) observed that Sabah SMEs face significant financial risks such as cash flow volatility, credit access constraints, and lack of emergency funds. Many are excluded from formal banking and takaful systems due to informality or weak digital adoption, which limits access to microtakaful, credit insurance, or structured business continuity plans. In a complementary finding, Topimin and Hashim (2020) reported that many micro-entrepreneurs in Sabah mismanage daily finances due to poor recordkeeping, limited financial knowledge, and over-reliance on personal savings during emergencies. Most do not practice structured budgeting, making them especially vulnerable to seasonal income fluctuations or supply chain interruptions. This stands in contrast to the Islamic principle of *hifz al-mal* (protection of wealth), which involves preventive rather than curative financial protection, a principle frequently disregarded in implementation. Furthermore, Zaini et al. (2024) highlighted that even zakat-supported entrepreneurs who received Islamic micro-loans often lacked risk management guidance. In most cases, the zakat capital was rapidly exhausted by lack of emergency planning, leaving businesses financially vulnerable to unforeseen shocks.

Financial Business Support (FBS)

Micro and small halal enterprises (MSEs) in Sabah continue to face significant challenges in accessing financial business support. This includes access to Shariah-compliant financing, zakat-based assistance, and government grants. Many entrepreneurs remain unaware of available schemes, while others are excluded due to informal business operations or lack of required documentation. From a Shariah perspective, financial business support reflects the principle of *hifz al-'aql* or protection of intellect, as it enables entrepreneurs to make ethical and informed financial decisions through proper knowledge and understanding.

Ramli et al. (2024) highlighted that aligning business support mechanisms with maqasid al-shariah through structured training, transparent governance, and Islamic advisory services enhances ethical practices and operational sustainability. Their findings also indicate that embedding environmental, social, and governance (ESG) principles within Islamic finance

strengthens long-term accountability and social responsibility. Empirical studies confirm that financial support is more effective when coupled with Islamic financial education. Nik Azman et al. (2021) found that entrepreneurs who received Islamic microfinancing during the COVID-19 pandemic used the funds productively for business reinvestment and family financial security. These entrepreneurs experienced better financial resilience and business survival compared to those without such support. Similarly, Zaini et al. (2024) reported that zakat recipients who underwent Islamic financial coaching demonstrated more responsible use of funds, such as investing in inventory and expanding their businesses.

In the context of Sabah, Topimin and Hashim (2020) observed that although many microenterprises lack exposure to formal financing, some entrepreneurs who accessed support from agencies such as Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) Nasional and Amanah Ikhtiar Malaysia (AIM) managed to grow their operations, acquire halal-certified equipment, and introduce new products, especially within the food and beverage sector. The overall literature agrees that financial assistance, when designed with Islamic financial principles and proper guidance, can significantly boost business performance and sustainability for halal MSEs. Nonetheless, gaps in outreach, financial literacy, and business registration continue to limit the effectiveness of such initiatives.

Framework

Therefore, this study on the segmental analysis of financial management challenges in MSEs, through the lens of Shariah-based practices in the halal industry, emphasis four key elements: financial planning (FP), financial management practices (FMP), financial risk management (FRM), and financial business support (FBS). Each of these elements reflects a core aspect of how micro and small enterprises organise, manage, and sustain their financial activities in alignment with Islamic principles. Figure 1 presents the proposed shariah-based financial management framework designed for micro and small enterprises (MSEs) in Sabah.

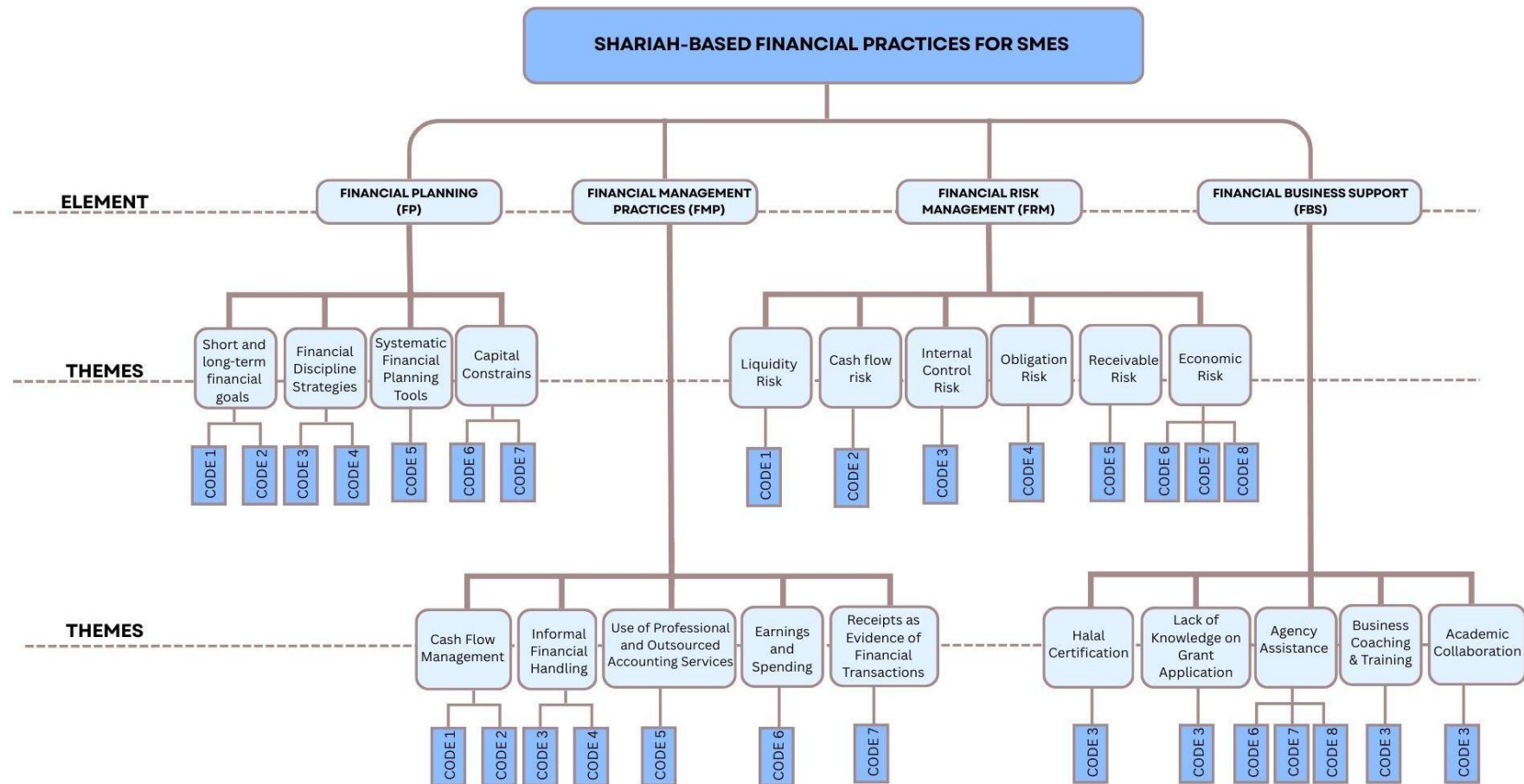
The first element, financial planning (FP), involves proactive financial behaviour rooted in Shariah values. It highlights the importance of setting clear short and long-term financial goals, maintaining financial discipline strategies, and utilising systematic financial planning tools. It also recognises the challenges posed by capital constraints, which often limit the ability of MSEs to scale or respond to opportunities. Together, these themes underscore the critical role of structured and ethical planning in ensuring financial stability and growth.

The second element, financial management practices (FMP), focuses on the day-to-day handling of financial operations. Key themes include effective cash flow management, the prevalence of informal financial handling, and the use of professional and outsourced accounting services. Moreover, the practices of earnings and spending and maintaining receipts as evidence of financial transactions are highlighted to ensure transparency and traceability. This element reflects how MSEs must balance informal practices with formalised systems to remain both efficient and Shariah-compliant.

The third element, financial risk management (FRM), centers on the identification and mitigation of financial vulnerabilities faced by MSEs. It encompasses risks such as liquidity risk, cash flow risk, internal control risk, and obligation risk, as well as receivable risk and economic risk. Addressing these risks within a Shariah-based framework means avoiding excessive uncertainty and ensuring fairness and justice in financial dealings, which are core tenets of Islamic finance.

Lastly, financial business support (FBS) captures the broader ecosystem of external assistance and institutional engagement that supports halal MSEs. The key themes in this category include the need for halal certification, the common lack of knowledge on grant applications, and the importance of agency assistance. Additionally, business coaching and training and academic collaboration are identified as crucial for building capacity, enhancing knowledge, and encouraging innovation. These support mechanisms are essential for enabling MSEs to thrive in a competitive, compliance-driven market.

Altogether, this Shariah-based financial framework offers a holistic, value-driven structure for analysing and addressing the financial management challenges faced by MSEs in the halal industry. By identifying specific themes within each element, the framework provides a clear and practical pathway for aligning financial practices with Islamic principles while promoting sustainable growth.



Note: Code for FP, FMP, FRM, and FBS can be referred from Tables 2,3,4,5, respectively.

Figure 1: Shariah-Based Financial Management Framework for Micro and Small Enterprises (MSEs) in Sabah

Methodology

This was qualitative research using in-depth interviews with 11 micro and small entrepreneurs from Sabah, including nine participants from Tawau, one from Kota Belud, and one from Putatan. A guideline questions was constructed by the researchers, guided by the financial management challenges literacy gaps in Sabah's halal industry. Data collection was carried out through interviews conducted via Focus Group Discussion (FGD) and online platform using Google Meet, which were recorded using video and audio recordings. The interviews were originally conducted in Malay and translated into English for reporting purposes. These conversations were then transcribed and imported into NVivo 15 software for coding and thematic analysis. According to Bamaga 2023, the NVivo software facilitated the organization and management of extensive interview datasets, streamlining the coding process and enabling efficient extraction of coded data for subsequent analysis. This facilitated an iterative process of extracting meaning and emphasizing generative insights aligned with the research questions, allowing for a comprehensive understanding of complex phenomena (Vinhas & Bastos, 2023). Furthermore, NVivo's functionalities supported the detailed categorization of responses into initial codes, which were then systematically grouped into broader thematic patterns (Ahmed et al., 2025). Thematic analysis was used to identify key themes and patterns from the interview data. The NVivo software enabled systematic coding of responses, focused on four domains central to the study: financial planning (FP), financial management practices (FMP), financial risk management (FRM), and financial business support (FBS). This analysis aimed to uncover specific insights that could inform the development of the Islamic Financial Management Module for micro-entrepreneurs in Sabah.

Results and Discussion

This study aims to gather insights from micro and small entrepreneurs in Sabah regarding their understanding and practices of financial management, including financial planning, financial management, risk management, and access to financial support. All participants acknowledged that sound financial practices are critical for sustaining and expanding their businesses. Specifically, the discussions revealed how these practices, when aligned with Islamic values such as *amanah* (trust), justice, and halal compliance, can influence decision-making, growth strategies, and resilience in challenging market conditions. The responses also highlighted a gap between traditional, experience-based approaches to managing business finances and the structured practices promoted by modern financial systems. These findings emphasis the importance of integrating Islamic principles with practical financial literacy to enable micro-entrepreneurs to adapt to contemporary market demands. The results and discussion that follow are organised around the key research questions as presented in the methodology.

Financial Planning (FP)

Figure 2 presents the key themes identified in understanding financial planning (FP). The analysis of interview responses on micro-entrepreneurs' financial planning (FP) revealed four key themes: (1) Short and long-term financial goals, (2) financial planning strategies, (3) systematic financial planning tools, and (4) capital constraints. These four themes, derived through seven NVivo qualitative coding (Table 2), highlight the informal and survival-oriented approaches that characterise financial planning among micro-entrepreneurs in Sabah. Although financial planning is a critical component of sustainable business development, the findings indicate that most participants adopt a reactive rather than proactive approach. For example, many participants admitted that they do not set future financial goals or conduct structured planning, focusing instead on using daily sales as the main basis for decision-making. Interviewee 11 stated, "*When it comes to financial planning, it's completely off track,*" while

Interviewee 6 shared, *“But for yearly analysis, like planning for the next year, there’s none. I just forward, carry forward the balance”*. Interviewee 2 similarly explained, *“Really, none at all. Whatever little we get from sales, we just keep rolling it again”*. These findings are supported by Muhammad et al. (2017), who observed that many halal-oriented SMEs exhibit weak financial literacy, leading to reactive rather than strategic financial decisions, primarily guided by immediate cash flow rather than structured forecasting.

The second theme that emerged from the analysis highlights that financial discipline strategies among micro-entrepreneurs are generally interpreted in a limited and narrow context. Rather than encompassing broader financial responsibilities such as forecasting, risk assessment, or strategic investment planning, these strategies are often reduced to simple budgeting practices. For example, Interviewee 10 remarked, *“For me, financial planning is more like budgeting,”* while Interviewee 9 explained, *“If we have RM100, that RM100 is what we will spend”*. This finding reflects a short-term, cash-based orientation rather than long-term financial control. As noted by Awang et al. (2016), many SME owners associate financial planning merely with budgeting, neglecting tools like capital planning or profit reinvestment, which are critical for sustainability. Moreover, Interviewee 4 revealed a reluctance to engage in formal financial systems, stating, *“I don’t take bank loans. I’m scared because of the high interest”*. This suggests both a fear of debt and a limited understanding of Shariah-compliant financing options. Mohamed et al. (2024) similarly found that SMEs often avoid formal institutions due to misconceptions and lack of financial confidence, leading to cash-only operations and stunted growth. A further theme concerns the heavy reliance on manual record-keeping. Participants described their use of handwritten notes to monitor cash flow and maintain capital. Interviewee 7 shared, *“The capital is important to ensure it doesn’t disappear... So the cash flow, we manage manually; there’s no system”*. This aligns with Ramzi (2022), who found that Malaysian micro-entrepreneurs often rely on handwritten notes, resulting in poor documentation and limited financial analysis capabilities. Without adopting digital record-keeping, accurate tracking and informed planning remain difficult. Capital constraints were also clearly evidence from the interview responses. Interviewee 3 revealed, *“Maybe it’s because of budgeting. About 50%, or 60% of our income is just for capital,”* while Interviewee 8 highlighted the instability caused by dipping into available funds to cover shortfalls: *“If we need capital, we take from what we already have... I realise that my cash flow is not stable”*. These statements reflect the absence of contingency funds or financial buffers. Abdull Rahman et al. (2025) affirmed that capital instability and unplanned spending among SMEs in Malaysia often expose them to financial volatility, especially in informal sectors.

In conclusion, while the findings reveal a generally limited and reactive approach to financial planning among micro-entrepreneurs in Sabah, they also demonstrate that a small proportion of participants are beginning to link financial planning with proactive growth strategies. These insights emphasise the urgent need for financial literacy training, digital record-keeping adoption, and advisory support to transform these survival-based practices into structured planning that can foster sustainable business growth. From an Islamic perspective, financial planning is not merely a business tool but an essential mechanism to achieve the objectives of maqasid al-shariah. It ensures that wealth is protected (*hifz al-mal*), ethically utilised, and strategically allocated to secure the well-being of individuals, families, and the wider society. Such planning also includes risk protection, ethical investment, and responsible resource management, all of which contribute to long-term economic stability and social welfare, as discussed by Mansor et al (2022).

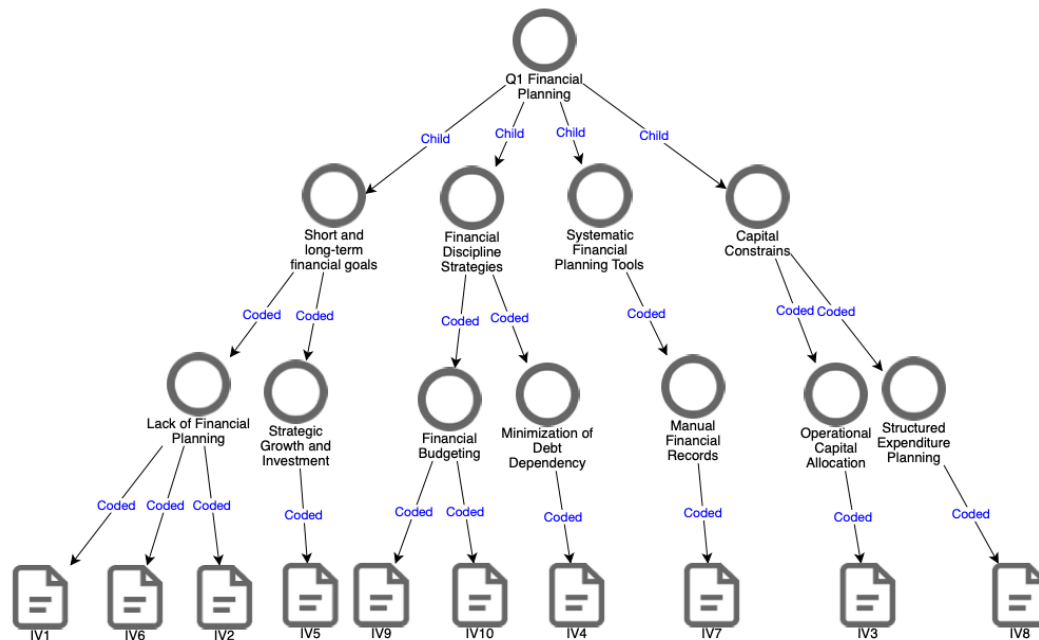
Table 2: Themes for Understanding in Financial Planning (FP)

| Interview (IV) Question: What is your understanding in financial planning? | | | | |
|--|-------------------------------------|-----------------------------------|---|-------------------------|
| No | Major Theme | Related Codes (from NVivo Output) | Example of Sentences Coded | Resources (Interviewee) |
| 1) | Short and long-term financial goals | Lack of Financial Planning | <i>"Kalau dari sudut perancangan kewangan tu memang ke laut."</i> Translated version (English) <i>"When it comes to financial planning, it's completely off track."</i> | IV11 |
| | | | <i>"Tapi analisis untuk tahun, macam perancangan tahun depan tiada. Saya hanya forward, carry forward balance."</i> Translated version (English) <i>"But for yearly analysis, like planning for the next year, there's none. I just forward, carry forward the balance."</i> | IV6 |
| | | | <i>"Betul-betul tiada. Kami dapat sedikit dari jualan tadi itu, ok pusing lagi."</i> Translated version (English) <i>"Really, none at all. Whatever little we get from sales, we just keep rolling it again."</i> | IV2 |
| | | Strategic Growth and Investment | <i>"Saya pun ada macam hasratlah sampai satu masa saya pun boleh juga sdn bhd kalau saya punya business kan... saya mau juga jadi investor... hasil daripada duit sale ni saya invest sana."</i> Translated version (English) <i>"I also have a wish that one day I can become a Sdn Bhd (private limited company) with my business... I also want to become an investor... using the profits from these sales to invest elsewhere."</i> | IV5 |
| 2) | Financial Discipline Strategies | Financial budgeting | <i>"Aaa kalau perancangan kewangan lebih kepada aaa macam budgeting yang saya faham lah. Lebih kepada budgeting."</i> Translated version (English) <i>"Ahh, for me, financial planning is more like budgeting, that's how I understand it. More towards budgeting."</i> | IV10 |

| | | | | |
|----|-------------------------------------|---------------------------------|---|-----|
| | | | <p><i>“Kalau kita ada duit, katalah RM100, RM100 itu yang kita akan belanjakan kemudian kita akan aaa apa expand dia dia jadi macam mana.”</i></p> <p>Translated version (English)</p> <p><i>“If we have money, let’s say RM100, then that RM100 is what we will spend, and then we will see how it expands from there.”</i></p> | IV9 |
| | | Minimization of debt dependency | <p><i>“Saya jarang buat loan. Bukan jarang. Saya tak. Saya tak pernah buat loan. Memang saya. Yang saya kumpul. Itu je. Ha. Saya tak buat loan bank. Saya takut. Ha. Sebab bunga kan banyak.”</i></p> <p>Translated version (English)</p> <p><i>“I rarely take loans. Not rarely. I just don’t. I’ve never taken a loan. I only use what I save. That’s it. I don’t take bank loans. I’m scared because of the high interest.”</i></p> | IV4 |
| 3) | Systematic Financial Planning Tools | Manual financial records | <p><i>“Modal tu yang penting modal ndak lari, modal untuk pusing masih ada, ada, ada untung untuk bayar pekerja. Aaa ada untung untuk ada apa ni ada untuk pekerja memang kena asing. Untuk bayar bayar bayar upah pekerja, memang kena begitulah. Yang saya buat sekaranglah. Jadi aliran tunai tu kita buat manual sekarang, tiada sistem.”</i></p> <p>Translated version (English)</p> <p><i>“The capital is important to ensure it doesn’t disappear, the capital for rotation must remain, and there must be profited to pay workers. There must be profit allocated for paying wages. That’s what I am doing now. So, the cash flow, we manage manually; there’s no system.”</i></p> | IV7 |
| 4) | Capital constraints | Operational Capital Allocation | <p><i>“Mungkin pasal bajet lah. Aa 50%, eh 60% dari pendapatan kami cuma untuk modal.”</i></p> <p>Translated version (English)</p> <p><i>“Maybe it’s because of budgeting. About 50%, or 60% of our income is just for capital.”</i></p> | IV3 |

| | | | | |
|--|--|---------------------------------|--|-----|
| | | Structured Expenditure Planning | <p><i>“Kalau kita memerlukan modal contohnya kurang petai kah, kurang bahan mentahkah, terpaksa kita ambik dari situ yang dalam. Okay contohlah kita kumpul satu kali, and then kita ada perlu kita korek untuk beli yang ini begitu jadi situ saya punya saya perasan memang aliran tunai saya tidak stabil.”</i></p> <p>Translated version (English)</p> <p><i>“If we need capital, for example, if there’s a shortage of petai (parkia beans) or raw materials, we have to take from what we already have. For example, we collect money at once, but when there is a need, we take it out to buy these things. So I realize that my cash flow is not stable.”</i></p> | IV8 |
|--|--|---------------------------------|--|-----|

Note: IV1 = Interviewee 1, IV2 = Interviewee 2, IV3 = Interviewee 3, IV4=Interviewee 4, IV5 = Interviewee 5, ..., IV11 = Interviewee 11.



Note: Child = subcategory/ sub-theme within the main theme

Figure 2: Themes Findings for Understanding Financial Planning (FP)

Financial Management Practices (FMP)

Figure 3 presents the key themes identified in understanding financial management. The analysis of interview responses on how micro-entrepreneurs in Sabah manage their business income and expenses revealed five key themes: (1) cash flow management, (2) informal financial handling, (3) use of professional accounting or outsourced accounting services, (4) earnings and spending, and (5) receipts as evidence of financial transactions. These five themes, identified through seven NVivo qualitative coding (Table 3), illustrate that financial management practices among these entrepreneurs are predominantly informal and guided by day-to-day operations rather than structured systems. Each theme reflects both the challenges faced and the limited tools or strategies currently employed in managing financial activities.

A key pattern emerging from the interviews is the way these micro-entrepreneurs handle cash flow management. Most participants personally handled payments and daily cash tracking, often assisted by family members. These observations are supported by Topimin and Hashim (2020), who found that over 70% of micro-entrepreneurs in Sabah demonstrated low financial literacy, directly impacting their budgeting, recordkeeping, and planning capabilities. For example, interviewee 11 explained that all cash flow is managed manually with the help of her husband, while interviewee 9 stated that “*mostly SMEs, they themselves handle their own accounts; they don’t have accountants yet*”. This self-management, often done without professional knowledge, leads to unstable cash flow, where income is withdrawn and deposited on a needs basis. Ramzi (2022) affirmed that many SMEs suffer from limited financial expertise, causing inefficiencies and unpredictable financial patterns.

Another important observation from the findings highlights the informal financial handling. Many participants explained that they rely heavily on handwritten notebooks to record stock purchases and expenses, and while some attempt to use Excel, consistency is a challenge due

to time limitations. Interviewee 8 stated, *"I record manually. I write it down... I ask for receipts from suppliers"*. However, consistency in documentation is often lacking. Zaini et al. (2024) observed similar tendencies, noting that while many micro-entrepreneurs recognise the need for record-keeping, they face challenges in maintaining accuracy and consistency due to limited time and capacity.

An insight that also stands out relates to the engagement with accountants or outsourced financial services. Interviewee 10 mentioned that *"usually for financial management we hire an accountant from outside and for documentation, we have a clerk who does it,"* while others manage everything themselves. Only a few entrepreneurs reported hiring professional help, such as clerks or accountants, while most chose to handle their own financial documentation. Factors such as cost and a lack of awareness of the benefits of outsourcing were common reasons mentioned. Mohamed et al. (2024) echoed this, stating that the majority of Malaysian SMEs rely on internal, non-expert financial handling, contributing to a lack of strategic oversight and planning.

The findings also point to a strong reliance on a reactive approach in managing earnings and spending, where spending patterns are adjusted daily according to the income received. Participants described cutting down on expenses immediately when income is lower. Interviewee 7 remarked, *"Income goes up and down. So we manage finances according to income. If today's income is less, we will spend less tomorrow"*. This mirrors the findings of Abdull Rahman et al. (2025), who highlighted how micro-businesses rely on short-term income and operate without contingency planning, leaving them vulnerable to cash flow shocks and economic disruptions.

An interesting development that surfaced from the interviews concerns the use of receipts as evidence of financial transactions. Some participants explained that after encountering internal discrepancies, they began issuing receipts for every sale to track and monitor cash flow. For example, interviewee 1 shared, *"Even though I do it manually, I have a counter that can issue receipts... I can refer to them and detect issues"*. This emerging practice demonstrates an increased awareness of documentation as a simple tool to avoid mistakes and potential fraud. While not always formally instituted, such efforts suggest growing awareness of the need for structured financial practices, which Noor and Zaini (2024) identified as a step forward in improving financial discipline among micro-entrepreneurs.

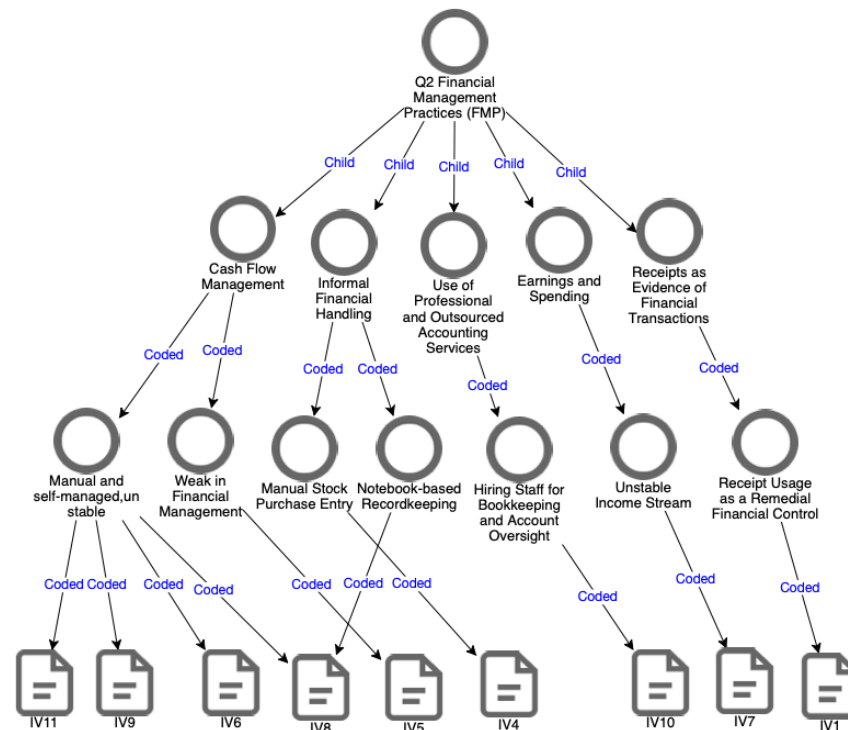
In summary, the financial management practices of micro-entrepreneurs in Sabah remain largely informal, reactive, and driven by necessity rather than strategy. While a few entrepreneurs are adopting basic accountability tools, the majority still lack the capacity or support to transition into structured financial systems. Comprehensive financial literacy programs, digitised record-keeping tools, and accessible financial advisory services are urgently needed to professionalise financial management among micro-enterprises and enhance long-term business resilience. From a Shariah perspective, effective financial management is a fundamental component of *hifz al-mal* (protection of wealth) and must be guided by the principles of *amanah* (trustworthiness) and *sidq* (truthfulness). Accurate record-keeping, transparent reporting, and responsible financial decision-making are essential to prevent mismanagement and ensure ethical handling of wealth. These practices also align with the objective of *maqasid al-shariah* to safeguard assets and promote sustainable business operations, as discussed by Islak and Nasir (2021) and Muhamad et al. (2020).

Table 3: Themes for Financial Management Practice (FMP)

| Interview (IV) Question: How do you manage your business income and expenses? | | | | |
|---|----------------------|-----------------------------------|---|-------------------------|
| No | Major Theme | Related Codes (from NVivo Output) | Example of Sentences Coded | Resources (Interviewee) |
| 1) | Cash Flow Management | Manual and self-managed, unstable | <p><i>“Cuma, cashflow... ada certain-certain bayaran... memang akan diuruskan... bersama dengan suami..manual lah... suamilah yang akan buat.”</i></p> <p>Translated version (English)</p> <p><i>“For cashflow... there are certain payments... they are managed... together with my husband...it’s manual... my husband is the one who handles it.”</i></p> | IV11 |
| | | | <p><i>“Tapi untuk yang atasan tu yang macam yang mengurus account, yang mengurus... saya tiada pengalaman benda-benda macam tu. Sebab mostly IKS memang dia yang sendiri yang akan pegang dia punya account, belum lagi ada apa accountant.”</i></p> <p>Translated version (English)</p> <p><i>“But for the higher-level work like managing accounts, I don’t have experience in those things. Because mostly SMEs, they themselves handle their own accounts. They don’t have accountants yet.”</i></p> | IV9 |
| | | | <p><i>“Aliran tunai tidak stabil tu contohnya macam bila kita dapat sales... last last semua simpan dalam bank... kalau perlu, kita korek untuk beli bahan mentah.”</i></p> <p>Translated version (English)</p> <p><i>“The cash flow is unstable. For example, when we get sales... eventually, we deposit everything into the bank... but if there’s a need, we withdraw it to buy raw materials.”</i></p> | IV8 |
| | | | <p><i>“Bookkeeping saya buat sendiri... saya ada software sendiri, SQL Accounting Services. Saya buat sendiri... sebab saya pun ada background account.”</i></p> <p>Translated version (English)</p> | IV6 |

| | | | | |
|----|--|--|--|------|
| | | | <i>"I do my own bookkeeping... I use my own software, SQL Accounting Services. I handle it myself...because I also have an accounting background"</i> | |
| | | Weak in financial management | <i>"Cuma dari segi pengurusan kewangan ni bab-bab kewangan ni saya sangat lemahlah..."</i> Translated version (English) <i>"But in terms of financial management, when it comes to financial matters, I am really weak..."</i> | IV5 |
| 2) | Informal Financial handling | Manual stock purchase entry | <i>"Saya record lah manual. Saya tulis lah. Memang kebanyakan pun. Ha. Apa ni. Saya minta resit lah daripada supplier."</i> Translated version (English) <i>"I record manually. I write it down. Most of the time. I ask for receipts from suppliers."</i> | IV4 |
| | | Notebook-based recordkeeping | <i>"Saya cuba belajar guna Excel tapi kebanyakannya saya masih tulis dalam buku catatan. Kadang tak sempat nak update."</i> Translated version (English) <i>"I try to learn using Excel, but most of the time I still write in a notebook. Sometimes I don't have time to update it."</i> | IV8 |
| 3) | Use of Professional and Outsourced Accounting Services | Hiring Staff for Bookkeeping and Account Oversight | <i>"Aaa biasanya untuk pengurusan kewangan ni aaa kita aaa hire lah macam Accountant. Kita hire daripada outsource dan untuk aaa macam aaa dokumentasi, rekod-rekod tu kita ada kerani lah yang buat."</i> Translated version (English) <i>"Usually for financial management, we hire an accountant. We outsource this. And for documentation and records, we have a clerk who handles that."</i> | IV10 |
| 4) | Earnings and Spending | Unstable Income Stream | <i>"Pendapatan turun naik. Jadi kita manages kewangan tu ikut pendapatan. Aaa jadi kalau macam hari ni pendapatan, macam aaa sekarang lah yang saya buat kan aaa kurang pendapatan kita akan belanja kurang jugak aaa."</i> Translated version (English) <i>"Income goes up and down. So we manage finances according to income. So for example, if today's income is less, we will spend less tomorrow."</i> | IV7 |

| | | | | |
|--|--|---|--|-----|
| 5) | Receipts as Evidence of Financial Transactions | Receipt Usage as Remedial Financial Control | <p><i>“Walaupun saya buat secara manual, tapi saya ada satu kaunter yang boleh keluarkan receipt... setiap sales kita akan print... saya boleh rujuk... kita boleh detect.”</i></p> <p>Translated version (English)</p> <p><i>“Even though I do it manually, I have a counter that can issue receipts... for every sale, we print receipts... I can refer to them... we can detect issues.”</i></p> | IV1 |
| Note: IV1 = Interviewee 1, IV2 = Interviewee 2, IV3 = Interviewee 3, IV4=Interviewee 4, IV5 = Interviewee 5, ..., IV11 = Interviewee 11. | | | | |



Note: Child = subcategory/ sub-theme within the main theme

Figure 3: Themes Findings for Understanding Financial Management Practice (FMP)

Financial Risk Management (FRM)

Figure 4 presents the key themes identified in financial risk management (FRM). The analysis of interview responses on financial problems encountered by micro-entrepreneurs in Sabah revealed six major risk categories: (1) liquidity risk, (2) cash flow risk, (3) internal control risk, (4) obligation risk, (5) receivable risk, and (6) economic risk. These themes, derived through NVivo coding (Table 4), illustrate the multidimensional vulnerabilities threatening micro-enterprise continuity. Overall, the data reflects a reactive approach to risk, where entrepreneurs respond to issues as they arise, rather than implementing structured preventive measures.

Liquidity risk emerged as a significant constraint, with limited production capacity due to health problems, lack of facilities, and insufficient capital. Interviewee 11 noted, *“The biggest challenge is health... cannot produce on a large scale”*. Similarly, Interviewee 10 explained the operational transition challenges, citing capital and financial management as major obstacles. These issues are consistent with Ramzi (2022), who emphasized that small businesses often lack the financial resilience and contingency planning needed for stable operations, particularly when faced with capital limitations.

Cash flow risks were highlighted by participants who manage finances on a day-to-day basis. Interviewee 8 said, *“When we get sales... we don’t know how to manage it... cash flow is unstable,”* while Interviewee 7 added, *“Our income fluctuates... we manage finances according to the income”*. Such responses reflect unstructured cash flow planning, a pattern also found in Mohamed et al. (2024), who reported that many Malaysian SMEs lack budgeting frameworks, leading to operational uncertainty and income inconsistencies.

Internal control risks were raised by Interviewee 1, who disclosed, *“Almost 70% of the company’s finances have been misappropriated”*. This underscores the absence of formal financial monitoring systems. The literature also supports this concern: Zaini et al. (2024) highlighted how weak internal controls and limited ethical training often lead to inefficiencies and mismanagement in zakat-supported microenterprises.

Obligation risk, particularly the inability to meet financial commitments, was described by Interviewee 1, who said, *“I am stuck because when I do less marketing... I can’t meet my commitments”*. This links closely to Abdull Rahman et al. (2025), who noted that inconsistent income and lack of structured expense planning hinder financial sustainability among micro-enterprises.

Receivable risks due to delayed payments also hinder capital rotation. Interviewee 3 reported, *“We give them credit... so we have problems in rotating our capital”*. This challenge is echoed in Noor & Zaini (2024), who found that informal credit practices often result in poor receivables management and cash flow disruptions.

Finally, economic risks such as inflation, competition, and supply disruptions were widely reported. Interviewee 9 noted, *“Our profit margin is sometimes not fixed,”* due to fluctuating prices. Interviewees 4 and 2 highlighted price undercutting and spoiled raw materials. These sentiments mirror Sabu et al. (2025), who reported that many Sabah-based SMEs are vulnerable to economic fluctuations due to low institutional support and poor market access.

In conclusion, while micro-entrepreneurs in Sabah demonstrate resilience, their financial risk management is predominantly reactive and informal. These findings highlight the urgent need

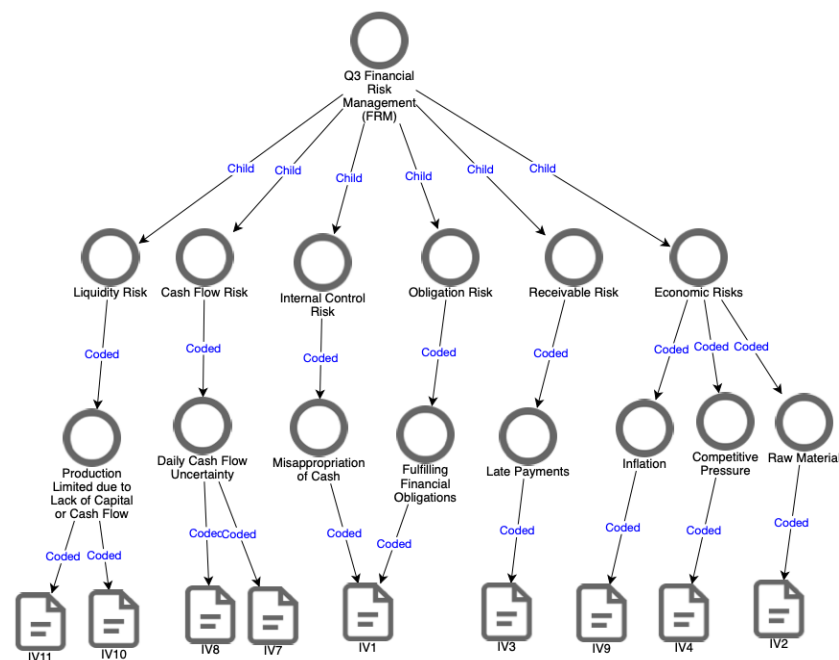
for structured risk management training, digital tools for financial monitoring, and access to Shariah-compliant safety nets such as microtakaful, all aligned with the principle of *hifz al-mal* (preservation of wealth). From a Shariah perspective, proactive risk management (*tadbir al-mukhatarah*) is not only a business strategy but also a responsibility to safeguard wealth and ensure business continuity. The principles of *hifz al-mal* require entrepreneurs to anticipate financial risks, establish preventive controls, and adopt protective measures including takaful, diversification, and ethical financing to minimise harm and preserve resources for future stability. Such approaches reflect the balance between *tawakkul* (reliance on Allah) and *ikhtiyat* (precaution), as outlined in Alias et al. (2024) and Islak and Nasir (2021).

Table 4: Themes for Financial Risk Management (FRM)

| Interview (IV) Question: What kind of financial problems have you faced, and how do you handle them? | | | | |
|--|----------------|--|---|-------------------------|
| No | Major Theme | Related Codes (from NVivo Output) | Example of Sentences Coded | Resources (Interviewee) |
| 1) | Liquidity risk | Production limited due to lack of capital or cash flow | <p><i>"Cabaran... pasang surut bisnes... cabaran paling besar kesihatan...hadkan pengeluaran... bila sihat buat... kumpul order...tidak ada facilities... retort... tak dapat mengeluarkan secara besar-besaran..."</i></p> <p>Translated version (English)</p> <p><i>"Challenges... business ups and downs... the biggest challenge is health. ...limit production... when healthy, we produce... gather orders...no facilities... retort... cannot produce on a large scale..."</i></p> | IV11 |
| | | | <p><i>"Sebab pun kita start sebelum ni kita hanya buat perkhidmatan service. Academy. Service. Jadi bila kita twist pergi perniagaan processing ni... kita pun tidak ada pengalaman yang untuk buat processing yang sebesar ni kan. Jadi banyaklah aaa dari segi modal, daripada segi pengurusan kewangan, daripada pengurusan pekerja, banyak banyak yang kita hadapi."</i></p> <p>Translated version (English)</p> <p><i>"Because when we started before, we only provided services. Academy. Service. So when we shifted to processing business... we had no experience in doing such large-scale processing. So there were many challenges in terms of capital, financial management, employee management—many issues we faced."</i></p> | IV10 |
| 2) | Cash Flow Risk | Daily Cash Flow Uncertainty | <p><i>"Bila kita dapat sales... kita ndak tahu macam mana mau manage dia... last-last semua simpan dalam bank... kalau keluar, kita korek dari situ... situ saya perasan aliran tunai tidak stabil."</i></p> <p>Translated version (English)</p> <p><i>"When we get sales... we don't know how to manage it... in the end, we put everything in the bank... if we need, we withdraw from there... that's when I realized cash flow is unstable."</i></p> | IV8 |

| | | | | |
|----|-----------------------|----------------------------------|---|-----|
| | | | <p><i>"Memang aaa... memang modal tu masalah di situ. Modal aaa, pengurusan kewangan. Aaa sebab kita punya apa namanya ni, pendapatan tu turun naik kan. Pendapatan turun naik. Jadi kita manage kewangan tu ikut pendapatan."</i></p> <p>Translated version (English)</p> <p><i>"Capital is definitely the issue there. Capital and financial management. Because our income fluctuates. Income goes up and down. So we manage finances according to the income."</i></p> | IV7 |
| 3) | Internal Control Risk | Misappropriation of Cash | <p><i>"Masalah dalaman syarikat saya adalah ketidak jujurkan pekerja. Hampir 70% kewangan syarikat sudah diseleweng."</i></p> <p>Translated version (English)</p> <p><i>"The internal problem in my company is employee dishonesty. Almost 70% of the company's finances have been misappropriated."</i></p> | IV1 |
| 4) | Obligation risk | Fulfilling Financial Obligations | <p><i>"Saya stuck disebabkan bila saya kurang marketing, saya kurang pemprosesan akan menjadikan permasalahan untuk saya bayar komitmen."</i></p> <p>Translated version (English)</p> <p><i>"I am stuck because when I do less marketing, I process less, and this causes problems for me to meet my commitments."</i></p> | IV1 |
| 5) | Receivable Risk | Late Payments | <p><i>"Memang ada lah sebab kami bagi hutang lah kepada dorang... Jadi itulah kami ada masalah untuk putar balik modal."</i></p> <p>Translated version (English)</p> <p><i>"Yes, because we give them credit... so we have problems in rotating our capital."</i></p> | IV3 |
| 6) | Economic Risk | Inflation | <p><i>"Cuma inflasi ba. Kadang-kadang minggu ni harga dia macam ni, minggu depan harga dia macam itu. Jadi margin margin untung kita tu kadang-kadang dia tidak tidak apa tidak fixed."</i></p> <p>Translated version (English)</p> <p><i>"It's just inflation. Sometimes this week the price is like this, next week the price changes again. So, our profit margin is sometimes not fixed."</i></p> | IV9 |
| | | Competitive Pressure | <p><i>"Persaingan... dia buang harga. Saya tak buang. Barang mentah sekarang naik."</i></p> <p>Translated version (English)</p> | IV4 |

| | | | | |
|--|--------------|--|--|-----|
| | | | <i>"Competition... they lower their prices. I don't. The price of raw materials has gone up now."</i> | |
| | Raw Material | | <i>"Bahan-bahan tu ada yang sudah rusak, yang diorang hantar."</i> Translated version (English) <i>"Some of the materials they delivered were already spoiled."</i> | IV2 |
| Note: IV1 = Interviewee 1, IV2 = Interviewee 2, IV3 = Interviewee 3, IV4=Interviewee 4, IV5 = Interviewee 5, ..., IV11 = Interviewee 11. | | | | |



Note: Child = subcategory/ sub-theme within the main theme

Figure 4: Themes Findings for Understanding Financial Risk Management (FRM)

Financial Business Support (FBS)

Figure 5 presents the key themes identified in financial business support. The analysis of interview responses on access to financial assistance revealed five major themes: (1) halal certification enabling wider market access, (2) lack of knowledge and hesitancy in applying for grants, (3) agency assistance, (4) participation in coaching and training programs, and (5) academic collaboration. These themes, derived from ten NVivo qualitative codings (Table 5), highlight both the opportunities and structural limitations in accessing support for micro-entrepreneurs in Sabah.

Halal certification was a significant enabler of market access. Interviewee 10 shared that their certification opened new retail avenues: *"...before this, we couldn't enter many supermarkets, especially 7-Eleven in Sabah with more than 200 outlets. But once we had the halal certification, they agreed to take our products"*. This mirrors findings by Ramzi (2022), who emphasized that halal compliance enhances trust and expands commercial visibility, particularly in regulated retail chains. However, a major barrier to financial aid was limited awareness and fear of scams. Interviewee 4 stated, *"I'm afraid to give out my data... scared of scammers"*. This reflects patterns identified by Noor and Zaini et al. (2024), who noted that fear and lack of financial knowledge often prevent female micro-entrepreneurs from engaging with formal financial institutions or applying for aid. Those who did receive support cited meaningful agency contributions. Interviewee 10 noted, *"We got a matching grant from the state for machine purchases,"* while Interviewee 6 reported growth following assistance from DIDR and the Farmers' Association. Interviewee 9 also mentioned receiving a RM10,000 financing loan from Ko-Nelayan. These cases align with findings from Topimin and Hashim (2020), who observed that micro-entrepreneurs who accessed institutional financing like TEKUN or AIM used it to upgrade halal equipment and expand operations. Participation in business development courses was another common form of support. Interviewee 9 said, *"We joined courses for entrepreneurial development provided by agencies"*. Such initiatives have been proven effective, with Zaini et al. (2024) showing that financial coaching directly contributes to responsible fund usage and business sustainability, particularly among zakat recipients. Lastly, academic collaborations added value through product innovation and marketing support. Interviewee 1 stated, *"I received an offer from a company through academia to market my products and assist with AI-based marketing"*. Ramli et al. (2024) supported this, arguing that partnerships grounded in maqasid al-shariah not only reinforce ethical practice but also help entrepreneurs innovate and align with ESG standards.

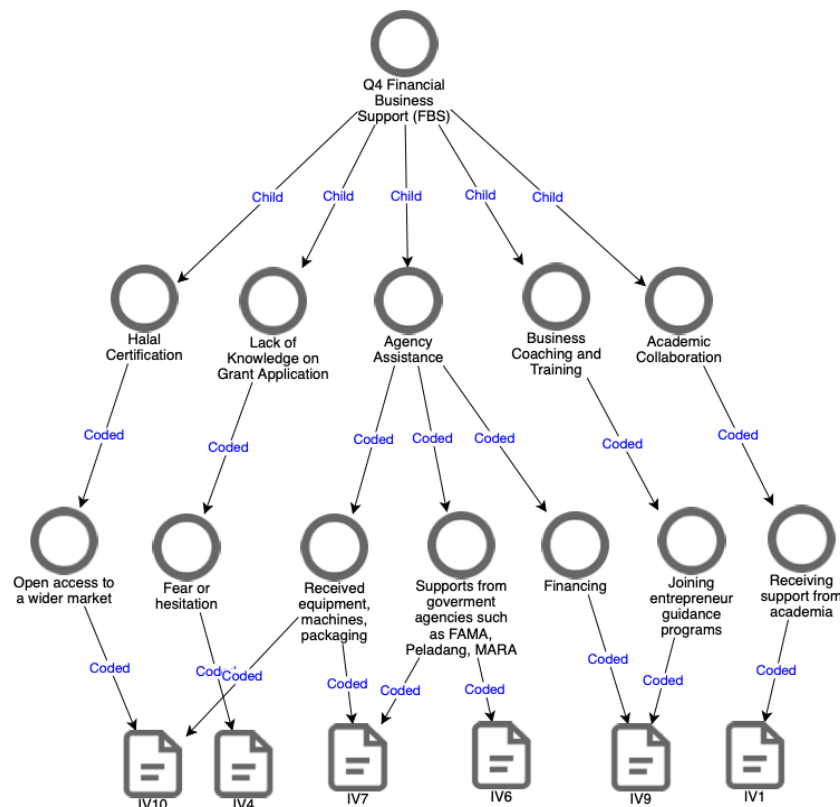
In conclusion, while financial support mechanisms are present and beneficial for some, knowledge gaps and procedural fears hinder broader access. This suggests an urgent need for improved outreach, training, and advisory systems that can guide micro-entrepreneurs toward effectively leveraging available support for business growth and sustainability. From a Shariah perspective, facilitating access to financial support reflects the principle of *ta'awun* (mutual cooperation), where institutions and society collectively assist entrepreneurs in overcoming financial barriers. Such support also serves the objective of *maslahah* (promoting public good) by enabling inclusive economic participation and empowering vulnerable groups. Furthermore, collaborations with government agencies and academic institutions embody *isti'mar* the productive and responsible utilisation of resources which enhances innovation, fosters sustainable development, and ensures that wealth generation contributes to societal well-being in line with maqasid al-shariah, as discussed by Mansor et al. (2022) and Muhamad et al. (2020).

Table 5: Themes for Financial Business Support (FBS)

| Interview (IV) Question: Have you received any financial help or support for your business? | | | | |
|---|--|---|--|-------------------------|
| No | Major Theme | Related Codes (from NVivo Output) | Example of Sentences Coded | Resources (Interviewee) |
| 1) | Halal Certification | Opens access to a wider market | <p><i>"...macam kita sebelum ni kita tak dapat masuk banyak supermarket, lebih-lebih lagi 7-Eleven yang Sabah ni lebih 200 cawangan. Aaa jadi, bila kita ada pensijilan halal ni aaa terus aaa diorang mereka pun setuju lah untuk terima kita punya produk."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV10 |
| 2) | Lack of Knowledge on Grant Application | Fear or hesitation | <p><i>"Saya takut jugak bagi saya punya data semua... takut scammer."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV4 |
| 3) | Agency Assistance | Received equipment, machines, packaging | <p><i>"Aaa untuk setakat ini, kita ada dapat satu aaa geran, matching grants daripada kerajaan negeri lah... untuk pembelian mesin."</i></p> <p><i>"Aaa sekarang ni aaa kita ada tengah plan untuk memohon bantuan machine. Daripada SME Corp."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled".</i></p> | IV10 |
| | | | <p><i>"Kalau yang bebola tu pun, kalau bebola emm tiada jugak sebab saya pernah mintak bantuan tapi dikasi benda lain. Sebab masa tu saya punya kelulusan untuk dana tu cuma RM10 ribu, saya mintak dalam RM20 ribu gitu kan... ada yang saya mintak aaa machine bebola tu. Machine bebola tapi ndak dapat. Dia bilang ndak lepas. Jadi saya dibagi benda yang lainlah."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV7 |

| | | | | |
|----|------------------------------|---|---|-----|
| | | Support from government agencies such as FAMA, Peladang, MARA | <p><i>"Kalau macam agensi jemput bukak booth aaa diorang akan bagi percuma booth saja. Aaa booth percuma... tapi kalau macam kos aaa kos sediakan bahan bahan semua sendirilah."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV7 |
| | | | <p><i>"DIDR dengan Peladang... sangat banyak membantu saya dalam perniagaan saya dan banyak memberi peluang."</i></p> <p><i>"Start mereka bantu... saya punya perniagaan start berkembang."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV6 |
| | | Financing | <p><i>"Ada tapi dari Ko-Nelayan. Tapi yang itu pun just pembiayaan aaa sebanyak RM10,000 sahaja. Aaa RM10,000 daripada Ko-Nelayan. Tapi itu pun bukan pembiayaan ya, pinjaman sebab dia kita kena bayar balik kan aaa."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV9 |
| 4) | Business Coaching & Training | Joining entrepreneur guidance programs | <p><i>"Kita ada ikut join kursus-kursus untuk pembangunan usahawan... disediakan oleh agensi-agensi."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV9 |
| 5) | Academic Collaboration | Receiving support from academia | <p><i>"Saya dapat offer untuk satu syarikat ini akan memarketingkan saya punya produk dan dari segi produk AI... akademi pemasaran."</i></p> <p>Translated version (English)</p> <p><i>"Some of the materials they delivered were already spoiled."</i></p> | IV1 |

Note: IV1 = Interviewee 1, IV2 = Interviewee 2, IV3 = Interviewee 3, IV4=Interviewee 4, IV5 = Interviewee 5, ..., IV11 = Interviewee 11.



Note: Child = subcategory/ sub-theme within the main theme

Figure 5: Themes Findings for Financial Business Support (FBS)

Conclusion

This study presents a comprehensive segmental analysis of the financial management challenges faced by Micro and Small Enterprises in Sabah's halal industry, examined through the lens of Shariah-based financial management principles. The research focused on four interrelated dimensions: financial planning (FP), financial management practices (FMP), financial risk management (FRM), and financial business support (FBS). These areas were studied to understand how Islamic financial values are applied in everyday entrepreneurial practices. The framework proposed in this study is aligned with the five foundational objectives of maqasid al-shariah, which are the protection of religion, life, intellect, lineage, and wealth. By incorporating these objectives, the framework ensures that financial decision-making among halal entrepreneurs is both ethically responsible and economically viable. Such alignment enables businesses to grow while remaining firmly grounded in Islamic values and social responsibility. The qualitative findings, analyzed using NVivo software, provided deep insights into the experiences of micro-entrepreneurs. The thematic analysis revealed a consistent pattern of informal financial behaviour, limited record-keeping, and insufficient understanding of Shariah-compliant financial tools. Although participants expressed strong religious values and motivation, their practical application of structured financial management remained limited and reactive. The study also found that digital financial platforms such as eBiz offered by Bank Rakyat and Bijak Niaga are available to support MSEs. However, adoption of these tools remains low due to barriers such as digital illiteracy, procedural complexity, and mistrust toward formal financial systems. This disconnect between institutional support and grassroots utilisation highlights an urgent need for focused capacity-building initiatives. In response to these gaps, this study recommends the development of a

localized Islamic Financial Management Module tailored to the socio-economic realities of MSEs in Sabah. The module should aim to improve financial literacy, promote structured planning, support digital adoption, and increase awareness of Shariah-compliant financing options. It should also serve as a practical guide for integrating maqasid al-shariah into financial practices, encouraging more informed, resilient, and ethical business operations. In conclusion, by embedding Islamic financial values into operational systems and addressing critical literacy and access challenges, MSEs in Sabah can play a more significant role in advancing Malaysia's halal economy. This alignment not only enhances business sustainability but also ensures that growth is achieved in accordance with ethical and religious principles.

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