

# Islamic Value-Based Financial Management System in Sustainable Business Development

Misbahussururi<sup>1</sup>, Nikmatul Masruroh<sup>2</sup>, Siti Masrohatin<sup>3</sup>

<sup>1</sup>Kiai Haji Achmad Siddiq State Islamic University of Jember

<sup>2</sup>Kiai Haji Achmad Siddiq State Islamic University of Jember

<sup>3</sup>Kiai Haji Achmad Siddiq State Islamic University of Jember

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## Article Info

### Article history:

Received Feb, 2026

Revised Mar, 2026

Accepted Mar, 2026

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### Keywords:

Fifth honesty;

First financial management;

Fourth planning;

Second Islamic values;

Third sustainable business

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## ABSTRACT

In a business, financial management is crucial for business stability. Financial management must begin with planning and evaluation to ensure business growth. This is especially true if the business is to be sustainable, meaning it should not stop there but continue on to future generations. The objectives of this study are: first, to analyze the financial management system in sustainable business development, and second, to explore Islamic values in financial management in sustainable business development. This study uses a qualitative, descriptive approach. The study took place at the Business Unit managed by the Al Bidayah Islamic Boarding School in Jember, with a purposive technique. Data were collected through interviews, observation, and documentation. Data were analyzed using descriptive analysis utilizing Islamic values. The data collected through interviews, observations, and documents are presented in the data presentation and analyzed descriptively. Data were tested using source triangulation techniques. The results of this study state that, first, the financial management system in sustainable business development uses a transparent and accountable management system. In addition, financial management uses the stages of planning, implementation, reporting, and evaluation. Second; The Islamic values embedded in the financial management of the business run by the Al Bidayah Islamic Boarding School include honesty (transparency), charity (disbursing funds for Ziswaf), discipline, justice, and prudence (amanah). The goal is to create a sustainable business not only for the family but for the entire community.

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### Corresponding Author:

Name: Misbahussururi

Institution: UIN Kiai Haji Achmad Siddiq Jember

E-mail: [misbahmuhamad36003@gmail.com](mailto:misbahmuhamad36003@gmail.com)

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## 1. INTRODUCTION

The business world is constantly evolving and experiencing changes in various aspects [1]. Uncertain economic fluctuations

require business owners to be more vigilant in uncertain situations [2]. In a global economic climate that changes in a matter of seconds, entrepreneurs must be vigilant in managing

their businesses to ensure their continued sustainability [3].

Sustainable business is the goal of every entrepreneur when starting a business [4]. The concept of sustainability aligns with the ideals of development, namely sustainable development or the SDGs (Sustainable Development Goals)[5]. These 17 development goals teach us that even businesses must embrace sustainability principles [6]. If businesses are conducted only temporarily without considering sustainability values, the earth will be damaged, leading to massive exploitation of natural resources. Sustainable goals go beyond development goals [7]. Business objectives must also be long-term. This aligns with Islamic values, which emphasize the importance of achieving the welfare of the community and meeting long-term needs in production activities.

Business orientation is not only worldly but also hereafter. This requires integration of the business world with Islamic values [8]. This is because Islamic teachings actually teach values in production, including at least 12:

- a. Long-term perspective, meaning that producers must not only be short-term oriented but also long-term oriented.
- b. Keeping promises and contracts. A Muslim producer will never betray an agreed work contract in order to seek greater profits.
- c. Fulfilling measurements, accuracy, directness, and truthfulness. A producer must be disciplined in his work, so that he can meet the deadlines in each work contract.
- d. Glorifying achievement or productivity. The higher the level of productivity, the greater the reward the individual will receive.
- e. Encouraging brotherhood among economic actors. Competition in Islamic economics is not one of mutual assurance, but rather one that upholds sharia principles and regulations.
- f. Follow the legal and harmonious terms of the contract/transaction
- g. Fairness in transactions; there should be no exploitation in Islamic economics. Both parties must be on equal footing;
- h. Having social insight, there must be funds allocated for social needs and in the path of Allah.
- i. Payment of wages on time and fairly, without exploiting employee rights. Islam requires paying employees their dues before their sweat dries.
- j. Avoiding types and production processes that are forbidden in Islam can provide higher profits.

These values enable the business to be sustainable by generating blessings. These values are not only developed within the business itself but also in financial management.

Financial management is crucial for maintaining business stability and sustainability. Therefore, management must be procedural and adhere to prudent principles. Elaborating financial management with Islamic values is expected to result in sustainable business development.

Numerous studies have been conducted in the field of financial management by various parties. One such study, conducted by Nikmatul Masruroh and colleagues in 2024, served as the basis for research on regional financial and asset management by the government [9] These two issues are certainly different, as Nikmatul Masruroh et al.'s article is a community service project, while this article is research. This research focuses more on business and corporate research. In 2023, Nikmatul Masruroh et al.'s research also addressed financial management, specifically household financial management. Within household financial management, a halal budget is allocated for household consumption[10]. This study differs in its broader discussion and focus on companies. The 2022 study by Astuti Handayani et al., however, similarly focused on business financial management. However, Handayani et al.'s study focuses on MSME finance [11] Meanwhile, this research

focuses more on financial management in large-scale businesses with a sustainable orientation.

Corporate financial management research has been conducted by Munte R & Ompusungu D in 2023 regarding corporate financial management strategies to improve financial performance [12]. This study focuses more on financial performance, while this study focuses on sustainable business development using financial management that adheres to Islamic values.

Several of the studies mentioned above have positioned this research's novelty in terms of Islamic values in financial management and its contribution to sustainable economic development. This point constitutes a unique value of this research that has not been previously available.

So the formulation of the objectives of this research is, namely *First*, analyzing financial management systems in sustainable business development, second; exploring Islamic values in financial management in sustainable business development.

Based on these objectives, this study has the distinction of observing the phenomena occurring in business units at the Al Bidayah Islamic Boarding School in Jember Regency. These business units prioritize religious values in their production activities. This is demonstrated in their commitment to becoming a leading Islamic boarding school business unit full of blessings for students and the community. Based on this vision, the business unit also makes it a habit for its employees to pray the Dhuha prayer before starting activities. There are also routine *istighasah* (religious prayer) activities and various religious activities carried out daily, weekly, monthly, and annually. Islamic boarding school activities are also carried out in the business units.

This study reveals a gap in terms of religiosity as a foundational basis for business. This foundation becomes the underlying framework for financial management practices carried out by business units within Islamic boarding schools (*pesantren*). *Pesantren*, which have

traditionally been known primarily for *tafaqquh fiddin* (deep understanding of religion), are in fact also capable of developing their business activities through the application of religious values in financial management. In this context, financial management includes: recording and reporting. This becomes a demanding task in terms of administration, yet it is essential for creating sustainable business practices within Islamic boarding schools (*pesantren*).

The business units at the Al Bidayah Islamic Boarding School (*Pesantren Al Bidayah*) have a religious feel to their operations. Therefore, financial management is likely based on religious principles. The values of *siddiq* (Islamic trust), *amanah* (trustworthiness), *tabligh* (prophetic service), and *fathonah* (intelligence) are the strengths of this article compared to previous research.

Therefore, this study examines the financial management systems employed by companies, which differ from those of MSMEs and other business entities. This research incorporates Islamic values as a novelty.

## 2. LITERATURE REVIEW

In examining issues related to financial management, this study uses three theories as grand theories: financial management, Islamic values in financial management, and sustainable business. These three theories are used comprehensively to analyze the conditions at Al Bidayah Islamic Boarding School in Jember Regency.

### 2.1 *Financial Management*

In the business world, finances are crucial for the success and prosperity of a business, especially if the business's goals are sustainable. Financial management can be defined as organizing and recording all financial flows within a company. This organization, recording, and reporting are carried out from the planning process through to the evaluation process. Furthermore, financial distribution is analyzed.

By definition and concept, financial management is the same as

financial management. Therefore, financial management can be defined as the same as financial management, namely that the process must go through the stages of planning, organizing, controlling, decision-making, and evaluation. These definitions and stages have been agreed upon by various financial management figures, such as Richard A. Brealey and Stewart C. Myers.[13], Eugen F. Brigham[14] and Harold Koontz & Cyril O'Donnell[15]. Through their analysis, these figures agree that financial management is the activity of optimally and efficiently managing funds for the sake of corporate sustainability. Therefore, there is a correlation between financial management and business sustainability.

Elements in financial management that can be developed so that company finances can be managed effectively and efficiently, namely: *First*; Planning in this activity requires clear activity planning. Activities can include short-term and long-term activities. This planning determines the success of the activity. In the planning process, income sources and expenditure allocations must be regulated to prevent leaks in the budget. *Second*, budgeting after planning is carried out properly, followed by budgeting. Budgeting is carried out to clarify the allocation of available funds. Balancing between income and expenses, especially in areas related to company development. *Third*; organization In this activity, the company carries out financial management starting from incoming financial sources and outgoing allocations. This means that this organization is part of the success of financial management, because through organization, financial sources can be organized from upstream to downstream. *Fourth*; implementation of financial management, this activity describes the process of recording, paying and receiving finances that occur in the company. In financial

implementation, every transaction must be recorded according to reality to maintain a balance between the asset and liability sides. *Fifth*; Supervision and Control: This area is an evaluation area that routinely monitors the use of finances. There are internal controls and external controls. However, before implementing external controls, the company must first implement internal controls, so that errors can be detected early. *Sixth*, Financial Reporting: After supervision and control have been carried out, the company must then issue financial reports that are used. These reports are in accordance with reports in accounting, namely starting from journals, cash flow statements, profit and loss statements, balance sheets and other reports related to the company's finances. *Seventh*; Financial decision-making: After reporting, the financial reports are then used as the basis for financial decision-making. These reports serve as the basis for determining tactical steps and strategies for sustainable company improvement.

## 2.2 *Islamic Values in Financial Management*

Financial management for sustainable businesses requires Islamic values. In general, Islamic values stem from the foundations of monotheism, justice, prophecy, caliphate, and ma'ad. Tawhid reflects the belief that everything in this world belongs to Allah SWT, the Creator of all creatures on earth. Furthermore, justice is a value that reflects shared prosperity. Khilafah, meaning "leader," implies that the leader of the people, in this case, can refer to the government, a small entity that plays a vital role in the order of social life. Islam commands us to obey leaders as long as they remain within the bounds of Islam. Ma'ad, or return, refers to the Islamic principle of permitting profit-making in economic activities. However, excessive profit-making, especially to the point of harming others, is prohibited in Islam.

In financial management, the Islamic values used are derived from the

values of prophecy. Therefore, they are implemented in the following forms: Shiddiq (honesty and transparency), Amanah (responsibility and accountability), Tabligh (conveying), and Fathonah (intelligent), manifested in innovative and creative ways. This refers to innovation in the digital era and creativity in addressing financial management challenges. Based on these values, financial management, which initially lacked spiritual values, becomes imbued with a religious spirit. Therefore, this financial management model is easier to implement in sustainable businesses.

### 2.3 *Sustainable Business*

Sustainable business serves as a model for developing the SDGs across each pillar. This pillar is developed through sustainable development. In its implementation, sustainable business has the following characteristics: Companies are environmentally conscious when conducting business. A company considers not only profit but also its environmental impact. Therefore, production is not only about worldly profits but also about the afterlife.

In any business, there must be a balance between worldly and afterlife profits. One way to achieve this is by considering the environmental impact of each product. Similarly, financial records reflect the costs incurred by the company to ensure it has no negative externalities on the environment.

### 2.4 *Corporate Social Responsibility (CSR)*

In accordance with regulations and religious rules, every company has a social responsibility, or Corporate Social Responsibility (CSR). This means allocating funds to community charities, such as scholarships for the surrounding community or supporting the local economy, among other things.

### 2.5 *Economic Sustainability*

Companies must have a long-term orientation in their operations. This ensures business sustainability. A business orientation aimed at the welfare of the community. Economic sustainability is related to conducive environmental conditions. Indicators of economic sustainability include:

- a. Sustainable revenue and profit growth: consistent increase in revenue and profit without damaging resources and the environment.
- b. Cost management and operational efficiency: efforts to improve efficiency thereby reducing waste and increasing long-term profitability.
- c. Investing in sustainable innovation: investing in environmentally and socially sound technologies and processes.
- d. Return to shareholders: stable and sustainable dividend levels and Return on Investment (ROI).
- e. Economic and social risk management: identification and mitigation of economic, social and environmental risks.
- f. Supply chain analysis: risk and sustainability management throughout the supply chain, including the implementation of fair-trade practices and social responsibility.
- g. Sustainability performance through ESG reports: preparation of sustainability reports that cover Environmental, Social, and Governance (ESG) aspects).

The framework of this study from qualitative approach:

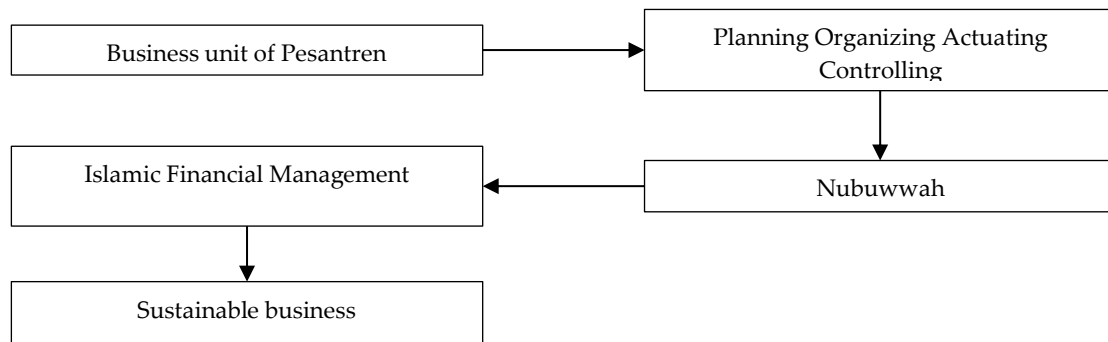


Figure 1. Framework of Islamic Financial Management Practices toward Sustainable Business in the Pesantren Business Unit

### 3. METHODS

This research uses a qualitative approach with a case study type in the Al Bidayah Islamic Boarding School Business Unit, which consists of a Book and Hajj Equipment Store, a fruit shop, a cooperative, a homestay, and a canteen. The Al Bidayah Jember Business Unit was chosen because the business unit is growing rapidly despite only having around 500 students, consisting of both female and male students. Activities carried out, always begin with dhikr, followed by Dhuha prayer and reading Surah Waqiah. In addition, there are also other activities such as regular religious studies, istighosah and so on as the main activities of the employees. Therefore, employees are prioritized to carry out religious activities in order to support the planting activities. In practice, it does not follow the habit of placing worship as secondary in the world of work, but rather prioritizes worship. These business units are interesting objects for research. Therefore, the researcher chose a specific case study in this business unit.

The research subjects in this study used a purposive technique. This technique was used based on the researcher's prior experience in the field. Therefore, the selection of informants was based on certain considerations. These considerations include:

- a. Kiai as owner of PP Al Bidayah Jember
- b. As an operational manager in the company
- c. Sales employees
- d. Finance employees

The researchers met with these informants to obtain data relevant to the research focus. This selection of research subjects limited the number of people the researchers could meet and explore the necessary data.

The observation was conducted by the researcher through direct examination of business activities at PP Al Bidayah Jember. Subsequently, the researcher engaged all informants in in-depth interviews to explore the financial management practices that have been implemented, enabling the business units of PP Al Bidayah to operate consistently and sustainably. The final data collection technique employed was document analysis. In this stage, the researcher examined documents owned by the business units at PP Al Bidayah, particularly financial records and reports.

Data were analyzed using the Miles and Huberman flow model, consisting of data reduction, data condensation, and data presentation. The analysis technique used in this study was descriptive. The validity of the data obtained was tested using source triangulation. The data analyzed are related to the recording and reporting practices carried out by the management in overseeing business operations at PP Al Bidayah. In addition, the analysis is conducted descriptively on the managerial processes implemented, namely planning, organizing, actuating, and controlling.

#### 4. RESULTS AND DISCUSSION

This research yielded findings consistent with the research focus. In this regard, the following findings were obtained:

##### 4.1 Financial Management System in Sustainable Business Development

In financial management, there are several steps taken:

###### a. Planning

Planning is carried out through regular meetings to outline the work programs to be implemented. Therefore, financial planning involves providing a plan for the activities or programs to be implemented. This activity is carried out through regular meetings, attended by appointed administrators. These meetings involve deliberations to discuss the work programs to be implemented. Al Bidayah consistently implements a transparency system by providing field assistance. Therefore, its daily activities adhere to the principle of transparency.

The planning is also aligned with the Islamic boarding school's vision program to become a leading business school full of blessings for the owner, students, guardians, and community. Therefore, the planning process incorporates elements of blessings.

###### b. Budgeting

Budgeting is essentially the same as the planning process.

However, budgeting is more specific, focusing on the budget required for planned work programs. This budgeting process not only covers managerial matters but also spiritual and religious activities. Furthermore, the Islamic boarding school budgeting system uses a computerized system.

###### c. Organizing and implementation

Organizational guidance is provided to students appointed as cooperative administrators. The organization is structured into administrators who manage the business run by the Islamic boarding school. The business provides food, beverages, and basic necessities needed by students and the community. This means that the goods provided are essential and sustainable necessities for the business.

In practice, not all management processes are fully implemented in the financial management of business units at PP Al Bidayah. In this context, they primarily apply financial planning by conducting meetings and aligning decisions with the needs of the *santri*. This is followed by budgeting, organizing all employees, and implementing financial management practices, both through recording and reporting. The following is the process flow applied:

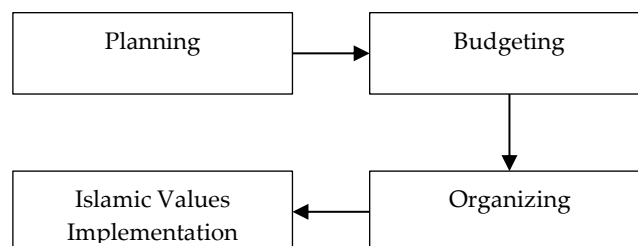


Figure 2. Process Flow of Islamic Financial Management Practices

4.2 *Exploring Islamic values in financial management in sustainable business development*

The Islamic values contained in financial management in the business venture managed by the Al Bidayah Islamic Boarding School originate from the values of Nubuwwah so that the first value used is the value of honesty (transparency) applied to income, expenses and use of funds recorded and reported openly by the financial managers at the Al Bidayah Islamic Boarding School, in the form of transparency used here, namely not hiding financial data with the aim of building trust and maintaining long-term business sustainability.

Second, charity value (spending funds for Ziswaf) in this case Al Bidayah Islamic Boarding School spends funds for Ziswaf from the profits of the business with the aim of helping the surrounding community because this creates social sustainability by reducing inequality, and empowering the community. The three values of discipline in financial management in sustainable business at Al Bidayah

Islamic Boarding School are applied to consistency, transparency, and responsibility in managing existing funds, in discipline ensuring that the business must remain financially stable, able to provide investment in sustainable initiatives, and can provide trust to consumers and the community. The fourth value of justice and prudence (amanah), justice applied to the financial system is related to parties being treated equally proportionally, in this case Al Bidayah Islamic Boarding School ensures that no party is financially disadvantaged, long-term relationships between stakeholders remain healthy, and the business contributes to inclusive social development, with justice here can encourage trust, loyalty, and a positive reputation, in this case it is important to apply with the aim that for businesses that want to be sustainable in the long term.

The Islamic values applied by Al Bidayah Islamic Boarding School in sustainable business financial management have the goal of creating sustainable businesses not only for families but for all of society.

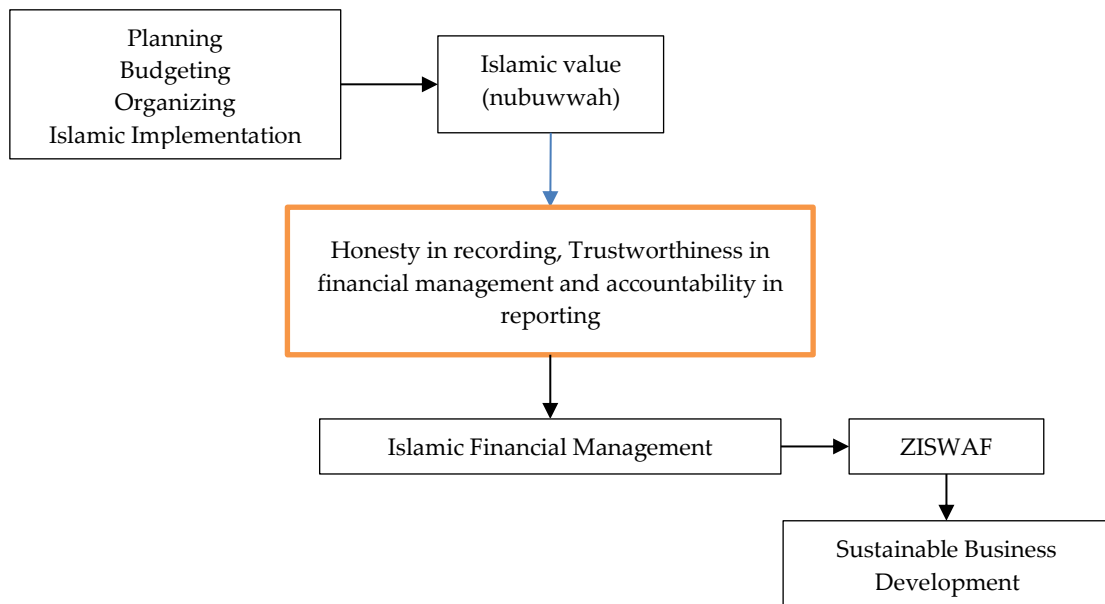


Figure 3. Islamic Financial Management Model for Sustainable Business Development

## 5. CONCLUSION

A financial management system based on Islamic values in developing sustainable businesses can be implemented through planning, including activities or programs, specific budgeting, and organization and implementation. The Islamic values applied include honesty (transparency), charity (disbursing funds for Ziswaf), discipline, justice, and prudence (amanah).

Based on the research that has been conducted, it is recommended that future researchers deepen this study by conducting tests on each variable used. This will enable them to obtain more optimal results and to identify the relationships among the variables.

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## ACKNOWLEDGEMENTS

The author would like to express his gratitude to all those who contributed to the successful completion of this scientific article. He would also like to thank his parents for their unwavering support, prayers, and encouragement throughout the process. He would also like to thank the Head of the Postgraduate Study Program at Kiai Haji Achmad Siddiq State Islamic University of Jember for their guidance, motivation, and, of course, knowledge. He would also like to thank the Al Bidayah Islamic Boarding School for their willingness to participate as informants in this research.

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