



Lack Of Sharia Financial Literacy as A Factor Causing Less Attention To Sharia Factoring In Indonesia

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ABSTRACT

Many Islamic financial institutions offer various Sharia-compliant financial products, including Islamic factoring. Islamic factoring is regulated by the National Sharia Board Fatwa (DSN) Number 67/DSN-MUI/III/2008. Islamic factoring is the process of transferring short-term receivables from a company in accordance with Sharia principles. It is one of the financing options for companies that use installments or deferred payments to boost sales. However, implementing sales with installments or deferred payments can pose problems if not done through a legal third party. This third party can be an Islamic factoring company or an Islamic financial institution that offers Islamic factoring products. Despite the presence of many companies in Indonesia, both listed on the Indonesia Stock Exchange and unlisted, whether state-owned or private, the growth of Islamic factoring in Indonesia has not kept pace with overall growth. Therefore, this research aims to explore the factors that contribute to the lack of interest in Islamic factoring in Indonesia. The research method employed is a literature study using written data from journal articles, books, and reliable documents such as the Financial Services Authority website. Data analysis is conducted using a descriptive approach. The research findings indicate that one of the factors causing the lack of interest in Islamic factoring is the low level of financial literacy in Sharia among the public..

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Introduction

In the last five years, conventional finance companies that have sharia business units have tended not to increase the number of business units and have even experienced a decrease in the number of business units. In the last five years, there has been an increase in the number of Islamic finance company business units in 2019. However, after that year, the number of business units remains stable until 2021. Islamic finance companies are companies that provide financing for leasing, factoring, financing consumers, and/or credit cards. The following graph shows the

number of sharia financing entities for the last five years.¹

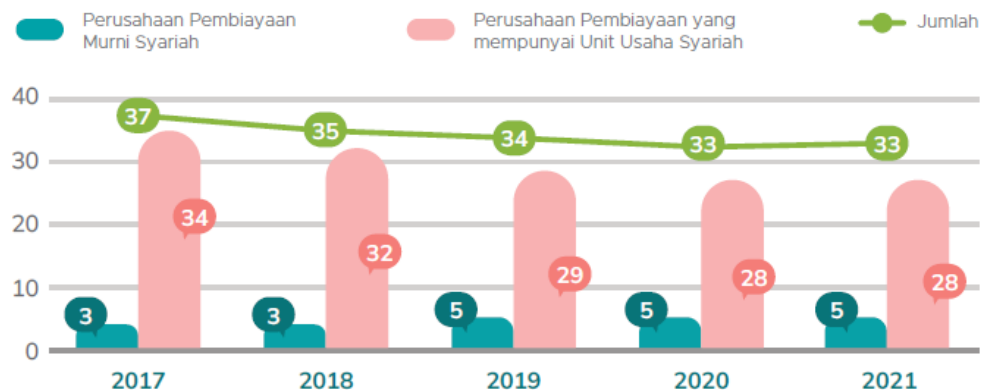


Figure 1 Graph of the Number of Sharia Financing Actors in 2017 – 2021

In financing companies, both those who fully operate based on sharia principles and those that have sharia business units, factoring is carried out according to sharia principles. Sharia factoring is the process of transferring the settlement of receivables or short-term bills from the debtor to another party, who is then responsible for collecting these receivables from the debtor in accordance with sharia principles. According to the Fatwa of the National Sharia Council (DSN) Number 67/DSN-MUI/III/2008, sharia factoring is carried out through a *wakalah bil ujah contract*. In this contract, the debtor authorizes another party to collect receivables from the debtor. As compensation for their services in collecting receivables, the appointed party will receive a fee or *ujrah*.²

In facing increasingly dynamic business competition in the current digital and fintech era, business actors are required to continue to innovate both in products and sales systems in order to increase company turnover. Various efforts have been made to increase profits and sales turnover, one of which is by expanding the market and meeting customer demands and needs.³ In facing increasingly dynamic business competition in the current digital and fintech era, business actors are required to continue to innovate both in products and sales systems in order to

¹ 'FINANCING INSTITUTIONS', <https://www.ojk.go.id/en/kanal/iknb/pages/institutions-Pemfundan.aspx>, 2023.

² National Sharia Council-Indonesian Ulema Council FATWA .

³ Willy Pratama Widharta and Sugiono Sugiharto, 'Development of Sales Strategies and Systems to Increase Sales of Damai Stores', *Petra Marketing Management*, 2.1 (2013), 1–15 <<https://www.neliti.com/id/publications/134744/compiling-strategy-and-sales-system-in-order-to-increase-tokens-sales>>.

increase company turnover. Various efforts have been made to increase profits and sales turnover, one of which is by expanding the market and meeting customer demands and needs. ⁴Even though this method of payment is considered effective in increasing the sales turnover of a product, keep in mind that this method also carries risks.

There are several risks that must be borne by the company when choosing gradual or due payment terms without involving a financial institution such as a bank. One of them is the absence of goods guarantees that can guarantee smooth payments from customers. In addition, sales with gradual or due payment terms can also disrupt the company's cash flow if the company's financial condition is insufficient. If there is a risk of failure to collect receivables, this can cause serious problems in the company's funding. ⁵And to overcome all these problems, companies can choose an alternative, namely by transferring their invoices or accounts receivable to Islamic financial institutions or what is known as Islamic factoring. With the concept of factoring, risks can be avoided to a minimum and companies can be helped significantly to avoid the problem of bad sales receivables from financial institutions.⁶

Based on the concept of factoring, the presence of a factoring company provides many advantages for companies, especially for trading companies. This is due to the fact that almost all trading companies have links with third party receivables, and sales with gradual or due payment terms can generate receivables that accelerate sales increases. To receive receivables with a relatively long period of time or receivables that are not collected on time, factoring financing is needed, while the company also has cash flow for operations that must be continued. ⁷If you look at the profits that can be obtained by this trading company, many people should

⁴ A. Darmawan and S. Firmansyah, 'The Effect of Credit Sales on Company Performance in Indonesia', *Accountability* , 11.1 (2018), 135–146 <<https://doi.org/10.15408/akt.v11i1.8823>>.

⁵ Esti Damayanti, SE., M.Sc. and Cisa Dena Putri, 'An Analysis of Uncollectible Accounts and Unpaid Debt Against Operational Cash Flow at Cv Cipta Karya Harmony', *Journal of Accounting and Business Krisnadwipayana* , 7.1 (2020) <<https://doi.org/10.35137/jabk.v7i1.377>>.

⁶ Naerul Edwin Kiky Aprianto, 'Naerul Edwin Kiky Aprianto: Factoring Receivables (FACTORING) IN ISLAMIC ECONOMY', *Journal of Islamic Economics* , 8.1 (2017).

⁷ Rani Eka Diansari and Vidya Vitta Adhivinna, 'Why Factoring Companies Are Underdeveloped in Indonesia?', *WAHANA: Journal of Economics, Management and Accounting* , 22.2 (2019), 169–85.

need factoring financing, especially for sharia factoring.

We can observe that in Indonesia, there are many thriving business companies, both listed on the Indonesia Stock Exchange and state-owned or closed private companies. However, unfortunately, the use of Islamic factoring financing is still very limited in Indonesia. This can be seen from the statistical data of the Sharia Non-Bank Financial Industry (IKNB) for the December 2022 period, where the amount of *wakalah bil ujarah service financing receivables* was recorded as zero rupiah.⁸ Likewise for 2021, *wa wa bil ujarah service financing receivables* are worth zero rupiah.⁹ From the financial reports of Bank Jatim Syariah for 2022, it shows that factoring customers in 2022 amount to 9 or 0.1% of the total number of customers, namely 8,508 customers.

Previous studies explained that factoring companies in Indonesia are less developed. There are several factors that cause the lack of development of factoring companies in Indonesia, including the credit risk inherent in these activities, the availability of skilled and experienced human resources, regulations governing factoring activities, as well as the level of public trust in factoring companies. receivables.¹⁰ The credit risk associated with factoring arises because the receivables financed cannot be recovered and are not guaranteed by other assets. The lack of standard regulations governing factoring mechanisms, including obstacles related to legal regulations for manufacturing companies, is making investors reconsider before investing their funds.

From the explanation above, it shows that there is an unbalanced condition, namely sharia factoring which is less attractive to business actors in Indonesia. Although sharia factoring offers many benefits for the parties involved, the zero value of *wakalah bil ujarah service financing receivables* indicates that the use of sharia factoring is still not popular in Indonesia. Therefore, this paper aims to identify the

⁸ OJK, 'Sharia IKNB Statistics for the Period of December 2022', 2023 <<https://www.ojk.go.id/en/kanal/syariah/data-dan-statistik/iknb-syariah/Pages/Statistik-IKNB-Syariah-Period-December-2022.aspx>>.

⁹ OJK, 'Sharia IKNB Statistics in 2021', 2022 <<https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/iknb-syariah/Pages/Statistik-IKNB-Syariah-Tahun-2021.aspx>>.

¹⁰ Rani Eka Diansari and Vidya Vitta Adhivinna, 'Why Factoring Companies Are Underdeveloped in Indonesia?', *WAHANA: Journal of Economics, Management and Accounting*, 22.2 (2019), 169–85.

factors causing low interest in Islamic factoring in Indonesia. It is hoped that this research can contribute to Islamic Financial Institutions and the government in increasing Islamic economic growth in Indonesia, especially in considering Islamic factoring as an alternative to obtain cash flow for companies.

Literature review

Definition of Factoring

Factoring in PSAK No. 43 is defined as a form of financing in which a company buys or transfers short-term receivables or bills resulting from transactions of other companies. ¹¹According to 448/KMK.017/2000, factoring is a financial activity involving purchases of domestic and foreign trade as well as short-term bills. Decree of the Minister of Finance No. 172/KMK.06/2002 also explains that factoring is done through purchases, transfers, and arrangements for commercial transactions, both domestic and foreign. Basically, factoring is a transaction in which the company's invoice is transferred to another party, namely a factor. In this case, *the factor* is responsible for collecting the debt. There are three parties involved in factoring, namely customers who make purchases in stages or time from commercial entities, companies that have receivables from sales in stages or time to customers (customers), and factors (financial institutions that buy and collect receivables from customers) . ¹²

Types of Factoring

Based on PSAK No. 43, types of factoring are divided into two, namely :¹³

1. Factoring Without *Recourse*

In factoring without *recourse* , the risk is fully transferred to *the factor* when the entrepreneur (client) sells its receivables to the *factor* , so that if the client's receivables are uncollectible, the *factor* does not receive any settlement from the client. Customers make payments directly to *the factor* . Since the risk

¹¹ 'Psak-43-Accounting-Factoring-Receivables'.

¹² Yenny Sugiarti, *FACTORING (WITHOUT RECOURSE) AS AN ALTERNATIVE TO OVERCOMING CASH FLOW PROBLEMS FOR SMEs IN INDONESIA AND ITS ACCOUNTING TREATMENT* , 2006, v <www.depkop.go.id>.

¹³ 'Psak-43-Accounting-Factoring-Receivables'.

is fully transferred to *the factor* , the customer compensates for the sale of receivables after completing the factoring transaction.

2. Factoring with *Recourse*

After the receivables are sold to *the factor* , the client still has an obligation to pay in full (*full recourse*) or in part (*limited recourse*) the funds obtained from the sale of these receivables. Thus, if the client is unable to pay its receivables to the *factor* at maturity, *the factor* will still receive payments from the client. Because the customer has the responsibility for payment in the event of a failure to pay the *factor* , factoring transactions with resources are recognized as a factoring liability in the amount of the value of the receivables transferred. The difference between the value of receivables transferred and funds received, including tax deductions, is considered as interest expense during the factoring period. The factoring liability is recorded in the balance sheet at an amount equal to the amount of the receivables transferred, less retention and non-periodic interest charges.

Benefits of Factoring

Involving various parties in factoring activities will benefit everyone involved, including the factoring company, clients, and customers. Overall, factoring provides the following benefits:¹⁴

- 1 Benefits for clients, where clients can obtain the following benefits:
 - a. The benefits that clients get for receiving financing services include:
 - 1) Increase sales volume: with financing services, clients can increase their sales volume. Such financing allows clients to offer gradual or due payment options to their customers. This makes it easier for buyers with limited funds to purchase the client's products or services, thereby increasing the client's ability to sell more.
 - 2) Increase liquidity and smooth working capital: Factoring services allow clients to convert outstanding receivables into cash in a relatively easy and fast process. With greater cash availability, clients can obtain the

¹⁴ Edwin Kiky Aprianto.

necessary liquidity to fund their operations. These funds can be used to purchase raw materials, pay employee salaries, and other operational needs. Thus, factoring services help clients maintain the smooth running of their working capital.

- 3) Reducing the risk of uncollectible accounts: By using the " *without recourse* " payment method, factoring services allow clients to transfer some of the risk of uncollectible accounts to financing institutions. In this case, the transfer of risk provides benefits for the smoothness and certainty of the client's business. By having a *factoring agency* responsible for collecting receivables, clients can reduce the risks associated with receivables that are difficult or cannot be fully collected.
- b. Benefits obtained through non-financing services include:
- 1) Accounts receivable collection facilities provided by *factoring agencies* provide convenience in terms of collection of receivables, so that clients do not need to directly handle the process with customers. This enables employees to save time and energy, which can be allocated to other, more productive activities.
 - 2) With sales administration services provided by *factoring agencies* , clients can manage sales activities in a more structured and efficient manner. This is because sales administration tasks are handled by *factoring parties* who have more experience in this matter. As a result, the client's business can run more smoothly and efficiently in managing sales administrative processes.
 - 3) With sales administration services, the provision of gradual or due payment facilities to buyers can be carried out more effectively. This has a positive impact on improving the quality of accounts receivable, where it is possible that receivables can be more collectible. Thus, the factors that can affect the payment of receivables become more controlled and provide benefits in terms of increasing the level of receivables collection.
- 2 The main benefit obtained by *factoring institutions* is the receipt of *fees* from clients as a form of appreciation for the services provided. This *fee* includes:

- a. *Discount fee* is a discount fee paid by the client to the *factoring institution* in return for the financing services provided. This discount fee is calculated based on a certain percentage of the total financing provided, taking into account the risk of collection of receivables, the term of financing, and the average banking interest rate.
 - b. *Service fee* is a service fee paid by the client to the *factoring institution* in return for the non-financing services provided. This service fee is determined based on a certain percentage of the value of receivables, taking into account the level of workload to be carried out by the *factoring agency* . The greater the client's sales volume, the greater the service fee will also increase. In addition, if the collection of accounts receivable becomes more difficult, the service fee will also increase.
- 3 Benefits for customers include:
- a. Opportunity to make purchases with a gradual or due payment scheme, with factoring financing services, clients have the opportunity to make sales in a way that is divided into several stages or a certain period of time.
 - b. Improvement in the quality of sales services, due to sales administration services that assist clients in carrying out the sales process more efficiently and accurately.

Overall, by using the services of a factoring company, clients can benefit from the transactions provided. Clients will get cash directly from their sales in less time, without having to wait for payments from customers. This ensures that the company's liquidity is maintained and working capital continues to rotate. Cash funds obtained from factoring companies can be used to reduce production costs. By paying suppliers in cash, clients can take advantage of the discounts offered. The discount can be used to offset interest charges paid to the factoring company. In addition, clients will also be assisted in the administration of receivables. They will no longer need to collect payments from customers, as that task will be taken over by the factoring company. This will also be useful when a customer submits a purchase request with an installment system, because the report provided by the factoring company can be used as a reference.

Sharia Factoring

The provisions for sharia factoring in accordance with the Fatwa of the National Sharia Council (DSN) Number 67/DSN-MUI/III/2008 are as follows: in sharia factoring, the contract used is *wakalah bil ujrah*. In this contract, the party who owns the receivables authorizes another party to process sales documents and collect receivables from the debtor or the party appointed by the debtor. The party appointed as the representative acts on behalf of the party who has the receivables to collect payments from the debtor or the party appointed by the debtor. As part of the contract, the party appointed as the representative may provide bailout funds (*qardh*) to parties who have receivables in the amount of the receivables. This bailout fund can be returned with the proceeds from the collection of receivables. As compensation for their services in collecting receivables, the party appointed as a representative may receive *an ujrah* or *fee*. The amount of this *ujrah* must be agreed upon at the time of the contract and stated in nominal terms, not in the form of a percentage calculated from the amount owed. *Ujrah* payments can be made using bailout funds or according to the agreement in the contract. In this provision, no connection is allowed between *the wakalah bil ujrah contract* and the *qardh contract*

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Research methods

This research is a type of library research that aims to collect theoretical sources related to the case or problem being studied. A literature review is a written summary of articles in journals, books, and other documents that describe existing theory and knowledge, both past and present. This literature review helps in organizing the literature based on topics and documents that are relevant to the research being carried out. ¹⁶The data used in this research comes from literature studies. Literature research is a method of gathering information or sources that are relevant to the research topic being carried out. The data that has been collected is

¹⁵ *National Sharia Council-Indonesian Ulama Council FATWA*.

¹⁶ JW Creswell, *Qualitative Inquiry and Research Design* (California: Sage Publications, 1998).

then analyzed using descriptive analysis methods. Descriptive analysis method is carried out by describing the existing facts, then followed by an analysis that not only explains, but also provides sufficient understanding and explanation.

Results and Discussion

Results

In Indonesia, efforts to introduce the financing services business began in 1988 with the issuance of Presidential Decree Number 61 of 1988 on December 20, 1988 known as the December 1988 Policy Package. Since then until now, information regarding the financing services business, especially factoring, is still inadequate and difficult to obtain. Factoring activity is one of the activities carried out by finance companies. A finance company is a business institution that provides financing in the form of funds or capital goods, without directly raising funds from the public through current accounts, deposits, savings, or promissory notes. Factoring companies can issue promissory notes as collateral for debt, in accordance with the provisions stipulated in Presidential Decree Number 61 of 1988 dated December 20, 1988, and reinforced by Decree of the Minister of Finance Number 448/KMK.017/2000.¹⁷

In research conducted by Elko Lucky Mamesah, factoring is a financial transaction in which a factoring company buys, transfers, and manages short-term receivables or bills from customers (trade receivables) arising from domestic or foreign transactions between customers and clients (party who owes money). The legal basis for factoring contracts can be divided into two parts, namely the substantive legal basis and the administrative legal basis. In the agreement factor, it can be seen that there is a discrepancy between the rights and obligations of the parties, where clients tend to prioritize their obligations over their rights, while factoring companies tend to prioritize their rights as obligations. In fact, customer rights are rights that should be owned by a factoring company.¹⁸

¹⁷ Budi Rachmat, *Accounts Receivable Factoring: Solutions to Cash Flow Problems* (Jakarta: PT Gramedia Pustaka Utama, 2003).

¹⁸ Elko Lucky Mamesah, 'The Existence of Factoring Agreements for Business Actors', *Lex Et Societatis*, 3.3 (2015), 177–88.

Research conducted by Gunawan Barbara concluded that entrepreneurs have many ways to obtain business financing such as borrowing (debt) from banks, venture capital, leasing, franchising, going public and limited *offerings*, factoring and many other financing options. Factoring is not as popular as the financial options above, but it is also quite profitable (especially if the company needs it or resources are very urgent), although factoring does have drawbacks.¹⁹

According to research conducted by Amanah Aida Qur'an, factoring in the context of sharia refers to the DSN Fatwa Number 67/DSN-MUI/III/2008. This fatwa explains that factoring is the process of transferring payment of receivables or short-term bills from the debtor to another party who is then responsible for collecting the receivables from the debtor or the party appointed by the debtor, in accordance with sharia principles. As a form of corporate financing, factoring is not as popular as other forms of financing. However, in a situation of economic crisis, this financial option has promising potential. Therefore, factoring becomes a source of financing for companies that need funds urgently. It is important to note that factoring activities are regulated by applicable law so that it does not harm any party.²⁰ Research conducted by Naerul Edwin Kiky Aprianto also concluded that Islamic factoring refers to the DSN Fatwa Number 67/DSN-MUI/III/2008, and this financing method is still not as popular as compared to other forms of financing.²¹

Research conducted by Masbakha Eka Pratiwi concluded that sharia factoring is an activity of transferring receivables from short-term sales of companies that are carried out based on sharia principles. There is a difference between a marketing strategy and factoring. Marketing strategy is an effort or method to market a product, while factoring is a financial product provided by a financial institution or bank. Bank Mitra Syariah uses a *direct selling* or *personal selling* marketing strategy for sharia factoring financing products, which aims to expand the number of customers of Bank Mitra Syariah.²²

¹⁹ Barbara Gunawan and Yogyakarta Muhammadiyah University, 'Factoring: An Alternative to Getting Business Funds', *Journal of Accounting and Investment*, 2.2 (2001), 137–46.

²⁰ Amanah Aida Quran, 'Factoring as a Form of Modern Muamalah Contract', *El-Jizya : Journal of Islamic Economics*, 5.2 (2017), 193–210 <<https://doi.org/10.24090/ej.v5i2.1885>> .

²¹ Edwin Kiky Aprianto.

²² Masbakha Eka Pratiwi, 'IMPLEMENTATION OF THE MARKETING STRATEGY OF SHARIA

Another study concluded that the concept of Islamic factoring was formulated from the start in various aspects of banking benefits and became one of the products offered to customers. If Islamic banks want to implement the same program in the future, they must comply with Islamic regulations without changing the current concept of factoring. These conditions lead to certain articulations, sometimes resulting from the contents of the types of contracts regulated by the Shari'a. This can be seen in the MUI trying to define factoring in terms of a wakalah bil ujah contract and Bank Indonesia through the Sharia Banking Council defines factoring as a hiwalah contract.²³

On the other hand, factoring companies in Indonesia are underdeveloped due to several factors including the inherent credit risk as financial loans are bad credit and no other collateral is included. There is no one size fits all mechanism, even if the factoring company faces legal hurdles. This condition causes investors to think repeatedly before investing their funds. In addition, according to the analysis of this research, the factoring industry in Indonesia has experienced limited development because factoring companies in Indonesia are still not well known. However, with the progress of time and the emergence of financial technology (fintech), factoring companies can take advantage of the opportunities that exist. Unfortunately, this development is hampered by the lack of availability of skilled human resources in this industry.²⁴

Discussion

From the above literature review, it can be concluded that Islamic factoring involves the transfer of the company's short-term sales receivables in accordance with Islamic principles. However, sharia factoring financing products are still not popular among entrepreneurs. One of the contributing factors is the lack of Islamic financial literacy among business actors. The level of Islamic financial literacy has a

FACTING FINANCE PRODUCTS AS AN EFFORT TO INCREASE THE NUMBER OF CUSTOMERS AT BANK MITRA SYARIAH GRESIK' (Semen Indonesia International University, 2021).

²³ Zahrul Mubarrak, 'Comparison of Hiwalah and Factoring / Take Over and Their Application to Islamic Banking', 6468 (2020), 107–16.

²⁴ Diansari and Adhivinna.

positive influence on the interest in using Islamic banking products by respondents. Therefore, it is important to improve the concept of Islamic financial literacy as one of the key elements in the growing use of Islamic banking products. Sharia financial literacy training for the public can increase their interest in using Islamic banking products offered by Islamic banks. Limited public financial literacy is an obstacle to the use of sharia banking products. On the other hand, technological advances have brought new Islamic product concepts. Therefore, broader financial literacy training is urgently needed. A high level of literacy has an influence on the decision to use Islamic banking products and the ability to manage finances better.²⁵

Good knowledge has a positive influence on Muslim community decisions in choosing Islamic banking products. Likewise, the level of Islamic financial literacy also has a positive influence on Muslim community decisions in choosing Islamic banking products. The level of general literacy and Islamic financial literacy has a positive impact on Muslim community decisions in using Islamic banking products. The results of multiple regression tests show that the level of knowledge and literacy of Islamic finance influences the decisions of Muslim communities in choosing Islamic banking products.²⁶

Based on the results of the National Financial Literacy and Inclusion Survey (SNLIK) conducted by the Financial Services Authority in 2022, it appears that financial literacy in Indonesia is still lacking. The data shows that the level of financial literacy reaches 49.68%, while financial inclusion reaches 85.10%. There is a gap between financial literacy and inclusion of 35.42%. In the survey, Islamic financial literacy and inclusion were also measured. Islamic financial literacy was recorded at 9.14%, while Islamic financial inclusion reached 12.12%. In 2020 there is a significant digital transformation, this can be utilized by sharia banking business actors to introduce their products, especially sharia factoring. However, from the results of the survey, inclusion of Islamic finance is still lacking, so that information

²⁵ Ahyar MK, 'Sharia Financial Literacy and Islamic Boarding Schools (Case Study of Asy-Syifa Modern Islamic Boarding Schools in Balikpapan)', *J. Ekon. Islam*, 9 (2018), 191–210.

²⁶ Rahmawati Deylla Handida and Maimun Sholeh, 'The Influence of Knowledge Level, Service Quality, and Islamic Financial Literacy Level on the Decision Making of Muslim Communities Using Islamic Banking Products in the Special Region of Yogyakarta', *Journal of Economics and Education*, 15.2 (2019), 84–90 < <https://doi.org/10.21831/jep.v15i2.23743>>.

on Islamic finance obtained by the public is also lacking. So that not everyone has access to valid and timely information about Islamic financial products, services and benefits. Most people still do not fully understand Islamic financial literacy and how to use it properly .

Various efforts in Islamic financial literacy carried out by the Financial Services Authority and other Islamic financial institutions aim to increase public understanding of Islamic financial products and encourage the use of these products. This initiative also aims to provide services that meet the needs of the Muslim community and Indonesian society in general. The Islamic finance industry is expected to be active in educating the public and developing Islamic financial products and services in accordance with the development needs of society. Evaluation is also important in this movement, by conducting a critical analysis of programs that have been implemented in order to achieve the desired effectiveness.²⁷

Conclusion

Sharia factoring, as one of the products of sharia financing, has not experienced significant development in Indonesia. One of the contributing factors is the lack of Islamic financial literacy among Indonesians. From this it can be concluded that the level of Islamic financial literacy has an influence on people's decisions in using Islamic financial institution products, especially in terms of Islamic factoring products. In theory, Islamic factoring offers many advantages for both businesses and the Islamic finance industry as a whole. Indonesia, with the largest population in the development of Islamic finance, has the potential to become a center for Islamic finance that plays a role on a regional and global scale. To realize this potential, it is important to disseminate information evenly throughout Indonesia, by utilizing available technology, not just focusing on certain urban centers.

The active participation of the government and stakeholders is very important in increasing Islamic financial literacy. They need to provide education and

²⁷ Hani Meilita Purnama Subardi and Indri Yuliafitri, 'Hani Meilita, et al.: The Effectiveness of the Literacy Movement...', *Scientific Journal of Islamic Banking* , 5.1 (2019), 31–44.

facilitate public access to Islamic banking services, including the products and services offered. However, this effort also depends on the competence of human resources in the banking industry. Islamic banking operators must have the ability to provide comprehensive and clear information to the public about the products they offer, as well as how to use them. It is important to convey this information in simpler language, as well as through attractive advertisements. Advertisements can be placed in print media, electronic media, and the company's website, so that prospective customers can easily obtain information without having to come directly to an Islamic bank branch or other Islamic financing institution that provides Islamic factoring products.

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