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Business Asset Diversification as an Implementation of the Financial Behavior of Madurese Merchants in Managing Warung Madura

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Abstract

Warung Madura represents a rapidly growing micro-enterprise sector in Indonesia, managed by ethnic Madurese merchants characterized by distinct cultural values, religiosity, and a strong work ethic. However, research into the financial behavior of *Warung Madura* merchants—specifically integrating cultural values with modern financial accounting perspectives—remains limited. This study aims to analyze the financial behavior of ethnic Madurese merchants in managing their *Warung Madura* businesses and to uncover the influence of cultural values and religiosity on financial decision-making and business sustainability. A qualitative approach utilizing an ethnographic model was employed. Data were collected through participant observation, in-depth interviews, documentation, and cultural mapping, and subsequently analyzed using coding techniques, including open, axial, and selective coding. The results indicate that the merchants' financial behavior is shaped by values such as hard work, religiosity, honesty, and kinship; these values are reflected in capital management, the separation of personal and business finances, simple financial record-keeping, cash flow control, risk management, and business asset diversification. Key findings reveal that asset diversification serves as a primary strategy for strengthening capital, maintaining financial stability, and supporting business sustainability. The study's novelty lies in its integration of a Madurese cultural ethnographic approach with modern financial accounting perspectives to explain the financial behavior of *Warung Madura* merchants, thereby enriching the study of culture-based behavioral finance within the micro-enterprise sector.

Keywords financial behavior, Madura stall, ethnography, asset diversification, Madurese culture, financial accounting.

INTRODUCTION (Palatino Linotype 12, Space 1.15, Justify)

Madurese ethnic culture is known for distinct values: strong religiosity serving as a spiritual foundation for life and business endeavors; a hard-working ethos reflected in an unyielding attitude and perseverance in trade; honesty as a core principle for building trust with customers and fellow merchants; and a spirit of kinship and social solidarity that binds community members together. These values have been internalized over generations, shaping the distinctive character of Madurese merchants. Moral principles—encapsulated in the concept of *abhantal syahadat, asapok iman, apajung Allah* (resting on the *Shahada*, wrapping oneself in faith, and sheltering under God)—serve as the moral foundation for trading activities and business management (Djasuli, 2017). These cultural principles foster unique economic behaviors among Madurese merchants, characterized by persistence, adaptability to new environments, and strong solidarity among fellow migrants (Faqih et al., 2023).

The cultural value of *taneyan lanjang*—a concept of communal kinship that strengthens the spirit of mutual cooperation (*gotong royong*) and moral responsibility among extended family members—also influences the financial behavior of Madurese merchants. This value impacts not only social interaction patterns but also shapes financial management systems grounded in trust and transparency among members (L. Hakim et al., 2021b). Meanwhile, research by Azizah (2024) demonstrates that the religiosity and cultural identity of the Madurese people influence economic actions, orienting them not merely toward profit but also toward seeking divine blessings (*barakah*) and ensuring business sustainability.

Previous studies have examined the financial practices and economic culture of the Madurese community; for instance, research by Setiawan and Haryadi (2019) shows that the culture of brotherhood and trust-based relationships inherent in Madurese society forms the foundation for accounting practices based on kinship values within the scrap metal business. Financial record-keeping is conducted simply yet consistently, reflecting the moral responsibility shared among family members. Meanwhile, research by Fauzia (2020) found that the religious culture and financial planning of Muslim families in Madura and Surabaya are influenced more by values of spiritual obedience—such as the concepts of *barakah* (divine blessing) in sustenance and *tawakal* (reliance on God)—than by purely rational economic considerations. These findings are reinforced by Hakim et al. (2021), who revealed that Madurese entrepreneurs tend to integrate religious and local cultural values into financial decision-making, including debt management, profit distribution, and business expense control.

Previous research has largely focused on family businesses and medium-scale enterprises, emphasizing sociological and ethnographic approaches without explicitly linking them to modern financial accounting practices. Studies regarding *Warung

Madura*—micro-business entities independently managed by Madurese migrants—remain very limited, particularly concerning the application of modern accounting principles. This study offers novelty by examining the financial behavior of ethnic Madurese merchants in managing *Warung Madura* through the lens of modern financial accounting, covering daily transaction recording, the separation of personal and business finances, cash flow planning, and working capital management. The approach employed reveals cultural dimensions within financial behavior while bridging the gap between traditional, value-based economic practices and contemporary accounting concepts oriented toward efficiency, accountability, and business sustainability (Budianto et al., 2023). Thus, this research seeks to expand the field of culture-based financial accounting studies by focusing on Warung Madura merchants to understand how local culture influences financial decision-making, operational efficiency, and business sustainability.

The urgency of this research lies in the need to understand the dynamics of financial behavior within the context of local wisdom. *Warung Madura* are micro-business entities widely distributed across Indonesia that play a crucial role in supporting the grassroots economy and informally supplying the community's basic needs. Micro-enterprises like *Warung Madura* are characterized by financial management practices that are simple, experience-based, and lack formal record-keeping, making them vulnerable to liquidity issues and threats to business sustainability (Pritanjaya & Legawa, 2025). However, academic literature specifically addressing the financial management systems of *Warung Madura* merchants remains very limited. Therefore, this research contributes academically by enriching the literature on culture-based accounting while offering practical recommendations to strengthen financial management in the local-wisdom-based micro-business sector. Furthermore, this study contributes to the development of behavioral finance theory within the Indonesian socio-cultural context. This aligns with findings by I. O. Dewi et al. (2024), which emphasize the importance of integrating local values into business decision-making. Similarly, Suhaimi et al. (2025) highlight the cultural strategies employed by Madurese merchants regarding money storage and management as a form of economic adaptation rooted in cultural values.

Against this backdrop, this research focuses on understanding the financial management practices of ethnic Madurese merchants operating *Warung Madura*, as well as how behavioral factors—influenced by cultural values and religiosity—shape their financial decision-making to maintain operational efficiency and business sustainability. This inquiry is significant as it elucidates the relationship between

Madurese cultural values and financial behavior within the context of family-based micro-enterprises.

METHODS (Palatino Linotype 12, Space 1.15, Justify)

This study employs a qualitative approach using an ethnographic model, focusing on gaining an in-depth understanding of the financial management practices of Warung Madura (Madurese stall) merchants through the lenses of culture and religiosity. A qualitative approach enables the researcher to grasp the subjective meanings embedded in the social and economic behaviors of the community. Meanwhile, the ethnographic approach emphasizes direct observation and researcher immersion in the subjects' daily lives to acquire a profound understanding of a group's culture, values, and social practices (Yusanto, 2019). According to Rosaliza et al. (2023), ethnography aims to provide holistic insights into a community's worldview and actions, as well as the characteristics of their living environment. This objective is achieved through observation, in-depth interviews, and documentation—including field notes or memos—or a combination thereof (Hilmiawan & Pratiwi, 2024). Thus, ethnography seeks to document the culture, perspectives, and social practices of the people within that specific setting.

According to Creswell (2018), qualitative research aims to explore a deep understanding of human behavior within its social context, with the researcher serving as the primary data collection instrument. In this context, the researcher conducts direct observations and interviews with Madurese merchants to understand how cultural values—such as *abhantal syahadat* (using the *Shahada* as a pillow), *asapok iman* (using faith as a blanket), and *taneyan lanjang* (the traditional long-yard layout)—are translated into daily financial practices.

Ethnography is a qualitative research approach that aims to understand and describe the socio-cultural life of a group through participant observation, in-depth interviews, and documentation (Wijaya et al., 2018). According to Sari et al. (2023), this approach not only describes behavior but also interprets the meanings, values, norms, and motivations that shape daily activities from the perspective of the research subjects. In the context of *Warung Madura* merchants' financial management, ethnography was selected because it is capable of revealing financial decision-making processes influenced by culture, religiosity, and life experiences within their social environment. This study employs a coding-based data analysis model—a qualitative analysis approach developed by Strauss and Corbin. In its most fundamental form, coding is a systematic process in qualitative data analysis involving the identification, categorization, and labeling of data segments that hold specific meaning. Codes—

taking the form of words, phrases, or brief symbols—serve to represent the core ideas, concepts, or themes embedded within text-based or visual data. Through the coding process, researchers can organize data in a more structured manner, identify patterns and inter-category relationships, and construct themes that serve as the foundation for drawing research conclusions. Thus, coding constitutes a crucial stage in data analysis, as it enables researchers to gain a deep and systematic understanding of the meaning contained within the data (Creswell, 2018). Data analysis utilizing coding procedures is classified into three types: open coding, axial coding, and selective coding (Hilmiawan & Pratiwi, 2024).

FINDINGS AND DISCUSSION (Palatino Linotype 12, Space 1.15, Justify)

Cultural and Religious Values as the Foundation of Financial Behavior

The findings demonstrate that the financial behavior of Madurese grocery store (Warung Madura) owners is fundamentally shaped by cultural values, religious beliefs, and social norms. Through the coding process, twenty-six concepts were identified and subsequently organized into twelve categories, with business asset diversification emerging as the core phenomenon explaining the financial behavior of Madurese merchants. These findings indicate that financial decision-making extends beyond economic considerations and is deeply rooted in local cultural traditions.

Madurese merchants consistently uphold values of hard work, honesty, trust, kinship, and Islamic religiosity in managing their businesses. These cultural characteristics are consistent with the Madurese philosophy of abhantal syahadat, asapok iman, and apajung Allah, which positions religious commitment as the ethical foundation of business activities (Djasuli, 2017). Likewise, Madurese entrepreneurs integrate religious values into financial decisions by emphasizing honesty, responsibility, and the pursuit of blessings (barakah) rather than solely maximizing profits (Hasan, 2018). Similar findings have been reported by Farida (2018), who argues that Madurese business culture is strongly influenced by trust, solidarity, and family relationships.

The tradition of migration (merantau) and the concept of taneyan lanjang strengthen social capital among merchants, enabling them to exchange market information, provide mutual financial assistance, and maintain business resilience. Such community-based cooperation enhances access to business opportunities while reinforcing financial stability (Hakim et al., 2021). These findings support Faqih et al. (2023), who concluded that Madurese entrepreneurs integrate local culture and religious values into business management, creating distinctive financial behavior compared to other micro-enterprises. Furthermore, Izzati et al. (2024) emphasize that trust-based social networks significantly contribute to business sustainability by reducing transaction uncertainty and strengthening cooperation among entrepreneurs.

Overall, the findings confirm that cultural values and religiosity shape financial behavior by encouraging discipline, ethical business conduct, long-term commitment, and resilience. These results reinforce the perspective of behavioral finance, which argues that financial decisions are influenced not only by rational calculations but also by cultural and social factors (Dyatmika et al., 2024).

Financial Management Practices and Business Risk Management

The second major finding concerns the financial management practices employed by Warung Madura owners. Although most participants possess limited accounting knowledge, they consistently implement basic financial management procedures that support business continuity. Financial transactions are recorded manually using notebooks to document daily revenues, expenditures, inventory purchases, and business expenses. This practice remains dominant because merchants perceive manual bookkeeping as simple, practical, and compatible with their limited digital literacy (Habibah & Kusmayadi, 2025).

The persistence of manual accounting practices also reflects limited adoption of digital accounting systems among micro-enterprises. Similar observations were reported by Hasyim et al. (2026), who found that household businesses continue relying on manual bookkeeping because of inadequate digital competencies. Likewise, Amaliyah and Farida (2026) concluded that low digital literacy remains a significant barrier preventing MSMEs from adopting accounting software and digital financial applications.

Another important finding is the consistent separation between personal and business finances. Informants explained that separating household expenditures from business capital enables them to calculate profits more accurately, monitor cash flow, and evaluate financial performance. This practice supports previous findings that financial separation significantly improves business sustainability and financial accountability among MSMEs (Wayan et al., 2026).

Pricing strategies are primarily based on cost-based pricing, where selling prices follow supplier prices while considering competitors' prices and customers' purchasing power. This approach is consistent with findings by Habibah and Kusmayadi (2025) and Anjarwati et al. (2025), who reported that most Indonesian MSMEs determine prices using production costs while maintaining market competitiveness.

Risk management is another essential component of financial behavior. Merchants continuously monitor inventory, adjust stock levels according to customer demand, install CCTV systems, strategically place valuable products, and prioritize customer service. Similar strategies have been identified by Fujimoto et al. (2018), Hayes and Downs (2011), and Susilo et al. (2024), who concluded that surveillance systems and strategic product placement effectively reduce theft risks and improve business security.

Credit policies also illustrate prudent financial behavior. Credit sales are granted only to trusted customers with long-standing relationships, while new customers are often required to provide collateral. These practices align with the principles of risk management proposed by Rahmi and Karamang (2019), while also supporting findings from Damayanty and Lasiyono (2022), who emphasized that selective credit policies reduce bad debt and improve MSME liquidity.

Business Asset Diversification as the Core Financial Strategy for Sustainability

Selective coding identified business asset diversification as the central phenomenon explaining the financial behavior of Madurese merchants. Rather than consuming all business profits, merchants intentionally allocate earnings toward productive investments that strengthen long-term financial sustainability.

The study reveals several forms of diversification, including bank savings, gold investments, operational assets, motorcycles used for distribution, residential property, business expansion, and additional working capital. Such financial behavior demonstrates that profits are viewed as productive resources for future business growth rather than immediate consumption. These findings are consistent with Mardanugraha and Junaidi (2022), who argue that effective asset management enhances MSME resilience during periods of economic uncertainty. Similarly, Mayasari et al. (2023) found that productive asset ownership significantly improves MSME competitiveness and operational performance.

Business expansion through opening additional branches represents another important investment strategy. Merchants gradually expand only after achieving stable financial conditions and sufficient working capital. This finding supports Suwarningsih and Sumiati (2024), who identified business expansion as an essential growth strategy for sustainable MSMEs. Karunia et al. (2020) likewise demonstrated that long-term growth orientation contributes significantly to business competitiveness and organizational sustainability.

Working capital management receives the highest financial priority among merchants. Most daily revenues are immediately reinvested into inventory replenishment to maintain product availability and continuous cash circulation. Halawa et al. (2025) reported similar findings, concluding that disciplined working capital management positively influences business continuity among MSMEs.

Family participation further strengthens financial sustainability by providing initial capital, managerial assistance, labor support, and long-term commitment. These findings are consistent with Barlian et al. (2013), who emphasized that family businesses benefit from economic, social, and cultural capital, while Ayu et al. (2022) found that family involvement positively affects business development and financial performance.

Taken together, these findings demonstrate that business asset diversification represents the most comprehensive manifestation of Madurese financial behavior. The integration of cultural values, religious ethics, family support, simple accounting practices, and strategic reinvestment enables Warung Madura owners to achieve financial resilience and sustainable business development. Consequently, this study enriches the behavioral finance literature by illustrating how indigenous cultural values can complement modern financial management practices in supporting the sustainability of micro-enterprises.

CONCLUSION (Palatino Linotype 12, Space 1.15, Justify)

Research findings reveal that the financial behavior of ethnic Madurese merchants in managing *Warung Madura* (Madurese-owned convenience stores) is deeply rooted in cultural values, religiosity, work ethic, honesty, and a spirit of kinship—all of which underpin every business decision. These values are tangibly reflected in financial management practices, capital allocation, trust-based lending, and various strategies aimed at ensuring business continuity.

Asset diversification stands out as the most prominent manifestation of the financial behavior of these merchants. Profits generated from the business are not merely used to meet daily living expenses but are also allocated toward increasing capital, scaling up operations, opening new branches, and investing in productive assets to bolster long-term resilience and sustainability.

Although financial management relies on manual, simple record-keeping, this does not prevent merchants from applying fundamental financial management principles—such as separating business and personal finances, monitoring cash flow, managing inventory, assessing business performance, and mitigating risks. Ultimately, the success of *Warung Madura* can be viewed as a blend of local cultural wisdom and adaptive financial practices, which together foster operational efficiency and ensure the business's ongoing sustainability..

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