

FINANCIAL LITERACY IN AN EFFORT TO IMPROVE FINANCIAL INDEPENDENCE OF THE PETOYAN COMMUNITY

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Abstract - *Financial management has a major impact not only on personal life but also on business activities. In this case, good financial literacy encourages good financial management in society. Individuals with good financial literacy tend to be able to save and reduce loans, while individuals with poor financial literacy tend to borrow a lot and save little. Indonesian society itself is still relatively minimal in terms of financial literacy which has an impact on poor financial management. That is why socialization related to financial literacy is deemed necessary to increase the financial independence of the community. The following socialization activity was carried out with the presentation of materials and discussions in three sessions with three different materials covering the basics of financial literacy, planning and management of MSME capital, and Scaling-Up Business. Based on the results of the activity, it was found that the community received the following activity well and enthusiastically, the number of invitations met the target, and the objectives of the activity were achieved, namely increasing public understanding and knowledge regarding financial literacy, ways to manage finances to keep them good, the dangers of illegal loans, and ways to develop a business.*

Keywords: *Financial Literacy, Illegal Loan, Financial Independence*

1. INTRODUCTION

Financial literacy is understood as an individual's capability to assess referring to credible information specifically in making certain decisions to use or manage their finances. Thus, literacy has an important role, especially in the process of financial planning and allocation (Mendari & Soejono, 2020). Individuals who have good financial literacy skills tend to be effective and responsible in managing their money. Because financial literacy includes the skills to read, analyze, manage, and communicate financial conditions that have an impact on the separation of personal finances for needs and businesses (Fitria et al., 2021). Financial literacy not only has an impact on knowledge, but also has an impact on strategic decision making, especially for business actors. The ability to manage finances is needed to keep businesses from going bankrupt. Indonesia, the number of businesses reaching 56 million, is actually classified as low in a study by Global Financial Literacy conducted in 2016. This is also in line with a survey by the Financial Services Authority (OJK) which stated that financial literacy in Indonesia only reached 21.84% (Yushita in Kasendah & Wijayanka, 2019).

A good understanding of financial concepts will have an impact on people's financial behavior. The simplest example is the separation of money for needs and wants, then personal money and business money. People with good financial knowledge will be able to make wiser decisions regarding the allocation of money they have, such as choosing to save or invest. In addition, financial literacy also prevents inappropriate actions such as illegal online loans (Anggraeni, 2015).

Lack of financial knowledge increases the risk of financial problems in individuals. Individuals who do not understand the concept of compound interest tend to have greater debt, spend more money on transactions, and have higher interest rates. In addition, individuals with less knowledge tend to borrow more money and save less. On the other hand, individuals with more knowledge tend to work harder, save more, and plan for their future (Kasendah & Wijayanangka, 2019).

Research conducted by Anggraeni (2015) shows that low financial literacy affects the ability to manage finances which is limited to recording, but there is no documentation for incoming and outgoing money. This is in line with previous research by Ida & Dwinta in Rumbianingrum & Wijayanangka (2018) which shows that financial knowledge affects financial management behavior. The decreasing number of jobs encourages people to create their own businesses in order to meet their living needs. This is then termed Micro Enterprises. Financial literacy plays an important role for business actors, especially for planning the creation and development of a business (Rumbianingrum & Wijayanangka, 2018).

However, as explained earlier, the level of financial literacy of the Indonesian people is still minimal. This also occurs among business actors, where only 21.84% of the Indonesian people are financially literate. Therefore, socialization is needed to introduce financial literacy to the wider community. The following service aims to meet this need, namely introducing and improving financial literacy skills in the

community in Petoyan Hamlet, so that the financial independence of the community increases.

2. METHOD

In the following socialization activities, the lecture method was used with three materials related to financial literacy. In addition, there was also a question and answer session to carry out active interaction with the audience, especially things that were not yet understood from the presentation of the material. In general, there are three materials raised in the following socialization, namely:

No	Session	Discussion	Duration	Objectives
1	1 st Presentation	Basic Financial Literacy	30 Minutes	Providing an understanding of the basics of financial literacy including finance in general, the Financial Services Authority, loans, and personal financial management.
2	Question and Answer	Things that are not yet understood and the empirical conditions of people's finances	10 Minutes	Provide a deeper understanding of things that the audience does not yet understand and provide explanations based on the empirical conditions of people's finances.
3	2 nd presentation	Planning & Management of MSME Capital	30 Minutes	Providing an understanding regarding the separation of personal and business money, planning MSME capital, managing MSME capital, and keeping the business running stably.

4	Question Answer	and	Things that are not yet understood and the empirical conditions of people's finances	10 Minutes	Provide a deeper understanding of things that the audience does not yet understand and provide explanations based on the empirical conditions of people's finances.
5	3 rd presentation		Scaling Business	Up 30 Minutes	Providing an understanding of how to develop a business to the next stage including capitalization and planning to develop the business.
6	Question Answer	and	Things that are not yet understood and the empirical conditions of people's finances	10 Minutes	Provide a deeper understanding of things that the audience does not yet understand and provide explanations based on the empirical conditions of people's finances.

3. RESULTS AND DISCUSSION

a. Preparation and Implementation of Financial Literacy Socialization

Preparation for socialization began with the preparation of the concept and its development since July 10, 2018 and is planned to be implemented on Sunday, July 20, 2024. Preparation began by determining the materials to be delivered, the speakers to be invited, and the number of target audiences. Thus, socialization can be carried out clearly covering the results to be achieved. The next material raised includes the basics of financial literacy, planning & management of MSME capital, and Scaling up business. In this case, the invited speakers are Financial Services Authority Partners who have a program to provide direct socialization to the community. Finally, the target participants are determined through coordination with the hamlet head, youth leader, and local community leaders. This aims to get a large number of target audiences effectively and efficiently. The socialization was carried out on a holiday, namely Sunday, adjusting to the community's holiday, precisely on Sunday, July 20, 2024 at 08.30 WIB. The socialization was attended by 48 people out of a total of 50 invitees. During the socialization, participants participated enthusiastically, listened to the presentation of the material well, and actively participated in the

discussion activities. This is an indication that the financial literacy socialization activity received a positive response.

The material raised during the first socialization was the basics of financial literacy, from the introduction of the Financial Services Authority or OJK, the financial industry supervised by OJK, OJK's efforts to improve financial literacy, financial literacy, and legal and illegal online loans. The second material is planning and managing capital for MSMEs covering the stages of financial planning, things to consider before applying for a loan, how to get business capital, when to apply for a loan for business capital, where to get capital loans, and tips to avoid being unable to pay credit. The last material is Scaling Up Business covering business growth and scale, goals, stages, how to implement, challenges, and tips for success in developing a business.

During the question and answer session, participants actively asked questions related to things that were not yet understood. This is especially true for understanding based on the social conditions of the community faced directly by the participants. In addition, the community also highlighted small businesses carried out by several members of the community, and how to develop them effectively and efficiently. On the other hand, an understanding was also obtained regarding the problems faced, namely loan sharks or termed Bank Plecit. So far, these loans are similar to Illegal Online Loans that are not supervised by the Financial Services Authority. It's just that it is done in conventional ways, not through digital media. However, the difference is that loan sharks also have collateral such as BPKB or land certificates. The problem faced is the high interest rates on these loan sharks.

b. Results Obtained

The expected results or outputs of financial literacy socialization activities are increased understanding and awareness of financial management in the community, as well as ways to maintain financial conditions that can be controlled properly. After the following activities are carried out, the community becomes more aware of the urgency of wise financial management, more educated about the basics of finance, and the dangers of illegal loans that are not supervised by the Financial Services Authority, both online and conventionally such as loan sharks.

4. CONCLUSION

Based on the results of the financial literacy socialization activities to improve the financial independence of the Petoyan community, it can be concluded:

- a. The socialization activities were carried out smoothly and received a good response from the community. This is indicated by the presence of participants who almost met the target, as well as the enthusiasm of the community during the activity.

- b. The expected outputs from the implementation of the socialization can be achieved. This includes increasing public understanding regarding the urgency of financial literacy, procedures for managing business and personal finances, the dangers of illegal loans, and ways to develop a business.

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