



Strategy For Increasing The Competence and Capability of Financial Literacy of MSMEs

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Abstract: In its efforts to promote financial inclusivity, the Indonesian government has set a goal of achieving a 75% inclusion rate by 2019. However, as accessibility to formal financial services becomes more convenient for the general population, the risks within the financial industry also escalate. Unfortunately, ordinary individuals are ill-prepared for these circumstances as their understanding of financial products remains limited. The primary issues at hand are twofold: firstly, the lack of financial literacy among micro, small, and medium enterprises (MSMEs) and housewives in Indonesia, and secondly, the need for effective strategies to enhance financial literacy among MSMEs and housewives specifically in UMKM Azalea, located in West Jakarta. PKM aims to deliver training, knowledge, and solutions while offering capital resources. The research methodology employed is a descriptive qualitative approach. The outcomes of PKM reveal that there is a significant deficiency in financial literacy among Azlea MSMEs and households, with only 50% possessing adequate knowledge. Strategies for enhancing competency and capability encompass various aspects, including: a) fostering awareness and understanding of diverse financial products and services, b) comprehending the risks associated with financial products, c) ensuring customer protection, and d) cultivating skills in financial management.

Keywords: Financial Literacy, Competency and Capability, Small and Medium Enterprises, Housewives.

INTRODUCTION

The enhancement of individuals' financial management skills is the primary objective of financial education. This education is governed by Presidential Regulation number 82 of 2016, specifically addressing Pillar I of financial education and Pillar 4 of Financial Services in the Government Sector, which concerns the distribution of non-cash social assistance programs. Basic knowledge of finance is a crucial subject, applicable not only to financial professionals but to people from all walks of life. As stated by Oseifuah et al (2018), financial literacy is a valuable skill that greatly influences individuals, families, and the overall

economy. Moreover, a comprehensive understanding of finance positively contributes to sound decision-making processes in financial matters, benefiting not only individuals and households but also businesses, including micro, small, and medium enterprises (MSMEs).

It is a well-known fact that the Indonesian government has set a goal of achieving 75% inclusive finance by 2019. However, as access to formal financial services becomes more widespread, the risks within the financial industry are also increasing. Unfortunately, ordinary citizens are ill-prepared for this situation, as their understanding of financial products is still limited. Therefore, the key strategy for enhancing inclusive finance begins with enhancing people's knowledge and awareness of financial products and services. People need to grasp the fundamental information about the various financial products and services available in formal financial markets, as well as aspects of consumer protection and risk management. The survey was conducted from 2019 to 2022, involving 9,680 respondents across 34 provinces, encompassing 64 cities and districts. The survey findings indicate that the level of financial literacy in Indonesia stands at 21.8%. Taking these results into account, the OJK and other financial service industries can utilize them in the planning and implementation of financial literacy and inclusion policies, resulting in an increase to 29.7% in financial literacy.

This survey serves not only as a policy foundation but also as a means of assessing the efficacy of programs aimed at promoting literacy and financial inclusion. Additionally, it provides insight into the general public's understanding of the various characteristics associated with financial products and services. The survey results regarding knowledge of features, benefits, and penalties were quite promising, with percentages reaching 84.16%, 86.57%, and 66.04%, respectively. However, when it comes to understanding risk, acquisition methods, rights, obligations, and costs, public knowledge remains relatively low, falling below 50%. The National Financial Literacy survey revealed that 36.02% of participants claimed to possess the ability to calculate interest, installment payments, investment returns, product usage costs, penalties, and inflation. Interestingly, a significantly higher percentage, specifically 93.55%, were able to correctly solve basic arithmetic problems.

Furthermore, it was found that a mere 30% of the participants were able to effectively compute interest, while a significantly higher percentage of 62.61% were able to accurately respond to questions pertaining to interest calculations. Moreover, a minor 10.98% of respondents claimed to possess the ability to calculate currency values and inflation rates, however, it was discovered that only 35.28% of them could accurately explain the concept of inflation. Similarly, a mere 9.67% of individuals professed the capability to calculate investment returns and risks. This highlights the existence of notable disparities between the participants' self-perceived knowledge and their actual abilities.

Based on the survey findings, it is evident that people's financial aspirations are primarily centered around meeting short-term needs, such as daily expenses and sustaining their livelihoods. Consequently, their chosen strategies for attaining these goals also tend to be focused on short-term endeavors. It is worth noting that during the economic crisis of 2008, micro, small, and medium enterprises (MSMEs) emerged as the most resilient sector (Mourougane, 2012). In fact, according to Tambunan (2019), MSMEs outperformed larger corporations during the 1997 crisis that impacted Indonesia. The significant role that MSMEs play in both the community and the nation has prompted the government to prioritize their development and long-term viability. This commitment is reflected in governmental regulations that incentivize the banking sector to provide business loans specifically tailored to MSMEs in Indonesia.

The number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia continues to experience growth on an annual basis. It is estimated that in 2018, the number of individuals engaged in MSME entrepreneurship will reach approximately 58.97 million.

Furthermore, this number is expected to further increase in the coming years, owing to advancements in technology and the expanding potential of the country's human resources. The rise in the number of MSMEs has had a positive impact on the Indonesian economy, resulting in increased employment opportunities and a significant growth in the gross domestic product, which reached a remarkable 60.34 percent in 2018. In light of these circumstances, it is fitting for the Faculty of Economics and Business to engage in community service initiatives aimed at empowering small businesses. By offering guidance and support as partners, it is hoped that these businesses can flourish once again and contribute to the overall improvement of the local economy.

The Indonesian government expresses significant concern regarding the limited financial literacy within the community. Abreu and Mendes (2010) argue that a lack of financial knowledge restricts individuals from effectively diversifying their portfolios, consequently increasing potential risks. Klapper et al (2013) found that individuals with higher levels of financial knowledge are less affected by economic crises. In response, the government, through the Financial Services Authority (OJK), has set a target of achieving a 75 percent financial literacy rate among the Indonesian population by 2019. Considering the low level of financial literacy, especially among micro, small, and medium enterprises (MSMEs), it is crucial to prioritize financial literacy education for MSMEs due to their significant contribution to the Indonesian economy.

The significant business turnover of micro, small, and medium enterprises (MSMEs) in Indonesia, which nearly reached 1,000 trillion in 2018, serves as evidence of their economic importance. Additionally, MSMEs stand out as the primary sector for job creation, highlighting the need for continued support and alignment with the government's ongoing efforts to reduce unemployment rates. Moreover, during times of economic crisis, the MSME sector has proven to be the most resilient. To achieve the desired outcomes of community service, it is essential to provide MSME actors with comprehensive financial management skills. This includes guidance on acquiring capital from both banking and non-banking institutions. Furthermore, by enhancing financial literacy, MSMEs can gain a fresh perspective on investment opportunities within the Indonesian financial sector, such as stocks, bonds, mutual funds, and other potential avenues for growth.

LITERATURE REVIEW

Follow-up with MSME actors

Once the initial phase of financial socialization is complete, the next step involves establishing connections between MSME actors and the banking as well as non-banking sectors. Specifically, for the non-banking sector, MSME actors will be invited to attend a subsequent seminar organized by PT Pegadaian (Persero) Jakarta. This seminar aims to provide insights into potential sources of capital and investment. Additionally, MSME players will also have the opportunity to explore other investment options in the capital market through participation in capital market classes conducted by PT Bursa Efek Indonesia (IDX). It is worth noting that 55 participants from West Jakarta MSMEs took part in this training program.

Preparation For Implementation

To prepare for the first coordination meeting with the executive lecturer from Abdima at FEB Trisakti University, specifically in the economics department, two online meetings were arranged using the Zoom platform. During these meetings, the Abdima team concentrated on assessing the potential and challenges encountered by our partners. This included discussing the required materials and modules that needed to be developed. Fortunately, our Abdima partners have displayed excellent cooperation throughout this project, facilitating a smooth and successful preparation for the Abdima activities. Although

the frequency of our meetings with partners is not very frequent, we are still able to maintain regular contact.

Activity Materials

Related material about coaching for micro small businesses in order to improve their business whose contents are: a. The importance of Small Business and entrepreneurship in times of crisis b. The importance of Small Business Management in times of crisis e. It is important to know the source of working capital in the form of banks, yoke, incentives given by the government such as incentives given by the Ministry to small businesses in times of crisis d. Importance of financial Literacy knowledge.

METHODS

Implementation in this activity by using descriptive qualitative methods and participatory methods, which is where we explore the potential and the main problems faced by partners. The method is implemented by combining lectures / counseling, discussion and question and answer. Activities in carrying out this abdimas are in the form of: a. Education, which is a science either practically or academically in order to increase the ability of partners to improve their standard of living. b. Services that provide services to partners Abdimas where in this case the services provided. The following are the types of activities that are carried out: a. Counseling is to provide knowledge to partners about the importance of having knowledge about financial Literacy especially in times of crisis like today. b. The training is to provide a skill training to mitrs on how to manage small businesses, such as determining a mature plan, the existence of a proper and clear job desk so that the results will be optimal and good control in the implementation from the beginning of the production process to the end of production. c. Training strategies that must be done related to avoiding risks for financial management and working capital submission to be submitted to lenders or grantors and incentives. Consultation is to provide services where mita can ask about something related to the purpose of this community service to improve the welfare of small communities in particular.

RESULT AND DISCUSSION

The training session was led by two instructors from the Development Economics Study Program and one student. This training was a collaborative effort between the instructors, who served as both theoretical and practical guides, and the participants. The objectives of the training were as follows: 1. To enhance the participants' understanding of entrepreneurship, particularly in the context of Mitra Abdimas, thereby providing them with opportunities to develop their businesses and increase their income, especially during times of crisis such as the present. 2. To improve the participants' knowledge on how to expand production scale, certify their products, and maintain the quality of their existing products in order to increase their market value. 3. To increase the participants' awareness of various sources of business capital. 4. To foster a better understanding among the participants on how to develop strategies to enhance the competence and capabilities of Micro, Small, and Medium Enterprises (MSMEs) and Mrs. RT Azlea in West Jakarta.

To assess the extent of accomplishments, impact, and advantages derived from the activities, as well as to establish benchmarks and tests, an evaluation of PKM activities is conducted. This evaluation employs a descriptive approach, which involves conducting interviews with partners directly to gather their feedback on the outcomes of the activities and the benefits they have experienced. This enables us to determine the efficacy of the interventions and the changes observed before and after the implementation of the PKM activities.

Access Value

Table 1. The Value Of The Training

No	Material Understanding	Access Value
1.	The Concept Of Financial Literacy	60%
2.	Capital Resources Management	60%
3.	Strategies To Improve Financial Literacy	50%

Source: after processing (2022)

The impact and benefits of this training

1. To foster a collaborative and entrepreneurial atmosphere among business partners, it is important to encourage creativity and innovation in the development of new products that utilize available resources.
2. It is crucial to emphasize to partners the significance of formulating a well-thought-out strategy when it comes to business operations. This entails actively seeking avenues to secure working capital with the aim of attracting new clientele.
3. One approach to foster lasting relationships with established customers is to cultivate a sense of excitement and dedication among partners. This strategy aims to dissuade customers from seeking out alternative sellers or manufacturers.
4. Encourage partners to remain vigilant in their efforts to continuously enhance the level of quality.

Benchmarks used to determine the understanding of the participants

In order to assess the participants' comprehension of the given material, the abdimas team administers a pre-test to the partners. The pre-test consists of closed-ended questions, allowing the participants to select their answers from the provided options. For this purpose, the team utilizes the learning media platform, slido.com. The purpose of this pre-test is to gauge the level of knowledge that the partners already possess regarding the PKM training materials that will be presented. Moreover, upon the conclusion of the training, we administered a post-test by providing questionnaires to the partners. These questionnaires were completed and submitted by the partners themselves using slido.com and through mobile devices. The purpose of the post-test was to assess the extent to which the partners comprehended the outlined activities pertaining to entrepreneurship, small business management, and marketing strategies during times of crisis. This assessment encompasses both theoretical knowledge and practical application up until the present moment.

Difference analysis before and after PKM training

Table 2. analysis of differences before and after PKM training

No	Conditions Before Training	Condition After Training
1.	In times of crisis, such as the present, it is crucial to recognize the significance of cultivating the essence of capital resources. However, there is a lack of comprehensive understanding regarding this matter..	In today's era, there has been a growing recognition and appreciation for the significance of cultivating knowledge and awareness regarding the origins of business capital, particularly during times of crisis. By engaging in the study of Science and technology-driven entrepreneurship, innovative entrepreneurs have the potential to emerge in the realm of product development and business operations that leverage technological advancements.
2.	Having a limited understanding of the significance of meticulous business planning, including task allocation, as well as effective oversight from the initial stages of raw material selection	As the comprehension and acknowledgment of the significance of meticulous business planning continue to grow, there is an evident surge in the recognition of the need for diligent task allocation and effective supervision. This

	and production processes to the finalization of finished goods, can hinder the production of optimal products.	includes meticulous oversight beginning from the selection of raw materials and extending throughout the production process until the finalization of the goods, all in pursuit of achieving the highest quality products.
3.	Having a limited understanding of the significance of formulating strategies to enhance structured capacities and capabilities.	The project is experiencing a lack of forward movement and is not achieving substantial advancements.
3.	Business networking limited	By engaging in extensive dialogue with FEB lecturers who possess an open mindset, individuals can avail themselves of various prospects to enhance their business connections. This, in turn, is anticipated to foster heightened motivation and facilitate the expansion of collaborative endeavors among members.
4.	The current utilization of Information Technology for promotional purposes and business operations still falls short of being optimal.	The utilization of internet platforms and social media has proven to be an effective method for the enhancement and broadening of marketing strategies in the realm of science and technology-based entrepreneurship.

Factors supporting and inhibiting activities

Supporting Factors:

1. The assistance provided by MSMEs affiliated with AZLEA in regards to the execution of this endeavor
2. The communication between the management of UMKM and various cooperative members is characterized by its effectiveness and depth.
3. MSMEs and housewives exhibit a willingness to openly express the challenges they encounter.
4. Trisakti University offers internet services that greatly facilitate PKM activities by providing convenient access to zoom links.

Integration with research, teaching and student creativity programs.

Research: Research on the development of entrepreneurial mindset during periods of crisis can yield valuable insights.

Dikjar: There is potential to develop teaching modules that are specifically tailored to entrepreneurship courses, as well as courses in Economic Business Management and marketing.

Student creativity Program: Small business owners have the opportunity to delve into the impact of digitization on economic empowerment through research conducted by students.

CONCLUSION

One of the primary challenges encountered by MSMEs and housewives is the absence of financial literacy, which accounts for 50% of the problem. In this scenario, the utilization of technology holds significant significance as it aids in streamlining communication and promoting businesses. A viable approach to enhance the proficiency and capacity of MSMEs and housewives involves the provision of knowledge and training. Social media proves to be an invaluable tool in facilitating communication and consultation, particularly in the realms of marketing expansion and business advisory services.

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