

Financial Literacy Strategy to Increase De Thela MSME Income

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ABSTRACT

Purpose - Micro, Small and Medium Enterprises (MSMEs) have an important role in the Indonesian economy because they contribute to the formation of Gross Domestic Product and the absorption of work energy. Therefore, strategies are needed that can be used to help develop MSME businesses. This service activity raises the problems faced by a coffee shop business called De Thela, where based on interviews with the owner of De Thela MSMEs, there are problems experienced by these MSMEs related to good financial management. The aim of this service activity is to provide assistance regarding the importance of financial management through financial literacy strategies, so that it can increase business income.

Methods – This activity was carried out using methods including problem identification, preparation, assistance, monitoring and evaluation of assistance to De Thela MSMEs.

Result and discussions – This community service activity provides results for De Thela MSMEs, namely (1) De Thela MSME owners have financial literacy regarding financial services products for investment, saving, borrowing and insurance; and (2) De Thela MSMEs are able to carry out financial management by keeping good financial records.

Conclusion – The implication of the results of this community service activity is that it is hoped that this assistance can increase financial literacy and manage business finances, so that ultimately it can increase the income of MSMEs and the sustainability of their businesses.

Keywords: *financial literacy, income, MSMEs*

INTRODUCTION

Cassava (*Manihot Utilisima*), also called cassava or cassava, grows in almost all regions of Indonesia. Figure 1 explains that cassava is a monoecious dicotyledonous plant that is grown for its starch so that it is suitable for the body to digest. This is because fresh cassava has a chemical composition consisting of water content of around 60%, starch 35%, crude fiber 2.5%, protein content 1%, fat content 0.5%, and ash content 1% so it is a source of carbohydrates and fiber. food (Bayata, 2019). Apart from that, the low fat and cholesterol in cassava coupled with the high fiber content makes cassava also good for consumption.



Figure 1. Cassava Plant
(Source: Rachman, 2022)

One of the processed cassava products produced by UMKM De Thela is crispy fried gethuk which is sold at a price of IDR12,000.00/pack. Apart from that, De Thela MSMEs also produce other processed products from cassava in the form of cassava sticks and sweet potato balls as shown in Figure 2. MSME De Thela is an MSME that operates in the field of producing frozen food produced from processed cassava. The location of De Thela MSMEs is in the Pucanganom Village area, Sumberagung Subdistrict, Moyudan District, Sleman Regency, Yogyakarta Special Region with the business owner named Yesy Purwatiningsih and was founded on September 10 2021. De Thela MSMEs utilize cassava as a natural potential. in the Pucanganom Village area to make various processed cassava products which have economic benefits.



Figure 2. UMKM De Thela Processed Cassava Products
(Source: Personal documentation, 2023)

MSMEs are a business sector that plays an important role in the Indonesian economy and plays a role in absorbing labor and distributing development results. The MSME sector makes a major contribution to 60% of Indonesia's Gross Domestic Product with labor absorption of more than 90% (Limanseto, 2023). However, according to Shahnewaz (2019) there are obstacles faced by MSMEs both related to financial and non-financial aspects which cause MSMEs to not be able to develop optimally. Some of the financial obstacles faced by MSMEs include (1) lack of compatibility between available funds that can be accessed by MSMEs, (2) lack of a systematic approach to funding MSMEs, (3) lack of access to formal sources of capital either due to the absence of banks in remote areas or inadequate information is not available, and (4) many

MSMEs are not yet bankable due to the absence of transparent financial management or lack of managerial and financial capabilities. Apart from that, several non-financial obstacles faced by MSMEs include (1) lack of knowledge of production technology due to lack of opportunities to follow technological developments and lack of education and training, (2) limited human resources (HR) due to lack of resources to develop human resources, and (3) lack of understanding of finance and accounting. Likewise, De Thela MSMEs have not been able to develop well. Based on observations, the obstacles faced by De Thela MSMEs are that business financial management is still simple. Good financial management and literacy for MSMEs is very important because it is the key to smooth company operations (Rahmawati, Rubiyatno & Sutadi, 2022). Based on the results of the 2022 National Survey of Financial Literacy and Inclusion conducted by the Financial Services Authority, it shows that the financial literacy index reached 49.68% and states that Indonesian society in general does not fully understand how to improve the quality of decision making and financial management to achieve prosperity (Rahmawati & Rivieda, 2023). The results of the Financial Services Authority survey provide the implication that financial literacy, especially for MSME players, needs to be improved. Apart from that, MSMEs generally pay less attention to their business financial bookkeeping activities and have difficulty knowing the calculation of business profits (Graña-Alvarez, Lopez-Valeiras, Loureiro & Coronado, 2024). Financial management of controlled cash flows in and out of company funds will show good company credibility (Rahmawati, Yulita, Sulistiyowati & Wardhani, 2023). Therefore, this community service activity provides assistance regarding the importance of financial management through financial literacy strategies so that it can increase business income.

METHOD

Based on the problems faced by De Thela MSMEs, they still do not understand good financial management, so that when the business has grown to a large size, many experience problems such as not being able to make loans to financial institutions for capital because they do not understand financial literacy. This is in line with the results of research by Rita & Utomo (2019) which shows that 74% of MSMEs do not have access to financing because financial literacy is not evenly distributed. Therefore, to avoid financial problems, financial literacy is an important need, especially for De Thela MSMEs. The assistance activities that the community service team carries out for De Thela MSMEs include providing assistance related to education regarding literacy and good financial management for De Thela MSME players, for example introducing financial service products such as investment, saving, borrowing and insurance. So it is hoped that this activity will contribute to increasing the income and sustainability of De Thela MSMEs. Apart from that, De Thela MSME players can also avoid investment activities in illegal financial instruments.

The stages of implementing this community service activity are carried out as follows: (1) identification of De Thela MSME problems which aims to find out the problems faced by De Thela MSME actors; (2) preparation of forms of assistance that are in accordance with the results of problem identification with the aim of ensuring that the assistance provided is appropriate and in accordance with the problems faced by De Thela MSMEs; (3) financial literacy and management assistance which aims to ensure that De Thela MSMEs can implement good financial management and have education regarding financial literacy so that problems previously experienced can be resolved; (4) monitoring and evaluating mentoring, namely looking at the

impact of mentoring on De Thela MSMEs, the aim of which is to see the impact of mentoring on De Thela MSMEs on the problems faced by De Thela MSME actors and knowing the extent to which mentoring has been successful in overcoming the problems faced.

RESULTS AND DISCUSSION

According to research results from Rita & Utomo (2019), 74% of MSMEs do not have access to financing because financial literacy is not evenly distributed. Therefore, to avoid financial problems, financial literacy is an important need, especially for De Thela MSMEs. The assistance activities that the community service team carries out for De Thela MSMEs include introducing financial service products such as investment, saving, borrowing and insurance. So it is hoped that this activity will contribute to increasing the income and sustainability of De Thela MSMEs. Apart from that, De Thela MSME players can also avoid investment activities in illegal financial instruments.

Apart from that, good financial management for MSMEs is very important because it is the key to the company's smooth operations (Kumari, Sharma & Adnan, 2024). This community service activity provides assistance related to financial management, namely in financial bookkeeping and compiling simple financial reports. Bookkeeping activities are an effort to document all transaction activities of receipts and expenditures of money which in turn can determine the financial condition of the business (Oppong, Atchulo, Akwaa-Sekyi, Grant & Kpegba (2023). So that with bookkeeping activities, MSMEs can find out how much their business is worth, the amount of debt, the amount of receivables and the total value of goods in stock are as shown in Figure 3. Therefore, with this assistance activity, it is hoped that De Thela MSME players can prepare simple financial reports such as profit and loss reports and cash flow so that business financial efficiency and effectiveness can be achieved.

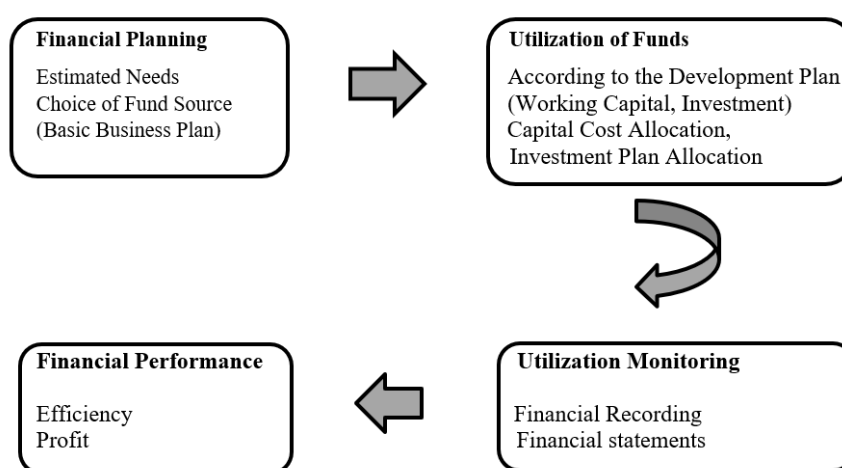


Figure 3. Business Financial Governance
 (Source: Leffel & Bracking, 2021)

CONCLUSION

The results of community service activities for De Thela MSMEs are that De Thela MSME owners have financial literacy regarding financial service products for investment, saving, borrowing and insurance, and De Thela MSMEs are able to carry out financial management by keeping good financial records. The implication of this community service activity is that it is hoped that this assistance will make it easier for De Thela MSMEs to develop their business and increase their income and business sustainability.

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