

ANALYSIS OF ISLAMIC FINANCIAL LITERACY LEVEL ON MSME PRACTITIONERS IN PEMATANG SERAI VILLAGE

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Abstract: *This research was conducted in Pematang Serai Village, Langkat Regency. Respondents of this study were MSME practitioners who were mostly customers of the Bumdes Mozaik Syariah Savings and Loan Business Unit in Pematang Serai Village. From the results of research using the financial literacy model formulated by Chen & Volpe (1998) with measurements in 4 aspects it was found that the level of Islamic financial literacy in Pematang Serai Village UMKM practitioners included in the low category of 56.46%. The lowest aspect is the aspect of sharia investment, with the score obtained is 48.72%, while the highest aspect is the basic aspect of Islamic financial knowledge by obtaining a score of 66.4%. Suggestions that can be given to Pematang Langkat Village UMKM Practitioners to increase Islamic financial literacy are setting aside time to attend seminars or workshops on Islamic finance, for the village government is expected to facilitate activities related to efforts to increase Islamic financial literacy and the most expected is the OJK party Can go down to villages so that Islamic financial literacy in the village community, especially SMEs in the village can increase.*

Keywords: *literacy, Islamic, financial, MSME*

Introduction

MSMEs are a business that supports the economy of a country, especially Indonesia, because it is able to absorb some of the workforce. MSMEs are very important in the economic growth of a country, because it has a major contribution in increasing Gross Domestic Product (GDP). Given the crucial role of MSMEs, so in order to be able to maintain the sustainability of its business (sustainability) such as innovating or business expansion should have the knowledge of the understanding of financial management and utilization. Financial literacy can be defined as a form of competence or skills of an individual in understanding management Good finances that the goal of business finances remains stable so that it can obtain profits (Amri & Iramani, 2018). In 2013, the Financial Services Authority used the term financial literacy as a series of processes or activities to increase the knowledge, beliefs, and skills of consumers and the wider community so that they were able to manage finances better (OJK, 2013). One of the practitioners seen can affect the sustainability of MSMEs is the understanding of MSME practitioners towards financial literacy. MSMEs who have a level of understanding more related to financial will easily understand finances, as well as fast in detecting risks for the financial services used.

According to the National Literacy and Financial Inclusion Survey (SNLIK) by the OJK, 2022, showing the Indonesian community financial literacy index of 49.68%, up

compared to 2019 which was only 38.03 percent, for Islamic finance, the literacy index was 9.14%, Where this percentage increased from 2019 which was 8.93%. For North Sumatra based on the National Survey of Conventional Financial Literacy Index in North Sumatra in 2019 is 37.96 % while the sharia financial literacy index is 17.28 %.

Research on the level of Islamic financial literacy has also been carried out by many academics. The results of research from Zebua (2017) concluded that the level of Islamic financial literacy in the business practitioners of the Great Mosque of An Nur City of Pekanbaru was in the low category. Meanwhile, the level of Islamic financial literacy in the people of Banda Aceh City is in the medium category or in the range of 60% -79% (Nanda, et al, 2018). The same thing happened to traditional traders in the city of Yogyakarta, where the test results conducted by Nopiah (2017), resulted in the findings that the level of knowledge and the level of ability of traditional market traders to Islamic financial literacy was in the medium category.

This research was conducted in the village of Pematang Serai Langkat Regency., Where the majority of residents of Muslim villages. This village has a sharia savings and loan business unit that is managed by BUMDes. Until now, there are approximately 50 active customers, most of whom are MSMEs such as garbage shops, workshops, trading in the culinary field, etc. The mechanism for financing the BUMDes Mozaik Savings and Loan Business Unit, is indicated by usury, so it still needs to be addressed so as not to violate the principles of sharia (Chrisna, 2021). From the results of the initial observations of the researcher, Islamic financial literacy among BUMDes management and customers in this village, especially MSME practitioners still need to be questioned, and researchers are motivated to measure the level of Islamic financial literacy to MSME practitioners in Pematang Serai Village

Literature Review

Financial literacy is knowledge, skills, and beliefs, which influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve welfare. (OJK, 2016). Meanwhile, Danes and Hira and Chen and Volpe in Anastasia Sri Merramaya and Suramaya Suci Kewel (2013) define financial literacy as knowledge to manage finances (financial literacy is money management knowledge (Anastasia, 2013). According to Rahim, Rashid and Hamed (2016) conceptually sharia financial literacy are defined as the ability of a person to use financial knowledge, skills. OJK divides the financial literacy indicators of the Indonesian population to four parts, namely:

- 1) Well literate is having knowledge and confidence in financial services institutions and financial services products, including features, benefits and risks, rights and obligations related to financial products and services, as well as having skills in using the products and services of these financial institutions.
- 2) Sufficient literate is having knowledge and confidence about financial services institutions and financial products and services, including features, benefits, risks of financial products and services.
- 3) Less literate is only having knowledge about financial service institutions, products and financial services.
- 4) Not literate is not having knowledge and confidence in financial institutions and products and services, and do not have skills in using financial products and services.

Financial literacy according to Chen & Volpe (1998) can be viewed from four dimensions of aspects, namely:

- 1). General knowledge and insight (general knowledge)

- 2). Savings and loans (savings and borrowing)
- 3). Insurance (insurance)
- 4. Investment (Investment)

Method

This research is a qualitative descriptive research with the survey method, where data is obtained through the distribution of questionnaires to MSME practitioners in Pematang Serai Village. Data analysis is carried out with descriptive statistics. To measure the level of financial literacy, a model is formulated by Chen & Volpe (1998). The sample in this study was MSME practitioners who were customers of the Mozaik Savings and Loans Unit totaling 30 people. The data collected will be analyzed with descriptive statistics, each correct answer is divided by all questions and then multiplied by 100%. Each correct answer is given a score of 1 and if answered wrong will be given a score of 0. The following formula used in determining the classification or grouping of Islamic financial literacy:

$$\text{Literacy level category} = \frac{\text{number of correct answers}}{\text{number of questions}} \times 100\%$$

The results of these calculations will then be grouped into 3 categories that can be seen in the following table

Tabel 1.
Literacy level classification

Categori	Data Interval
Low	<60 %
Middle	60% - 79%
High	>80 %

Result and Discussion

The characteristics of respondents can be seen in the following table:

Tabel 2. Characteristics Based on Education

Academic Background	Frequency	Percentage
Senior High School	28	93%
Diploma	2	0,07%
Bachelor degree	0	0
Total	30	100%

Source: Data Processed from a Questionnaire

Tabel 3. Characteristics Based on Age

Age	Frequency	Percentage
30 s/d 34 year	7	23%
35 s/d 39 year	11	37%
40 s/d 44 year	8	26%
45 s/d 50 year	2	7%
≥50 year	2	7%
Jumlah	30	100%

Source: Data Processed from a Questionnaire

Tabel 3. Characteristics Based on Age

Age	Frequency	Percentage
30 s/d 34 year	7	23%
35 s/d 39 year	11	37%
40 s/d 44 year	8	26%
45 s/d 50 year	2	7%
≥50 year	2	7%
Total	30	100%

Source: Data Processed from a Questionnaire

Tabel 4. Characteristics Based on Business Types

Age	Frequency	Percentage
Food and Beverage	7	23%
Workshop	2	7%
Peddler	4	13%
Grocery Store	6	20%
etc	11	37%
Total	30	100%

Source: Data Processed from a Questionnaire

From the characteristics of Responden based on the latest education, the majority of MSME practitioners are high school education, which is 93%, then based on age, the largest age range is between 35 to 39 years as much as 37% and from the type of business, the business of food and beverage into 2nd position . The data processing results show that the lowest score is 25% and the highest is 75%. The lowest value is a respondent who is only able to answer questions correctly on 5 questions, while the highest value is a respondent who is able to answer correctly 15 question items.

From the four aspects under study, the first aspect, namely the basic knowledge of Islamic finance, obtained a score of 66.4%, the second aspect, namely savings and Islamic loans, obtained a score of 56.4%, the third aspect, namely sharia insurance, obtained a score Sharia investment, the score obtained is 48.72%. The overall score of aspects is 56.46 %, and if referring to the classification of Islamic financial literacy levels in Table 1, it can be grouped in the low classification of financial literacy (<60 %). This indicates that SMEs in Pematang Serai Village have low knowledge of Islamic finance. The results of research on Islamic financial literacy in UMKM practitioners in Pematang Serai Village are in line with the results of Zebua's research (2017) which concluded that the level of Islamic financial literacy in the business practitioners of the Great Mosque of An Nur Pekanbaru City was in the low category.

The results of this study are also in line with the results of Amaliyah and Rini's research (2015) that the level of literacy of MSME owners in Tegal in the City of High but is still far from the optimum limit and even approaching the group of low financial literacy categories. According to Halabi, A. K., R. Barret., And R. Dyt. (2010) that small businesses only understand the very basic matters of accounting information and have problems with understanding financial literacy. From some of the results of previous studies there are several practitioners that cause the low level of Islamic financial literacy in the community, especially in MSME practitioners, one of which is education. Someone who has high education or has had education at the university level will have more access to information so that financial science in particular will be more broad (Sembiring and Leon, 2021). As for Islamic finance itself, it was later known by the community where the rise of finance was marked by the birth of the Sharia Bank Muamalat Indonesia (BMI) in 1991. In terms of age, it is certainly far less than conventional finances that have been centuries of the century known by the community. It is still necessary to carry out activities for financial literacy by related parties, especially OJK so that Islamic financial literacy to the community, especially SMEs, is increasing

Conclusion

From the results of research using the financial literacy model formulated by Chen & Volpe (1998) with measurements in 4 aspects it was found that the level of Islamic financial literacy in Pematang Village UMKM Practitioners included in the low category of 56.46%. The lowest aspect is the aspect of sharia investment, with the score obtained is 48.72%, while the highest aspect is the basic aspect of Islamic financial knowledge by obtaining a score of 66.4%. SUGGESTIS that can be given to Pematang Langkat Village Practitioners to Increase Islamic Financial Literacy Are Setting Aside Time to Attend Seminar or Workshops on Islamic Finance, for the Village Government is expected to facilities is the ojk party can go down to villages so that Islamic financial literacy in the village community, especially smes in the village can increase.

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