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**ENCOURAGING MSME GROWTH BY IMPROVING FINANCIAL  
LITERATURE AND FINANCIAL INCLUSION IN SANUR KAUH VILLAGE  
COMMUNITY**

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**Abstract**

Financial literacy has become a hotly discussed issue in recent years in Indonesia. The issues that arise cannot be separated from various polemics that have occurred, ranging from the Asean Economic Community (MEA) to the economic crisis that hit Indonesia in 1998. At this time financial literacy is an important thing and a necessity for the wider community, the public is required to know and understand financial literacy. The low level of public knowledge about the financial industry and its products causes people to be easily trapped in making investments that offer lucrative returns in the short term without considering the risks. This causes harm to the community itself. The government and financial institutions need to seek an understanding of financial literacy for the Indonesian people. One of the efforts to increase financial literacy is education related to legal investment through Community Service conducted by the Faculty of Economics and Business, Ngurah Rai University together with the Regional VIII Bali and Nusa Tenggara Financial Services Authority and the Bali Regional Development Bank for the community of Sanur Kauh Village.

**Keywords:** financial literacy; financial inclusion; Sanur Kauh Village

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**INTRODUCTION**

Financial institutions such as banks and non-banks play an important role in supporting the economy of every community, both large and small income people to support their business, and one of the problems experienced by almost all countries, including Indonesia is the problem of poverty. In Indonesia, various seminars and meetings have been held to reduce poverty, one of which is by making it easier for the public to access financial institutions for all groups (Martasari & Mardian, 2015). Financial inclusion is all efforts made to remove all obstacles that hinder people from using financial services, where financial inclusion is also a national strategy to encourage

economic growth by reducing poverty, income distribution and financial system stability. Several studies conducted by the world bank in various countries found that the involvement of financial inclusion plays an important role in alleviating poverty and encouraging economic growth (Purwanto, 2015). Financial literacy is a unit of intuition, ability, knowledge, attitude, and actions needed in making financial decisions so that an individual's financial well-being is achieved (Competencies, 2016). In addition, the Financial Services Authority defines financial literacy as a form of improving quality in making decisions and managing finances to achieve prosperity using knowledge, skills, and beliefs that are applied to individual

attitudes and behavior. The Association of Chartered Certified Accountants states that the components of financial literacy include insight into the concept of finance, understanding of communication about a financial concept, ability to manage finances both personally and within a company, as well as skills and accuracy in making financial decisions in every situation (Aribawa, 2016).

Financial Inclusion is a comprehensive study in order to eliminate various kinds of obstacles related to the use and utilization of financial institution services by the public (Yanti, 2019). In addition, Bank Indonesia's National Strategy for Financial Inclusion (SNKI) defines financial inclusion as the right for every individual to access and obtain maximum services from financial institutions in an informative and timely manner, at affordable costs, while still paying attention to comfort and respect for their dignity and worth. Financial inclusion is the availability of access for the public to take advantage of financial products and/or services in financial service institutions in accordance with the needs and abilities of the community. Financial inclusion is a process to provide formal financial access for the poor and low-income people (Nengsih, 2015). There are 3 things that are the goals of financial inclusion, namely: first, to increase access for the public to formal financial service institutions and financial products or services. Second, to increase the diversity of the availability of financial products or services, and third, to increase the use of financial products or services by the public.

Financial inclusion is needed by MSME actors to get convenience in every business process. One of the supporting factors of a business is capital. Fatmawati, Hasiah, Irmawati, and Istiyana (2019) mention that the problems often faced by MSME actors are related to capital and the marketing process. These problems can be overcome by facilitating access to financial services. Ease of access to financial institution services will make it easier for the public and business

people to get capital to run each of their business processes (Alimi & Indriani, 2018).

Financial literacy is needed by MSME actors, especially in the process of preparing business financial reports. A business owner needs a financial knowledge to make it easier to control finances so that business performance will be more optimal (Dahmen & Rodríguez, 2014). According to Anggraeni (2016) financial literacy directly has an influence on a person's mindset which in turn will affect the way a person makes decisions related to finance and how to manage it. The performance of MSMEs will increase along with the increase in financial literacy of the perpetrators (Rahayu, 2017). A good literacy level makes business people more careful in their operations and easier to manage so that business performance can be optimized. Aribawa (2016) also said that decisions taken by MSME actors related to finance must be accompanied by good financial literacy. A business will develop in a better direction from time to time with the right decision making.

The financial literacy of the Balinese people based on the 2019 National Survey of Financial Literacy and Inclusion (SNLIK) is 38.06 percent, while the level of financial inclusion is 92.91 percent. This implies that the public's use of financial services and/or products is not balanced with a high level of understanding in the midst of rampant cases of fraudulent investments and online illegal

The Investment Alert Task Force has noted that within five years there were 1,072 platforms that were closed and throughout 2022, 21platformswere closed. Meanwhile, the total number of illegal loans that have been discontinued until October 2021 is 3,515 entities, where as of March 2, 2022, there are 102 legal loans registered and licensed at the OJK.

Losses due to illegal investment in Indonesia reached Rp. 117.5 trillion in the last 10 years. The number is predicted to be higher considering the possibility that there are still people who have not reported.

Therefore, to prevent public losses due to fraudulent investments, it is necessary to eradicate illegal investment practices including illegal online loans.

Micro, Small and Medium Enterprises (MSMEs) are business sectors that produce various kinds of products and services and have an important role in creating business fields as a way out in tackling the problem of unemployment. MSMEs have great potential as a driver of community economic activity, and can also be used as a source of income for most people in improving welfare (Ministry of Cooperatives and SMEs, 2011). In terms of the number of MSMEs, it continues to increase but is not accompanied by slow and stagnant growth due to problems experienced such as limited capital, lack of use of information and technology, and low financial literacy in managing business finances. Financial literacy is one of the important factors that MSME actors should have to make it easier to manage and develop their businesses (Panggabean, Dalimunthe, Aprinawati, & Napitupulu, 2018). Based on the results of a survey conducted by the Financial Services Authority (OJK) in 2019 showed that the financial literacy of MSME actors in Indonesia was only 38.03%, while from Bank Indonesia data the number of MSMEs reached 64 million, meaning that only around 38 million MSMEs have used the product. banking. Judging from this figure, the level of financial literacy of MSME actors is still relatively low, meaning that it can be said that in utilizing financial products and services from the banking sector it is still low and limited.

The development of MSMEs, however, does not go hand in hand with the quality of MSMEs. Many of the MSMEs have start-ups but have less than optimal performance. The advantages of small and medium enterprise (SME) entrepreneurial activities such as increased personal wealth, independence, and indirect consequences of entrepreneurial activities such as job creation are maximized with financial literacy (Agyei, 2018;

Kulathunga, Ye, Sharma, & Weerathunga, 2020; Mabula & Ping, 2018a, 2018b; Suendang & Darmawijoyo, 2020) SMEs thrive on the wealth of their owners' resources because of the difficulty of separating ownership from control. Many existing studies on the performance of SMEs have emphasized financial resources. This study is based on the argument that financial literacy and cultural values are the main resources of SME owners that can facilitate the acquisition of their personal wealth. This happens because the development and competitiveness of SMEs in general is still limited. Most MSMEs are only able to produce, but have not been able to market their products better. Weak marketing is not only a market problem, but many other aspects directly or indirectly affect so that many MSME businesses are slow to develop, some suffer losses, do not return on investment, some even stop their business (Agyei, 2018; Anggraeni, 2016; Bongomin, Ntayi, Munene, & Malinga, 2017; Herawati, Candiasa, Yadnyana, & Suharsono, 2020; Hussain, Salia, & Karim, 2018; Sugiarti, Diana, & Mawardi, 2019; Tuffour, Amoako, & Amartey, 2020).

The large number of Micro, Small and Medium Enterprises (MSMEs) in Denpasar City is a separate asset that will strengthen the foundation of the regional economy, in essence it can be a source of income for local governments, besides that the participation of MSMEs can realize economic growth, equity, and increase people's income. job creation and poverty alleviation. MSMEs need to provide facilities to develop themselves through various kinds of facilitation in various sectors, of course. In line with the input values above, the empowerment of Small and Medium Enterprises needs to be carried out in a comprehensive, optimal and sustainable manner through the development of a conducive climate, providing business opportunities, support, protection, and business development as broadly as possible,

so as to improve the position, role, and the potential of small and medium enterprises.

Empowerment of the people's economy is to increase the income and welfare of the community as well as expand the field of workers, it is necessary to improve and strengthen the ability of SMEs to become healthy, strong and independent SMEs. Community economic development is a priority scale to realize the importance of empowering SMEs. Sanur Kauh Village, which has a total area of 386.0 Ha, is a village located in an area with a coastal area. In Sanur Kauh Village, there are 147 MSMEs with various types of businesses. Based on the survey conducted, there are problems faced by the community and business owners related to the lack of understanding of financial literacy which causes people to be tempted by illegal investments that provide quick profits. Business owners in Sanur Kauh Village also experience limitations in knowing access to finance, so this is an obstacle in developing their business.

Community Service carried out by the Faculty of Economics and Business, Ngurah Rai University, which is currently collaborating with the Regional Financial Services Authority VIII Bali and Nusa Tenggara as well as the Bali Regional Development Bank, aims to provide an understanding to the public regarding investment that is currently booming and an introduction to the products issued. by financial institutions so that later the public and business actors can understand legal investments and can understand where to get funding in developing businesses and managing good financial management.

## METHOD

In accordance with the problems seen in Sanur Kauh Village, this community service is carried out by:

- 1) Providing education to the public regarding legal investments to improve financial literacy

- 2) Providing education related to financial institutions to support funding for business actors in Sanur Kauh Village
- 3) Providing education related to financial management for community life and for community business development in Sanur Kauh Village

This community service program is carried out together with village government officials and the community to identify the main problems, analyze priority problems, and then offer solutions related to these problems. The coaching method to support the realization of the service program is counseling and assistance to the community and business actors in Sanur Kauh Village. The activity involved 100 people from the community. The resource persons for the activity were the Head of the Education Section of the Regional VIII Bali and Nusa Tenggara Financial Services Authority and the Deputy Head of the Bali Regional Development Bank Renon Branch who was accompanied by local village officials.

## RESULTS AND DISCUSSION

Student Creativity Program (*PKM*) activity began in early March 2022, where all team members held a coordination meeting to determine the theme and target community of the *PKM* Activity. It was determined that the *PKM* theme was the Financial Literacy Development Program in Raising Public Awareness of Illegal Investments. The team also decided that the participants were the community and micro-enterprises in Sanur Kauh Village. The next stage, team members contacted the Head of Sanur Kauh Village to coordinate the time, place and potential participants of the socialization. It was agreed that the socialization activity was carried out face-to-face on April 22, 2022, in the Multipurpose Room of the Sanur Kauh Village Office. Given the implementation of *PKM* during the Covid-19 pandemic, this activity applies strict health protocols.

The socialization participants consisted of 100 people who were community and business actors in Sanur Kauh Village. The resource persons who were presented at the socialization were the Head of the Education Section of the Regional VIII Bali and Nusa Tenggara Financial Services Authority and the Deputy Head of the Bali Regional Development Bank Renon Branch who explained material related to the importance of financial literacy in understanding the types or products of existing financial services/services as well as providing related understanding. legal financial institutions to the public and business actors in building and developing their businesses.



**Figure 1. Socialization regarding financial literacy**

The socialization given to the community related to the importance of knowledge about legal investments to avoid being trapped in fraudulent investments that are currently rife. The low level of financial literacy causes many people to fall into this, so that with the joint education of the Financial Services Authority and Financial Institutions, it is hoped that the community will no longer fall into this matter. On the other hand, the education carried out is expected to increase financial inclusion by using financial products/services at legal financial institutions, as well as providing understanding to people who have businesses in developing their businesses with business capital obtained through appropriate and legal financial institutions so as to avoid the public. in illegal online loans.

## CONCLUSION

Through Financial Literacy education that has been carried out by the Faculty of Economics and Business, Ngurah Rai University together with the Financial Services Authority and the Bali Regional Development Bank Financial Institution, it is targeted to increase the number of community literacy so that later it will be able to encourage increased utilization of financial products and services in accordance with the needs of the people of Sanur Kauh Village. in particular and the Indonesian people in general so as to avoid illegal online investments and loans that are currently rampant. This will motivate the financial services sector to improve public education and proactively develop financial service products in accordance with the ever-evolving needs of society. However, the most important thing about this movement is that evaluations must be carried out in order to be able to critically analyze programs that are already running so that they are effective and quickly overcome the problems that exist in the community.



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