

Socialization and Assistance for Community Financial Literacy in Improving Family Welfare in Besilam Village

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ARTICLE INFO

Keywords:

Financial Literacy;
Welfare;
Community.

Article history:

Received 2023-09-13

Revised 2023-09-28

Accepted 2023-09-30

ABSTRACT

The purpose of the socialization and assistance in writing this article is to improve financial literacy and the welfare of village communities. The problem of financial literacy, especially in villages, needs to be handled quite seriously. This is inseparable from the impact of digitalization which inevitably must be considered by people in the village also in managing family finances. The method in implementing this service uses lectures, discussions and illustrations regarding financial literacy and welfare. This service activity was carried out in Besilam Village using community objects and business actors. The results of this service are increasing community understanding of financial literacy in order to create family welfare. Financial literacy can help individuals achieve community goals with a better understanding of how to budget and save money, individuals can make plans that set expectations, make them responsible for finances, and set a direction to achieve goals that seem unattainable. Key to this understanding include an increased range of important financial skills and concepts. Strong financial literacy can help support a variety of life goals, such as saving for education or retirement, using debt responsibly, and running a business. Knowing how to budget, plan for retirement, manage debt, and track personal expenses

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1. INTRODUCTION

Indonesia's financial inclusion stands at 76.19% nationally and financial literacy stands at 38.03%. The gap between financial inclusion and financial literacy indicates that some consumers do not have sufficient knowledge about the products or services they use. Financial literacy in general can increase wealth accumulation. It teaches people how to earn, save and invest money. Saving becomes easier when we earn

enough money to meet our basic needs. This means you have learned how to manage your expenses and maximize savings.

Financial literacy refers to the knowledge, skills, and beliefs that influence attitudes and behaviors to improve the quality of decision making and financial management to achieve financial well-being for the community. Financial knowledge is not only important for every individual but also affects the economic development of a country. Therefore, one indicator of a country's progress is characterized by public awareness of the importance of financial literacy.

With a complete understanding of finances, we will find it easier to manage our finances this way. This includes managing monthly cash flow, setting up an emergency fund, insurance and investments. In short, if we understand our finances well, we will have no trouble choosing strategies and making the right decisions regarding our finances. This also affects your financial assets to some extent.

Financial management in everyday life cannot be separated from one's financial literacy in making the right financial decisions (Li, 2020). Shaik et al (2022) define financial literacy as financial knowledge and the ability to apply it in everyday life with the aim of achieving prosperity. Lyons & Kass (2021) explain that financial literacy is very important for several reasons. Consumers who have financial literacy can get through difficult financial times due to the fact that they may have accumulated savings, purchased insurance and diversified their investments. Financial literacy is also directly correlated with positive financial behaviors such as paying bills on time, loan installments, saving before they run out and using credit cards wisely.

Financial literacy occurs when a literate individual is someone who has a set of skills and abilities that enable them to utilize existing resources to achieve their goals. Literacy is an important thing that must be possessed to achieve goals. Financial literacy is defined as a person's ability to obtain, understand, and evaluate information that is relevant for decision making by understanding the financial consequences that arise (Bottazzi & Lusardi, 2021). Panos & Wilson (2020) explain that financial literacy helps individuals avoid financial problems. Financial difficulties are not just a function of income alone (low income). Financial difficulties can also arise if there is a mistake in financial management (miss management) such as the wrong use of credit, and the absence of financial planning. Financial limitations can cause stress, and low self-confidence.

The visible phenomenon of people's financial literacy can be assessed regarding the complexity of economic decision making which emphasizes the ownership of financial knowledge that will encourage business success and readiness to face retirement. Furthermore, he also divides the variable of financial knowledge ownership which is hereinafter referred to as financial literacy into 2 stages, namely the basic stage and the advanced stage.

The understanding of people who have high financial literacy regarding income,

consumption and debt management can trigger community welfare. This means that a person's knowledge in assessing personal and business financial literacy will linearly impact on better welfare. Everyone needs to have good financial literacy, including business people because in addition to being able to manage personal finances, they must also be able to manage their business finances. People with good financial literacy are more likely to gain access to external funding and grow their business.

It's a fact that many people from all walks of life have to deal with financial stress and uncertainty, whether it's issues stemming from job loss, unpaid debts, increased expenses, or a combination of some of the most common factors in modern life. Even before the Covid 19 pandemic hampered the economy, studies found that 72% of people have at least once felt stressed about money. The recent economic difficulties mean that more and more of us are now facing financial hardships and difficulties. Financial problems can also have a major impact on our mental and physical health, relationships and overall quality of life. The results of preliminary observations in Besilam Village found that there is still a lack or low financial literacy of the community in managing family finances. This problem is an important highlight for researchers to conduct socialization and financial literacy assistance to rural communities in order to achieve the expected family welfare.

2. METHODS

This community service was carried out in Besilam Village, Langkat Regency, North Sumatra province. This activity follows up on the results of KKNT and MBKM students in their activities to map the potential and problems in the village. The approach method offered to solve financial literacy problems is to do community service by providing counseling (Sari and Irawan, 2021): (1) Providing understanding and knowledge to the community regarding personal financial procedures and reporting; (2) Educating the community to be more active and sensitive to managing income and expenses; (3) Providing understanding and knowledge to the community in formulating family financial planning; (4) Finally assessing the results by paying attention to the community's financial literacy again.

The work procedure to support the realization of the solution offered is to first make initial observations in the field to approach through interviews and find problem phenomena. After observation and socialization, an assessment of the problem is carried out and looking for solutions to be offered, then determining the priority stages of implementation and then conducting community service by providing counseling (Irawan, 2022). Finally, evaluate the results by re-observing the entire series of work procedures.

3. FINDINGS AND DISCUSSION

Findings

The following is a schedule for implementing community service according to the existing material:

Table 1. Training Materials and Schedule

Time	Material	Locatin	Source
08.00 – 10.00	Financial literacy material presentation	Aula Balai Desa	Irawan., SE., M.Si
10.00 – 10.15		Aula Balai Desa	
10.15 – 12.15	Discussion and illustration on financial literacy and family welfare		Irawan., SE., M.Si
12.15 – 14.00			
14.00 – 16.00	Assistance in implementing financial literacy	Aula Balai Desa	Irawan., SE., M.Si

The results of this community service lead to an increase in community understanding related to financial literacy and investment and consumption patterns in achieving better welfare in the future. The first step that must be taken in family financial literacy is to record all income inputs obtained by the family. This is necessary so that we can find out how much our family actually earns per month. After recording the total income, the next step is to make a list of routine expenses that must be incurred every month, such as monthly shopping (sugar, soap, toothpaste, tea, oil, rice, etc.), paying electricity, water, telephone, maid (if any), children's tuition fees, stove gas, and others. Then add up all of these routine expenses. The next step is to make a list of non-routine expenses with a priority scale (order of fulfillment). Add up all the expenses on the list, then match it with the total income we have (already deducted with routine needs). If it turns out that the expenses we plan exceed the existing income, then it must be selected again about which expenses can be postponed.

After these three steps are completed, an evaluation is conducted before the plan is implemented. The evaluation is done to check:

- whether there is an error in the sum of income and expenditure.
- whether there are routine needs that have been missed or not
- whether there are needs that are not really important, if there are, we can replace them with other more important needs.
- which part of the needs can be saved / suppressed spending, so that the rest can be used as precautionary money for unexpected needs, such as: illness (children, grandmothers, relatives, etc.), traveling because someone died, guests who came suddenly, etc.

e. additional income that may be obtained.



Fig.1. Financial Literacy Socialization

The financial literacy pillar aims to increase the capacity of the community, especially those who are categorized as not eligible to become eligible or from unbankable to bankable in obtaining financial services by formal financial institutions. Initiatives undertaken in this pillar include: a) capacity building (through provision of training and technical assistance), b) alternative collateral systems (simpler but still taking into account the associated risks), c) provision of simpler credit services, and d) identification of potential customers.



Fig.2. Discussion

Understanding financial literacy and planning is considered important to improve welfare. The Financial Services Authority (OJK) considers it important because most of the villagers are of productive age who are expected to become independent after finishing work. With good financial education, the community will be able to develop businesses and work to build their family's economy. It is not uncommon to hear that people usually have money when they are working, but after returning home their lives are no better than before working. The results of observations and evaluations of the implementation of financial education have given tangible results in the form of increased public understanding of financial products and services. In addition, the growth of awareness and knowledge of the community and their families about good financial management.



Fig.3. Quation and Answer

Financial literacy education is also expected to improve the ability of communities and families to prepare financial records, budgeting and financial plans. The target of community education is still very small compared to the percentage of productive people. Thus, there needs to be synergy between related institutions in order to disseminate information about financial management to the community and their families. In terms of financial inclusion, the location of banking centers is still quite far from the villages where people and their families live. This has led to low public interest in using these financial products and services. The existence of the "Laku Pandai" program that was launched by OJK some time ago can be one of the solutions to solve this financial access problem.

Discussion:

Public understanding of financial literacy can include evaluating short-term and long-term financial strategies. In addition, there is an evaluation on which strategy can be taken. This strategy is influenced by factors such as age, productivity, time horizon and risk tolerance. Good financial literacy must have knowledge of investment decisions as economic sacrifices and consumption to gain future benefits that have an impact on their welfare.

Living in today's globalized era where rapid changes in the economic, political, technological, and social environment make it difficult for a person to develop solid financial strategies that guarantee to be able to improve lifestyle and achieve happiness or goodness of life in this world. Especially when the financial crisis that occurs requires one to plan financially for things that cannot be predicted with certainty. Today, a person and/or couple may have to have a double income just to maintain an acceptable or current standard of living, and they may have to wait longer to buy a house. So clearly, this happiness or goodness of life does not just happen. Happiness or goodness of life arises from human actions. Happiness or goodness of life in this world requires planning to turn financial goals into reality.

The tendency of respondents to practice the expected financial behavior does not increase consistently along with the increase in financial literacy. This is because a person's behavior is not always influenced by the level of knowledge he has, but also influenced by other factors such as psychological factors, emotions and others. The test results show that there is an influence between gender, age, GPA, and parental income. These results indicate that students should improve their understanding of personal finance, especially in the investment area.

Measuring financial literacy is an important step in determining strategies due to :

1. This financial literacy provides strong evidence of the problems individuals and groups face in making financial plans.
2. Enables policymakers to identify priorities and set targets for public welfare.
3. The first priority measure to provide a baseline for measuring changes in family economies.
4. An internationally comparable measure helps policymakers pinpoint countries from which they can learn, or work together to improve financial literacy.

4. CONCLUSION

The conclusion of the results of this service is the increase in community understanding of financial literacy in order to create family welfare. The keys to

understanding include:

- Free from debt
- Have an adequate reserve fund (emergency fund)
- Ensure sufficient insurance coverage until old age
- Have adequate regular income in old age
- Having a comfortable place to live in old age
- Enjoy a prosperous life
- Preparing capital for the next generation if you die

Acknowledgments: Thank you to Universitas Pembangunan paca Budi Medan for facilitating community service in the KKNT and MBKM programs in 2023.

Conflicts of Interest: Researchers ensure that in writing this article there are no Conflicts of Interest. All activities were carried out by researchers according to procedures.

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