

# Assistance for Improving Islamic Financial Literacy for SMEs Registered at the Office of Cooperatives and SMEs, Bandung Regency

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**Abstract**—This PKM (Pengabdian Kepada Masyarakat) activity is motivated by the low level of Islamic financial literacy in Indonesia compared to conventional financial literacy. The purpose of this PKM activity is to improve the financial literacy of Islamic communities, especially SMEs (Small and Medium Enterprises) in Bandung Regency through training and mentoring activities. Training activities using online media are carried out through zoom meetings, while mentoring activities are carried out through WhatsApp group (WAG). This PKM activity was attended by 20 participants who were SME owners registered in The Office of Cooperatives and SMEs, Bandung Regency. The results of the Wilcoxon test with a 95% confidence level showed a difference between the pre-test and post-test averages with Asym values. Sig (2-tailed) of 0.000 is smaller than 0.05 with a mean rank of 10.5, the number of positive ranks of 20 and negative ranks of 0. Thus, it can be concluded that all PKM participants experienced significant Islamic financial literacy improvement after participating in training and mentoring activities.

**Keywords**—Islamic financial literacy, Sharia economy, SMEs

## I. INTRODUCTION

The development of Islamic finance in Indonesia is relatively slow compared to other Muslim countries. *The market share of sharia economy in general in Indonesia in July 2020 still hovers around 9.68%. For Islamic banking, after 28 years of its emergence, its market share in July 2020 was only 6.81%. Meanwhile, for IKNB Syariah in July 2020 its market share was 4.33% [1].*

The low *market share of sharia economy*, especially Islamic finance is influenced by several factors. One of the most important factors is the low literacy of the community towards Islamic finance. In 2019, literacy to Islamic finance was only 8.93% far behind compared to 37.72 in 2019 [2]. Therefore, an effort is needed to improve Islamic financial literacy for the community, especially for businesspeople.

Research on financial literacy has been carried out by several previous researchers. Nurhidayati and Anwar's research shows that work experience affects the Islamic financial literacy of Islamic banking employees in Surabaya. This study uses data analysis method Partial Least Square (PLS) [3]. The second research is a study conducted by Dewi and Hayati with the title Islamic Bank Strategy in Improving Islamic Financial Literacy in the Community. This research uses survey analysis method. The results of this study indicate that the strategy to improve Islamic financial literacy can be done by direct socialization to the public and mass media [4]. The third research is research conducted by Nasution and AK with the title Factor Analysis of Islamic Financial Literacy Awareness of Islamic Finance and Banking Students. The data analysis technique used is factor analysis. The results show that Islamic financial literacy is influenced by parental factors, knowledge, economic behaviour, gender, and information technology [5].

The basic difference between the research that will be conducted by the author and previous studies is in the research method used, namely using the experimental method by providing assistance to SME owners through PKM activities. This PKM activity is intended to improve Sharia financial literacy for SMEs under the auspices of The Office of Cooperatives and SMEs, Bandung Regency. The activity that will be carried out is the assistance of improving Islamic financial literacy. This mentoring activity is focused on improving the understanding and skills of SMEs to manage and develop Islamic finance. SMEs are expected to be able to manage Islamic finance and utilize Sharia financial products and services.

Mentoring is intended to accelerate business progress by expanding knowledge on how to use resources effectively and efficiently. Mentoring on the other hand can be a form of risk management for financial [6] Comprehension and knowledge of financial literacy and inclusion is very important in the community, especially in SMEs / small and medium-sized micro enterprises. The role of financial services is also important for poverty alleviation [7].

## II. METHODS

The method used in this PKM is the experimental method by providing training and mentoring. The objects in this PKM are business actors consisting of SME owners registered The Office of Cooperatives and SMEs, Bandung Regency as PKM partners. The number of participants in this training and mentoring is 20 people. Tools used in training and mentoring is online media. Training activities are conducted by zoom meetings while mentoring activities are conducted by WhatsApp group (WAG).

The event is held for one day in 4 sessions, each session consists of 1 material. The training method used is lectures, questions and answers, and discussions. To see the success rate of the training activity, the trainees are given a pre-test before the training begins and post-test after the training ends. Pre-test is conducted to measure the level of knowledge and understanding of participants before training. Pre-test results are used as material to provide appropriate treatment to participants to improve the knowledge and understanding of participants. Materials that are considered difficult will be given greater portions and emphasis than other materials.

Pre-test and post-test results then analysed by descriptive statistics and Wilcoxon tests using SPSS. Descriptive statistics are used to define research data so that they can be easily understood. The Wilcoxon test is used to determine whether or not there is an average difference between two paired samples. Thus, it can be known whether there is an average difference between pre-test and post-test results. The hypotheses used in this study are as follows:

- Ho: There is no average difference between pre-test and post-test results
- Hi: There is an average difference between pre-test and post-test results

## III. RESULTS AND DISCUSSION

This PKM activity is motivated by low Islamic financial literacy. Based on observations and interviews with several SMEs registered in The Office of Cooperatives and SMEs, Bandung Regency, there are several problems in order to increase knowledge and interest in the use of financial literacy which are:

- There is still a lack of information and science related to Islamic finance. So far, people only know conventional banking, because there is still a lack of programs such as mentoring for the community related to Islamic financial literacy.
- Most SMEs use conventional bank products. This is because the existing facilities in the area are more adequate to conventional banking, so it is enough to facilitate community affairs in transacting.

- Low management of Islamic finance. Most SMEs still conduct financial transactions that are not in accordance with Islamic sharia.
- Finance for business and personal are still merge into one. This is because the SME community does not have the knowledge to make financial statements for micro-businesses.

The results of the above observations show that SMEs need programs that can increase knowledge related to Islamic finance. The methods offered to overcome these problems are;

- Training by giving knowledge on Islamic finance. This training aims to introduce the products of Islamic financial institutions, so that the Muslim community is familiar with the products of Islamic financial institutions. Another goal is to increase the public desire to use Islamic financial products.
- Mentoring programs on financial management which one of the programs is to make decent financial statements for micro-businesses. Training is the process of improving an employee's knowledge and skills. Training includes nurturing attitudes so that employees can do their jobs more effectively [8].

Follow-up from the results of observations and interviews, the PKM activities are arranged into two stages, namely training and mentoring. Partners in this PKM activity are the Bandung Regency Cooperative and SME Office. This PKM activity is carried out in four stages as follows:

- **Stage I:** Preparation. This stage consists of proposal making activities and preliminary studies of the location of PKM implementation. The team conducted a survey to the location and conducted a preliminary study on the analysis of the situation and problems faced by SMEs registered in The Office of Cooperatives and SMEs, Bandung Regency.
- **Stage II:** PKM Partner Data Collection. At this stage, the Unisba PKM team conducted a data collection towards PKM Partners. From this data collection activity, PKM team obtained 20 SMEs who will follow the activities of the training and mentoring.
- **Phase III:** Training and Mentoring. This stage consists of 2 (two) activities, namely the training and mentoring stages. The training stage aims to increase SME knowledge about Islamic financial literacy. The training activity was held on Thursday, April 22, 2021. The training is conducted online through zoom meetings. The second activity is assistance to make financial statements and investment financing application procedures to Islamic Banks which are carried out after training activities, conducted in April to July 2021. Mentoring activities are carried out with online media, namely WhatsApp group (WAG).

- **Stage IV:** Evaluation and Reporting. The last stage is the evaluation and reporting stage of PKM results. This stage consists of the writing of scientific articles, publications in the media, uploading videos of activities on YouTube, the preparation and submission of PKM reports, and the publication of scientific articles at international seminars, namely Bandung Annual International Conference (BAIC).

Participants of the training and mentoring activities consisted of are 20 SME owners registered in the Bandung District Cooperative and SME Office. The trainees consist of various business fields such as culinary business, frozen food, cake and bakery, and service businesses with the following Table 1:

TABLE I. SME BUSINESS FIELD

No	Type of Business	Number of Participant
1	Cake and Bakery	6
2	Frozen Food	1
3	Culinary	9
4	Snack	2
5	Service Business	2
Sum		20

The first activity, namely training, was held for one day on April 22, 2021, with online media (zoom meeting). There are 4 materials provided in this training activity, namely:

- **Material 1: Basic Concepts.** Material 1 contains an explanation of the concepts and basis of Islamic economic law and differences with conventional economics.
- **Akad and Products of Islamic Financial Institutions.** This material contains explanations about sharia agreements used in products in Islamic financial institutions.
- **Steps to Prepare a Financial Statement.** This material contains an explanation of the concepts and steps of compiling Islamic financial statements in accordance with PSAK.
- **Procedures for Obtaining Islamic Financial Services (Funding and Lending).** This material contains an explanation of products in Islamic banks and procedures for obtaining such services. Explanation of products and procedures for obtaining Islamic bank financing for additional capital for MSMEs were emphasized.

The second activity is mentoring carried out for 3 months, which is from May to July 2021. This mentoring activity is carried out to assist participants in making financial statements in accordance with PSAK and help SMEs to obtain investment financing for SMEs from Islamic banking.

Financial literacy is very important because in some research revealed that high index of financial literacy will boost the economic growth of a country. A society that has

understood finance in all its aspects can improve its welfare and thus increase the economic growth of a country.[9]. Islamic Financial Literacy (IFL) is the ability of a person to use financial knowledge, skill and attitude (OECD, 2012) in managing financial resources according to the Islamic teachings [10].

This PKM activity is carried out to improve the financial literacy of the community, especially business actors or SMEs. This training and mentoring were attended by 20 participants consisting of 3 men and 17 women. To see how effective the training and mentoring provided, pre-test and post-test are conducted for all participants. The comparison of pre-test and post-test results is as Table 2:

TABLE II. DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
Pre-test	20	30	70	46.00	9.947
Post	20	60	100	70.00	9.733
Valid N (listwise)	20				

The above test results shows that the minimum pre-test score is 30 while the minimum post-test score is 60. There is a score difference of 30 between the minimum pre-test and post-test values. The maximum post-test score also increased from its maximum pre-test score, from 70 to 100. The maximum pre-test and post-test value difference is 30. The average score for pre-test is 46 while the post-test average score is 70. The difference between the average pre-test and post-test scores is 24. Descriptive statistical testing results showed an increase in scores between pre-test and post-test, judging by the minimum score, maximum score, and average score.

The second test conducted to test the hypothesis in this study was the Wilcoxon test. The Wilcoxon test is a non-parametric test that serves to perform average different tests on paired samples, such as testing different pre-test and post-test tests. The results of pre-test and post-test testing with Wilcoxon test are as Table 3:

TABLE III. RANKS

	N	Mean Rank	Sum of Ranks
post-test - pre-test	Negative Ranks	0 <sup>a</sup>	.00
	Positive Ranks	20 <sup>b</sup>	10.50
	Ties	0 <sup>c</sup>	
	Total	20	
a. post-test < pre-test			
b. post-test > pre-test			
c. post-test = pre-test			

The test results above show the number and mean rank of negative ranks is 0. This means that there are no participants whose post-test value is smaller than the pre-test value. The number of positive ranks is 20, meaning that 20 participants or all trainees have a post-test value greater than the pre-test

value. This shows that the level of Islamic financial literacy of all trainees has increased.

Hypothesis testing is done by looking at the significance level of Wilcoxon test results on table statistics. The study used a 95% confidence level, meaning that if the signification value is greater than 0.05 then  $H_0$  is accepted, meaning there is no difference between the pre-test and post-test results. Whereas if the significance value is less than 0.05 then  $H_1$  is accepted, meaning there is a difference between the pre-test and post-test results. Table 4 are the test results between pre-test and post-test:

TABLE IV. TEST STATISTICS<sup>A</sup>

	post-test - pre-test
With	-3.970 <sup>b</sup>
Asymp. Sig. (2-tailed)	.000
a. Wilcoxon Signed Ranks Test	
b. Based on negative ranks.	

The above test results show that the value of Asymp. Sig (2-tailed) of 0.000 is smaller than 0.05, meaning  $H_0$  is rejected and  $H_1$  is accepted. Thus, it can be ascertained that there is an average difference between the pre-test and post-test scores with the mean ranks of 10.5. Thus, it can be concluded that the training activities carried out have significantly improved the level of Islamic financial literacy.

The results of this study are in line with previous studies on strategies and factors that influence Islamic financial literacy. Sharia financial literacy training and mentoring is one of the strategies and variables that affect the increase in sharia financial literacy for the community.

#### IV. CONCLUSION

The purpose of this PKM activity is to increase the level of Islamic financial literacy for SMEs registered in The Office of Cooperatives and SMEs, Bandung Regency. This PKM activity is carried out in two activities, namely training and mentoring. The results of training and mentoring showed an increase in Islamic financial literacy for PKM participants which can be seen by an increase in average scores before and after training and mentoring. The average post-test score of 70 is greater than the average pre-test score of 46. All participants showed an increase in Islamic financial literacy level as proven by the number of negative ranks is 0 and the number of positive ranks

is 20. This means that all participants have a post-test score that is greater than the pre-test score. Based on statistical testing with SPSS 23 using the Wilcoxon test, Asymp results were obtained. Sig (2-tailed) by .000. The test used a confidence level of 0.95 (95%) and an error rate of 0.05 (5%). Asymp value. Sig (2-tailed) of 0.000 is smaller than 0.05 so it can be concluded that  $H_0$  is rejected and  $H_1$  is accepted which means there is an average difference between pre-test and post-test.

Thus, training and assistance with online media can be used as an effective strategy to improve Islamic financial literacy during the pandemic. This can be used as an alternative in addition to direct socialization to the community and socialization through mass media

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