

# **Digital Financial Literacy Education Model for Batik MSMEs in Banyumas Regency**

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## **ABSTRACT**

This study aims to design an appropriate educational model following the characteristics of Batik SMEs in Banyumas related to digital financial literacy. This is based on the finding that the results of training on financial literacy and the introduction of digital financial products have not been well absorbed by Batik MSMEs. It is evident from the 23 Batik MSMEs in Banyumas. They are members of the Berkah Rindang Kinasih Cooperative which are the research targets, that as many as 5 MSMEs or 21.7% have utilized digital financial products. This Educational Model is designed using the Four-D model development model. Data collection techniques in this study were through observation, interviews, Focus Group Discussion (FGD), and documents. The resulting model emphasizes the re-planning of training duration, training atmosphere, training methods, and the existence of intensive and continuous assistance after training.

**Keywords:** Model, Education, Digital Financial Literacy

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## **1. Introduction**

In this modern era, information and communication technology is something that must be mastered by every human being to be able to apply digital technology in every aspect of life. We are increasingly modernized with sophistication and technological advances today so this is very important in human life. Almost every activity of our lives today can be done digitally such as buying food or vegetables, shopping, making home designs, ordering salon services, or having health consultations with medical personnel tailored to their needs.

One of the parties affected by this digitalization is Micro, Small, and Medium Enterprises (MSMEs). However, MSMEs are the driving force of economic growth during the Covid-19 pandemic that occurred about two years ago. MSMEs contribute 61% to Gross Domestic Product (GDP) and absorb 97% of the total national employment. Therefore, MSMEs are expected to be able to keep up with current technological developments and have sufficient knowledge about digital financial literacy to be able to compete with other large companies and have more contribution to the progress of this country.

Financial literacy is the ability to be able to understand financial conditions, financial concepts, and change that knowledge appropriately into behavior (Widyawati, 2012). With this digital

financial literacy, it will make it easier for someone to access financial products or services, both through the application of the financial service institution and applications owned by financial technology (*fintech*) and *e-commerce* businesses that also provide financial services. Thus, digital financial literacy can increase people's financial inclusion in the financial services sector quickly and easily.

Based on the results of a survey conducted by the Financial Services Authority (OJK) conducted in 2019 regarding financial literacy, shows that the financial literacy index in Indonesia is 38.03%, which means that only around 108 million people out of 285 million Indonesians are already financially literate, but this is not certain whether they are digitally literate or not. Vice versa, we also cannot be sure whether the remaining 61.97% have entered the category of digital financial literacy or not. Therefore, financial literacy skills that are integrated with digital literacy skills are very important capital for the community in facing digitalization in the financial services sector.

In Banyumas Regency itself, the problem of digital financial literacy is also serious, especially for Batik MSME owners. Based on the results of a preliminary study conducted through an interview with one of the heads of cooperatives in Banyumas Regency, namely the Berkah Rindang Kinasih Cooperative (BRK), it can be seen that the level of digital financial literacy owned by batik MSMEs is still quite low. This BRK cooperative is a cooperative that houses several types of MSMEs in the Banyumas Regency. Currently, there are two batik MSME plasmas formed by BRK, where each plasma consists of 13 batik MSMEs so the total number of batik MSMEs incorporated in this cooperative is 26 MSMEs. Based on information obtained from 26 batik MSMEs that are incorporated, 60% of them are not yet digitally financially literate. This raises obstacles to the progress of this batik business such as the scope of product marketing is still limited, the level of service to consumers through online buying and selling is still low, some groups have not utilized *e-commerce* in sales activities, and there are still many who have not used *mobile services banking* or *e-banking* as a means of payment for sales made.

The lack of knowledge of digital financial literacy owned by each person in the cooperative also makes it difficult for the group to get funding from banks. Knowledge of digital financial literacy is very important for MSME players to have because this can help the performance of MSMEs so that they can operate more optimally. We know that the only businesses that were able to survive during the Covid-19 pandemic two years ago were only those that were online-based or that utilized *e-commerce* and in their payment systems using digital *wallets* or other digital payment platforms. Various efforts have been made by various parties, both government and private agencies in increasing the number of digital financial literacy to batik MSMEs in Banyumas, such as training from the Office of Industry, Trade, Cooperatives and MSMEs, PLUT of Central Java Province, service activities from lecturers, and from activists caring for MSMEs in Banyumas Regency itself. However, such efforts have not yielded results that are following what the implementers of the activity expect. After the activity ended, there were still many MSMEs who did not apply the results of the training for various reasons, such as still being comfortable using the usual methods, difficulties in tools, signals, and so on. Therefore, this study seeks to find the right digital financial literacy education model for the batik MSME group in Banyumas Regency with the hope that in the future these MSME players will be able to apply digital financial literacy properly and consistently.

The model designed in this study is expected to help batik MSME actors understand digital financial literacy properly, and correctly, and be able to be applied in their respective businesses

consistently and sustainably following the needs and character of each batik MSME. The characteristics of batik MSMEs identified in the first year of research include all batik MSME actors in Banyumas who are female, have the most age groups aged 36-45 years, the most educated in elementary/junior high school/high school, and the most income less than one million. The obstacle faced by batik MSME actors related to digital financial literacy is the lack of sustainable assistance provided by the government or the private sector and the type of education provided is not to their needs and characteristics (Naufalin, Lina Rifda, Jaryono, and Tohir, 2021).

Based on the results of research in the previous year, research will be continued in the second year with the formula of the problem, namely, how is the Digital Financial Literacy Education Model for Batik MSMEs In Banyumas Regency?

## **2. Literature Review**

### *2.1 Digital Financial Literacy*

In daily financial management, everyone will not be able to be separated from digital financial literacy in terms of making the right financial decisions (Orton, 2007). For this reason, adequate knowledge about financial literacy itself is needed so that it can be applied to everyday life.

The definition of financial literacy itself is proposed by the Financial Services Authority (OJK), which is a series of processes/activities to increase the knowledge, skills, and beliefs of users and the wider community so that they can manage personal finances better. Another opinion about the definition of financial literacy is expressed by Lusardi and Mitchell (2007) which means that financial literacy is knowledge about finance that has the aim of achieving common welfare.

Meanwhile, the definition of digital financial literacy itself has the meaning of a series of activities consisting of collecting, understanding, and evaluating relevant information obtained digitally through electronic devices for decision-making purposes by understanding the financial consequences it causes.

### *2.2 MSMEs*

The Central Statistics Agency (BPS) defines SMEs based on the quantity of labor. Small businesses are business entities that have several workers of 5 to 9 people, while medium-sized businesses are business entities that have several employees as many as 20 to 99 people. Another definition of MSMEs was also proposed by the Ministry of Finance through Ministerial Decree No. 316/ KMK.016/ 194 on June 27, 1994, namely small businesses defined as individual businesses/business entities that have carried out activities/ businesses with sales/turnover per year as high as Rp600,000,000 or the amount of assets owned as high as Rp600,000,000 (outside the land and buildings occupied) and peers, craftsman/home industry.

A business can be said to be an MSME if it has met the criteria that have been required in Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises. The following business criteria included in MSMEs are classified based on the assets owned and the amount of turnover obtained.

- The criteria for a business to be said to be a micro-business is a business that has a net worth of at most Rp50,000,000 excluding the land and buildings where his business stands or has annual sales proceeds of at most Rp300,000,000.

- The criteria for a business that can be categorized as a small business is a business that has a net worth of more than Rp50,000,000 to a maximum of Rp500,000,000 or has a gross income from annual sales of more than Rp300,000,000 to Rp2,500,000,000.
- The criteria for medium-sized businesses are businesses that have a net worth of more than Rp500,000,000 to Rp10,000,000,000 excluding land and buildings occupied by their business or have annual sales proceeds of more than Rp2,500,000,000 to Rp50,000,000,000.

### 2.3 MSME Education

MSME education consists of two words, namely education and MSMEs, according to the Big Indonesian Dictionary (KBBI) the meaning of the word education is (regarding) education, and the meaning of the word MSME is micro, small, and medium enterprises. So, it can be concluded that MSME education is an education provided to MSME actors.

As the driving force of the Indonesian economy, MSMEs should be given more attention by the government and by the private sector. For this reason, it is very necessary to intervene from various parties to welcome the progress of MSMEs in Indonesia by providing education to MSME actors. Many types of education can be provided for MSME players without exception such as education on how to manage business finances, business management, digital marketing, building *brand image*, business financial reports, expanding market segmentation, and other educational topics where these topics can have an impact on the survival of MSMEs in the future.

## 3. Research Methodology

The research methods used are qualitative and quantitative. In addition, the research team also used the same type of model development as the stages of development of *the Four-D model* (Thiaragajan et.al, 1994). The *four-D stages of the model* include *the define, design, develop, and disseminate stages*. The model design in this study has not yet reached the *dissemination* stage. The data collection techniques used in this study included observation, interviews, *Focus Group Discussions* (FGDs), and documentation.

## 4. Results

In building a digital financial literacy education model that is following the characteristics and needs of Banyumas Batik MSMEs, researchers use *Research and Development* (R &D) techniques. In this research stage, the research team used two types of methods, namely quantitative and qualitative methods. The results of the quantitative analysis obtained will later be used to reinforce the model design process. From the results of research conducted using quantitative methods, several interesting things were found that strengthened the findings characteristic of the research in the first year. The findings are explained as follows:

- Batik MSMEs in Banyumas Regency do not receive comprehensive socialization or training related to digital financial literacy for MSME actors and the duration of training time isn't following the needs of MSMEs. This is following the results of the study that duration has a positive impact on short programs and negatively affects long programs (Kluve et al., 2013).

- **Age Does Not Significantly Affect Digital Financial Literacy**

This can be seen from the capacity of knowledge they have gained and a large amount of training they take part in related to digital financial literacy. The results of this study reject the research hypothesis that has been proposed. Based on the data obtained, it can be seen that the majority of respondents came from the age of 36-45 years as many as 14 people or 58.33%, followed by the age of 46-55 years as many as 7 people or 29.17%, and the age of 26 years - 35 years of age as many as 3 people or 12.50%. From this data, it can be concluded that most of the batik MSME actors are more than 25 years old. These results show that young and old age do not affect a person's level of digital financial literacy. This research strengthens previous research which stated that age does not affect financial literacy according to Aziz (2021).

- **Effect of Education Level on Digital Financial Literacy**

The level of education does not have a partial effect on digital financial literacy. Humans have a dynamic and creative nature which is supported by their intelligence as a provision for facing and solving a problem faced. Thus, the higher the education, the better the level of knowledge of a problem, for example, knowledge about digital financial literacy which specifically refers to the financial problems of its own business. However, MSME actors who have an inadequate level of education, but have high enthusiasm and willingness to learn by attending training on this topic, will produce positive energy that can encourage the perpetrators to be able to adapt while competing with other MSME actors who have an education level above them. This has resulted in the level of education not having a significant effect on digital financial literacy. The results of this study reject the hypothesis proposed, namely that the level of education affects digital financial literacy. The results of this study are also contrary to the results of previous research, namely research conducted by Sucuahi (2013) found that the level of education has a positive effect on the level of financial literacy in SMEs. However, in this study, the results show that the problems regarding digital financial literacy faced by MSME actors do not rely on the level of education owned by the actors but are more likely to lead to meeting the needs of MSMEs in marketing their businesses.

- **Effect of Income Level on Digital Financial Literacy**

Income levels do not partially affect digital financial literacy. Based on the results of data analysis obtained from the results of research on batik MSMEs in Banyumas, higher incomes will not encourage higher financial literacy. The amount of a person's income does not have a significant influence in measuring his financial literacy but depends on the wisdom of the person in managing his knowledge related to the finances of the business he has. This is inconsistent with the hypothesis of previous research and research, Wagner (2019) in his research explained that there is a relationship between income level and financial knowledge. However, simultaneous testing based on the Simultaneous F Test that has been carried out, the variables Training ( $X_1$ ), Motivation ( $X_2$ ), Age ( $X_3$ ), Education Level ( $X_4$ ), and Income Level ( $X_5$ ) simultaneously affect Digital Financial Literacy ( $Y$ ). This is a new finding that between variables  $X$  can have unity to influence variable  $Y$ . Like MSME actors who although they come from a low level of education but have high abilities and knowledge by attending digital financial literacy training, will be able to increase their level of digital financial literacy.

In addition to using quantitative methods, the research team also used qualitative methods to try to further explore the phenomenon more clearly from the quantitative data that has been obtained. The research was conducted by conducting an open questionnaire distribution process with research subjects and in-depth interviews with batik MSME actors in Banyumas Regency. Based on the data collection carried out, only 15 batik MSMEs filled out the questionnaire and the results were obtained by presenting data related to the level of readiness of batik MSMEs in Banyumas Regency in using digital financial products as follows:

- **MSME Readiness in Using Digital Financial Products**

Batik MSME players in Banyumas regency have utilized digital financial products as a medium in the transaction of sales activities, both direct selling and online sales. From the results of the questionnaire and interviews that have been conducted, as many as 73.3% or 11 of the 15 batik MSMEs who are willing to fill out the questionnaire have used digital financial products including M-Banking, GoPay, SMS Banking, OVO, DANA, and ShopeePay. If further analyzed based on the data obtained, the highest age of respondents utilizing digital financial products was 51 years old and the youngest was 23 years old.

- **Factors Driving And Inhibiting The Level Of Readiness Of Msmes In Using Digital Financial Products**

Based on the data previously submitted, the research team further analyzed the factors that encourage the readiness of MSMEs in using digital financial products, respondents who had the readiness to utilize digital financial products had knowledge in a fairly good range of 5 people, both as many as 4 people and very good 2 people. Furthermore, MSMEs that are not ready to use digital service products have very lack of knowledge totaling 4 people. The knowledge of Batik MSMEs regarding digital financial service products is obtained through training that has been attended, learned independently, and taught by family members. In addition, two MSMEs that have utilized digital service products have special admins who manage business finances. In addition, businesses that are ready to take advantage of digital financial products are businesses that have made sales online so these businesses need digital payment media to facilitate sales transactions.

In addition to the driving factors, factors that hinder the readiness of MSMEs in using digital financial products are MSMEs having limited access to digital financial products, very lack of knowledge from Batik MSME managers, transactions that are still cash, and a lack of mastery of the training results that have been obtained.

## **5. Discussion**

Based on the results above, it can be seen that there is a diversity of ages in determining the readiness of Batik MSMEs in using digital financial products. This is in line with the results of research by Naufalin, et al (2021) that age does not affect digital financial literacy. Based on further explanations related to the factors driving the readiness of MSMEs in utilizing digital financial products, it can be indicated that the need for the use of digital financial products is the most important factor to immediately able to take advantage of digital financial products. This is in line with Rachmatullah's (2019) opinion from the results of his research that usability has a positive effect on the use of *Fintech* applications.

The results of this study also show that MSMEs that have received training does not necessarily have readiness for the use of digital financial products. Not all trainees can apply their training results directly and consistently and sustainably. This requires a strong mentoring and determination process from the MSME actors. In line with the results of research by Naufalin et al (2021) that training partially does not affect digital financial literacy.

Below is a model design based on the results of R&D conducted by the research team through the FGD process, interviews, and quantitative analysis as follows :



## 6. Conclusion

- To support the sustainability of their business life, MSME actors are required to have sufficient knowledge about digital financial literacy and be able to apply it to their respective businesses so that they can advance their business. However, in reality, not all MSME actors, especially batik MSMEs in Banyumas Regency who are members of BRK, have sufficient knowledge and skills to apply financial literacy to their business.
- There is a need for continuous training and assistance from both the government and the private sector who participate in supporting this digital financial literacy.
- The preparation of a digital financial literacy education model for batik MSMEs is based on the analysis and characteristics carried out in the first year.
- The results of the research above show that batik MSMEs in Banyumas Regency experience limited knowledge of digital financial literacy and the age, level of education, and level of income obtained by batik MSME actors do not affect knowledge of digital financial literacy. In addition, the readiness factor of batik MSMEs to implement financial literacy has also shown a positive signal because several batik MSME players in Banyumas Regency have begun to use digital financial products. However, there are still some obstacles that are often faced, including limitations in accessing digital financial products, there are still many financial transactions carried out in cash, lack of knowledge possessed, and batik MSME actors who do not master the training material after the end of the event.

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