FINANCIAL LITERACY: IMPROVING LONG-TERM PERFORMANCE AND INVESTMENT OF UMKM IN CENTRAL JAVA

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ABSTRACT
UMKM in Central Java plays an important role in the regional economy. Through the Department of Cooperation and Central Java UKM, recorded during 2023 has built 187.000 more UMKM. As for, the total UMKM in Jateng reached 4.2 million. However, many UMKMs are still controlled by weak access to funding, marketing, and financial management. In addition, the literacy rate in Central Java was recorded at 51.69 per cent, while the level of financial inclusion or availability of financial access was registered higher by 85.97 per cent. The study aims to analyse the impact of financial literacy on the performance and long-term investment of UMKM in Central Java. Research data is collected through literature studies. Research results show that financial literacy has a significant positive impact on the performance and long-term investment of UMKM. UMKMs with good financial literature are able to make better financial decisions, manage risks well, and plan their business growth well. The Government and various associated agencies have launched a number of programmes to improve financial literacy for UMKM. However, there are still some challenges in the implementation of the program, such as diverse levels of understanding, limited access to resources, and lack of supporting infrastructure. To overcome these challenges and increase the effectiveness of UMKM financial literature programmes, some of the solutions that can be applied are segmentation and customization of material, use of information technology, strengthening of infrastructure, program collaboration and synergy, and use of digital/marketplace platforms.

Keywords: Financial literacy, UMKM, performance, long-term investment, Central Java

INTRODUCTION

The existence of small and medium-sized enterprises (SMEs) has become one of the crucial drivers of economic growth. For Indonesia, the talk about UMKM has a wider spectrum, because this sector is concerned with most of the lives of small communities. The distribution of UMKM in Indonesia is unquestionable, amid the collapse of large-scale industries during the economic crisis that struck Indonesia in 1998, showing that the reality of the UMKM sector is capable of surviving the crisis (Ristati dkk., 2022).

According to Badan Pusat Statistik data (BPS, 2020) there are approximately 4.3 million micro and small industrial enterprises (SMEs) in Indonesia, with a total workforce of about 9.4 million people. The SMEs referred to in this data are processing/manufacturing industries that have employees of less than 20 people per enterprise. By 2022, the largest number of Micro and small industries (SME) were in Central Java, accounting for 20.6% of the total number of national SMEs. In general, IMKs are still categorized as informal with low levels of productivity and low use of technology. This is in line with the situation of SMEs owners, the majority of whom are SD graduates (37.0%), SMEs (20.9%), and high school (18/6%). While SMEs who have completed their diploma/baccalaureate/higher education are very few (3.6%).

UMKM play an important role in the Indonesian economy, especially in Central Java. However, many UMKMs are still informal and face various challenges in access to funding, marketing, and financial management. One of the key factors that can help UMKM overcome this challenge is financial literacy.

Based on the National Financial Literacy and Inclusion Survey (SNLIK) (Otoritas Jasa Keuangan, 2012), The level of financial literacy, which is an index of the level of financial knowledge of the community in Central Java, was recorded at 51.69 percent, while the level of financial inclusion or availability of financial access was recorded as higher at 85.97 percent. Based on the categories classified by the World Bank International Institution, Central Java, including Well literate (21.84%), which means knowledge and confidence in various types of financial service companies and financial service products, including their attributes, advantages and risks, as well as the rights and responsibilities that apply to them. accompany it. Several factors such as education, age and experience try to influence the level of financial literacy of UMKM.

Several UMKM in Central Java have succeeded in making long-term investments with good financial literacy, through mechanisms such as Securities Crowdfunding (SCF). However, there are still many UMKM in Indonesia facing various challenges in developing their ventures. Some of the main challenges include: a. Access to capital: UMKM often has difficulties in accessing capital from banks and other financial institutions. Banks tend to view UMKM as a sector with small assets and limited financial management capabilities. b. Marketing: The challenges in marketing are also significant. Many UMKM are facing difficulties in developing effective marketing strategies to reach the wider market. c. Financial management: Weak financial management is a common problem among UMKM. Therefore, the financial literacy program needs to be enhanced to address the existing challenges and help UMKM in Central Java improve its performance and sustainability.

LITERATURE REVIEW

Research that shows a positive link between financial literacy and long-term investment of UMKM.There are several studies that support a positive relationship between financial literacy and long-term investment in UMKM. Research by found that financial literature has a positive and significant moderating effect in the relationship between access to finance and UKM growth in developing countries (Nihayah Nihayah dkk., 2022). In addition, research by also showed that UMKM with good financial literacy tend to corporate goals, have a business development orientation, and are able to survive in difficult economic conditions (Aribawa, 2016).

Furthermore, research by highlighting that financial literacy is not only important for financial understanding but also for wise fund management, which in turn can provide optimal benefits in the short and long term (Hafidah & Nurdin, 2022). Other research by adding that individuals who are financially intelligent tend to have future-oriented long-term savings and investments (Endarto & Tirtana, 2020).
Thus, financial literacy plays a crucial role in influencing UMKM's long-term investment decisions. With a good understanding of finance, UMKM can make better investment decisions, manage funds wisely, and their company's goals, which can ultimately improve business performance and sustainability.

METHODS

This research uses qualitative methods aimed at understanding natural phenomena. This method gives researchers flexibility in choosing approaches that match the object of the research. In qualitative research, data analysis is carried out carefully to produce valid research results. The research also uses the type of descriptive analysis research that describes events naturally and focuses on the individual's understanding of social reality.

RESULTS

Understanding Financial Literacy

Financial literacy according to Financial Services Authority Regulation (POJK) Number 76/POJK/07/2016 is knowledge, skills and beliefs, which influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Financial literacy can be defined as knowledge and financial management skills to realize future goals (Nurjanah dkk., 2022). A survey conducted by the Financial Services Authority (OJK), which refers to a survey carried out by the World Bank and the

Organization for Economic Corporation and Development (OECD), divides the level of financial literacy of Indonesians into four, namely: 1) Well literate, namely having knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, rights and obligations related to financial products and services, and having skills in using financial products and services; 2) Sufficiently literate, namely having knowledge and confidence about financial service institutions and financial products and services, including features, benefits and risks, rights and obligations related to financial products and services; 3) Less literate, that is, they only have knowledge about financial service institutions, financial products and services; 4) Not literate, namely not having knowledge and confidence in financial service institutions and financial products and services, and not having.

The indicators used to measure financial literacy variables based on the theories above are as follows:1) General knowledge of finance, namely, how to manage income and expenses, as well as understanding basic financial concepts. These basic financial concepts include calculating simple interest rates, compound interest, the effect of inflation, opportunity costs, time value of money, liquidity of an asset, and others; 2) Investment is saving or placing money so that it can work so that it can make more money. The method that people often use to invest is by putting money into securities including shares, bonds and mutual funds, or by buying real estate.

Policies and Initiatives to Improve Financial Literacy of UMKM (Otoritas Jasa Keuangan, 2012):
Government and related institutions have launched a number of programmes to improve financial literacy for UMKM. Some of these programmes include: 1) Preparation of Module Materials Literacy and Financial Education: OJK and other Ministries/Agencies cooperate in the preparation of long-term financial planning modules adapted to the level of public understanding; 2) Community Financial Education (Community Finance Education): OJC conduct socialization and education on financial themes to the community in accordance with the priority targets of the National Financial Literacy Strategy of Indonesia (SNLKI), including the UMKM segment; 3) Collaboration with various Government Programmes: Literation and financial education activities are synergized with various government programmes, such as TPAKD, BUMDES, and BUMADES to create a more massive and structured financial literature; 4) Strategic Alliances: OJK implements strategic alliances through collaboration with various financial services enterprises (PUJK) and other Ministries/Agencies to improve financial literacy Tantangan dalam Pelaksanaan Program Peningkatan Literasi Keuangan UMKM

Some of the challenges faced in the implementation of UMKM's financial literacy improvement program include: 1) Various levels of understanding: UMKM has a very varied level of understanding of financial literature, making it difficult to compile material that can be understood by all; 2) Restricted access to resources: Many UMKM operate in remote areas with limited access to finance literacy resources and information; 3)Lack of Supporting Infrastructure: Not all areas have adequate infrastructure to support financial literacy programmes, such as internet access and training facilities.

Solutions to Overcome Challenges and Improve Program Effectiveness
To address these challenges and improve the effectiveness of UMKM financial literacy programmes, some of the solutions that can be applied are: 1) Segmentation and Customization of Materials: Developing financial literature materials that are tailored to the level of understanding and specific needs of various UMKM segments; 2) Using Information Technology: Using various types of information technology-based media to disseminate literacy and financial education materials, such as mobile applications and e-learning platforms; 3) Strengthening Infrastructure: Providing the necessary facilities and infrastructure to support financial literation programs, including the opening of investment galleries and the provision of internet access in remote areas; 4) Program Collaboration and Synergy: Enhancing coordination and synergy between various government programs, financial institutions, and local communities to ensure that financial Literacy

programs can run more effectively and comprehensively; 5) Using the Digital Platform/Market Place: In the long term, digital technology should be the primary platform of UMKM business. Using digital technology in the production process, promotion, determines potential market. run a business and connect to a digital ecosystem to enhance business sustainability. Some of the benefits of using digital technology are an increase in revenue of up to 80%, 1.5 times more likely to expand employment opportunities, 17 times better likely to be more innovative and UMKM more competitive. By implementing these solutions, it is expected that the UMKM financial literacy improvement program will be more effective and able to reach more UMKM actors throughout Indonesia.

Empirical evidence from UMKM in Central Java that has improved its performance through increased financial literacy.
UMKMs who have a good financial knowledge base will have the ability to make better financial decisions in terms of loans, investments and so on. If compared to UMKM that has no basis of financial knowledge will enable risks in its enterprise such as losses and even bankruptcy. One way that can be done is by enriching UMKM's knowledge of its enterprises, such as knowledge in the field of finance. 1) Department of Cooperation and SMEs of Central Java Province organizes Financial Literacy Activities for UMKM in Salatiga City (Dinas Koperasi Usaha Kecil dan Menengah Provinsi Jawa Tengah, 2024).; 2) UMKM in Pekalongan City accounted for more than 40 percent of investment access by 2023 (Pemerintah Kota Pekalongan, 2024); 3) UMKM in Central Java who has succeeded in making long-term investments with good financial literacy is UMKM at Karanganyar who is involved in the handicraft sector. Through a strong understanding of basic financial concepts, such as budgets, investments, and long-term planning, these UMKMs are able to wisely allocate their funds for sustainable long term investments. With good financial literacy, they are capable of making the right investment decisions, managing risks well, and planning their business growth well (Aribawa, 2016); 4) Financial Literacy Activities for UMKM in Surakarta City by Head of Cooperation and SMEs in Central Java Province Eddy S Bramiyanto on April 23, 2024 (Dinas Koperasi Usaha Kecil dan Menengah Provinsi Jawa Tengah, 2024).

Types of investments made by UMKM with good financial literacy.
Currently to meet the long-term financing needs of UMKM, Securities Crowdfunding (SCF) has been present. SCF is a method of fund-raising with joint schemes carried out by business owners or enterprises to start or develop their business. Then investors can buy and acquire ownership through shares, proof of ownership of debt, or joint ownership. (Sukuk). The shares of the enterprise are acquired according to the percentage of the value of the total contribution. With the SCF, investors and those in need of funding can easily be found through an online platform. Investors will receive profits in the form of dividends or for the proceeds of the profits of the enterprise that are distributed periodically.

For interested investors, there is actually no need to feel too worried because SCF has a legal umbrella from the Financial Services Authority (OJK) regulated by the OJK Regulation, POJK No. 57/POJK.04/2020 on Offering Securities Through Information Technology-Based Fund Management Services. (Securities Crowdfunding). According to OJK data, on December 23, 2020 there are several organizers of Equity Crowdfunding that have officially applied for permission from OJC including PT Santara Daya Inspiratama (Santara), PT Investasi Digital Nusantara (Bizhare), PT Crowddana Technology Indonesia (CrowdDana) and LandX. The company is in the stage of expanding its license as a SCF platform (OJK, 2020).

CONCLUSION

The study examines the impact of financial literacy on the performance and long-term investment of UMKM in Central Java. Based on the analysis, financial literacy has proved to have a significant positive influence on the performance and sustainability of UMKM enterprises. Good financial literature allows UMKM to make better financial decisions, manage risks well, and plan business growth well. Some factors affecting UMKM's financial literacy level include education, age, and work experience. UMKMs with higher financial literacy are able to make long-term investments, such as through Securities Crowdfunding (SCF), which provides access to funding in a more flexible and innovative way. However, there are a number of challenges in improving UMKM's financial literacy, including varying levels of understanding, limited access to resources, and a lack of supporting infrastructure. To address these challenges, solutions can be applied including segmentation and customization of financial literacy materials, use of information technology, strengthening of infrastructure, program collaboration and synergy, as well as use of digital/marketplace platforms. The government and various associated agencies have launched programmes to improve UMKM financial literacy. However, the effectiveness of the program still needs to be enhanced in order to reach more UMKM perpetrators. With good financial literacy, UMKM in Central Java is expected to improve the performance and sustainability of their business, which will ultimately contribute to regional economic growth.

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