

FINANCIAL LITERACY IMPLEMENTATION MODEL TO INCREASE THE WELFARE OF COMMUNITY INDUSTRY REGIONAL REGENCY OF EAST JAVA GRESIK DISTRICT

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ABSTRACT

Small industry in the tourist area of East Java Gresik regency strongly supports the potential of tourist destinations that currently number 27 tourist destination areas to the island of Bawean. However, the development of this small-scale business still has not shown a significant increase in terms of sales of its business that is just enough to meet the needs of everyday life. This study performs financial literacy detection. The result of financial literacy detection research indicate that socialization and education about good financial governance consist of financial planning starting from sales planning stage, raw material purchasing planning, labor cost planning, indirect cost production planning, sales and marketing cost planning including cost planning administration and general administration, as well as business investment planning and accounts payable. The welfare of the small industry community is dependent on the financial literacy of the business actors in managing their family finances and business finances which have not been separated. Discipline in managing family spending is needed to avoid consumptive behavior, so the hope of developing their business can be realized in addition to the fulfillment of daily needs.

Keywords: Literacy, Finance, Welfare, Society

INTRODUCTION

Small and Medium Micro Industri (MSMIs) have long been understood to have a significant role for the economic development of a country (Audretsch, Van der Horst, Kwaak, and Thurik, 2009; Carrter and Jones-Evans, 2006). Specifically, the existence of IKM is believed to be able to contribute to poverty alleviation through job creation (Carrer and Klomp, 1996; Adomoko, Danso, and Damoah, 2016). On that basis, through the Economic Policy Package of Phase IV, the government provides capital credit for export-oriented MSIs or engages in activities that support exports, with lower interest rates than general commercial rates (Ministry of Finance of the Republic of Indonesia, 2015). Industrial society in the tourist district of Gresik Regency has a very big motivation in entrepreneurship. This can be demonstrated by the large number of Micro Small and Medium Industry (MSMIs) in the region. Based on data from the Department of Cooperatives, Small and Medium Industry and Commerce Gresik regency, the number of MSMIs scattered in this region are 97 MSMEs. However, the welfare of industrial society in Gresik regency tourism area has not shown significant improvement. Based on preliminary observations, there are indications that the industrial community in Gresik regency tourism area is still not understood and has not applied financial literacy that can improve their welfare.

The Government through the Creative Economy Agency (BEK) believes that the creative economy can substantively be a manifestation of sustainable economic development efforts. The great message the creative economy offers is the optimization of resources that are not only renewable and unlimited, but also ideas, talents and creativity. The direction of creative industry development is focused on creative cultural business field, creative business field or intellectual property rights continuously with collaboration from government, business, community and academic sector or known as quad helix (British Council, 2010).

The Ministry of Tourism and Creative Economy (2014) categorizes creative industries in Indonesia into 15 industry sub-sectors. Those industrial sub-sectors are; architecture, design, film, video and photography, handicraft, fashion / fashion, music, publishing, advertising, interactive games, research and development, performance arts, painting and art galleries, information technology, television and radio and sub- culinary in 2012. Based on data from the Ministry of Tourism and Creative Economy (2014), since 2010 the creative industry has contributed to the increasing number of companies, mainly from the culinary and fashion sub-sectors, and contributes to Gross Domestic Product (GDP) with more proportion from 7% through 2011-2013's total export contribution increase 29,7%.

In general, MSMEs often experience delays in their development. This is due to various closed-loop problems, such as human resource capacity, ownership, financing, marketing and other issues related to business management, making it difficult for SMEs to compete with big companies (Abor and Quartey, 2010). Based on research conducted by Manurung and Barlian (2012), SMEs in creative industries tend to have short-term orientation in decision making in business. This is evident from the absence of sustainable innovation concepts and inconsistent core business activities. Ultimately, the development of long-term performance of SMEs engaged in the creative industry tends to be stagnant and not well-directed.

Therefore, strategic efforts are needed to improve the performance and sustainability of MSMEs. One way that can be done is to enrich the knowledge of MSMEs to financial knowledge so that management and accountability can be accounted for better as big companies. The literature has much to confirm that the company's ability to recognize and access financial resources will impact the growth rate of firms (Binks and Ennew, 1996; Bygrave and Zacharakis, 2008; Grande, Madsen, and Borch, 2011; Adomoko et al., 2016). In facing the ASEAN Economic Community (MEA) 2016, SMEs are "mature" in management and "strong" in financial management is expected to be the key Indonesia in competing in the global market.

The welfare of the industrial community in Gresik regency tourism area has not increased significantly, indicated by the lack of understanding on financial literacy that can improve their welfare. Most of their business finances are still united with their personal finances or household finances, so it seems as if they have been successful and wealthy. Though essentially in the household finance there is a business operating costs that unwittingly come to be used as the cost of daily living.

THEN REFERRED

Financial Literacy

The term literacy financial (financial literacy) proposed by financial experts and various literature none of which are exactly alike. Financial literacy is used as a manifestation of a person's ability to make personal and family financial management decisions. Lusardi and Mitchell (2007) define financial literacy as financial knowledge and ability to apply it (knowledge and ability) in order to achieve prosperity. Danes and Hira (1987) and Chen and Volpe (1998) define financial literacy as knowledge to manage money (financial literacy is money management knowledge).

Financial literacy is a measure of understanding of financial concepts and capabilities in proper financial management in making short-term decisions and long-term planning in accordance with the dynamics of economic needs and conditions (Hung et al, 2009; Remund, 2010, Huston 2010). Financial literacy is the ability to use knowledge and expertise to achieve good financial behavior so that knowledge, skills and attitudes are interrelated in the concept of financial literacy (Schmitz & Bova, 2013; Lusardi & Mitchell, 2014). Lusardi and Mitchell (2006) found that lower financial literacy is affected by age for cases in the United States as well as Cole et al's (2008) study that age is a significant factor in financial literacy in India and Indonesia. Another factor is gender as Lusardi and Mitchell (2006, 2008) who explain that gender differences are too great in Sweden where women rarely make economic decisions in households. The Goldsmith and Goldsmith (1997) study shows that women have low interest in investment and finance and rarely use financial services compared to men. The study of Cole et al (2008), Worthington (2004), Lusardi and Mitchell (2006, 2008) found that people with higher education levels had more financial knowledge than those with low education levels

Empirical evidence, Lusardi and Mitchell (2006,2009) found that there are differences between men and women in making financial decisions, and men are better off because they have higher financial knowledge. Ibrahim, Aaron and Isa (2009) also found that the majority of students in Malaysia have

financial literacy that is less high, thus causing a lack of direction in making financial decisions every day.

Hilgert and Hogarth (2003) and Cude, Lawrence, Lyons, Metzger, LeJeune, Marks, and Machtmes (2006) have also stated that it takes knowledge of how to manage finances as well as how investing techniques become irreversible as in previous times. Cude et.al. (2006) argue that the development of financial instruments, not accompanied by the desire of people to start investing, and suspected one cause is the low public financial literacy.

Orton (2007) made it clear that financial literacy is an integral part of one's life because financial literacy is an important tool for making informed financial decisions. But from experience experience in various countries still show relatively less high. Byrne (2007) also found that low financial knowledge will lead to false financial plans, and cause biases in welfare achievement in the unproductive age.

Blueprint The Indonesian National Financial Literacy Strategy (SNLKI) launched by the Financial Services Authority (OJK) defines financial literacy as a series of processes or activities to increase the knowledge, skills (skill), and confidence of consumers and the wider community so that they able to manage finances better.

The Association of Chartered Certified Accountants (2014) formulates that the concept of financial literacy includes knowledge of financial concepts, the ability to understand communication about financial concepts, managing personal / corporate finances and the ability to make financial decisions in certain situations. Lusardi (2012) states that financial literacy consists of a number of financial skills and knowledge possessed by a person to be able to manage or use some money to improve his or her standard of living. Financial literacy is strongly related to the behavior, habits and influence of external factors.

Public Welfare

Community welfare is the ultimate goal of development activities. Both within the scope of the country and the scope of the region. Development can not be said to be fully successful if not able to make people live more prosperous. For that it needs an understanding of the welfare itself so that steps can be taken to achieve it.

There are several theories that discuss welfare. Albert and Hahnel (Sugiarto, 2007: 263) classify welfare theory into three types, namely classical utilitarian, neoclassical welfare theory and new contractarian approach. The classical utilitarian approach emphasizes that pleasure or satisfaction (utility) a person can be measured and increased. Different levels of pleasure perceived by the same individual can be compared quantitatively. The principle for the individual is to increase as much as possible his level of well-being. As for the community, increasing the welfare of his group is a principle that is held in his life.

Neoclassical welfare theory is a theory of welfare popularizing the principle of Pareto Optimality. The Pareto Optimality principle states that the community becomes better off if one individual is better off and non worse off. The principle is a necessary condition for achieving the maximum social welfare state. Social consequences can be determined by the subjective choices individuals make. The larger the range of options available, the greater the level of welfare achieved, if other circumstances do not change (Coporaso and Levine, 2008: 194). In addition to the principle of pareto optimality, neoclassical welfare theory also explains that the function of welfare is a function of all individual satisfaction. Group welfare (community) can be improved through the well-being of individuals. If the individual succeeds in satisfying his needs then the welfare of the group (community) will be achieved.

The principle in the new contractarian approach is that a rational individual will agree with the maximum freedom of his life. The essence of this approach is that each individual has a clear concept of goods and services and the tasks of the existing social institutions. In this case the individual will maximize his freedom to pursue their concept of the goods without any interference.

From the above theories then it can be said that welfare can be measured and related to the satisfaction of the fulfillment of needs. The more pilhan you have in fulfilling the need, the greater the level of welfare. People's welfare can be said to increase if there is at least one person who gets better without one becoming more ugly.

Preliminary studies

Community welfare remains one of the priority issues in East Java. Achieving the prosperity of industrial society can be done by increasing the understanding of financial literacy.

Thus not only the welfare of small business actors that increase, but also improve the welfare of the workers involved in it.

In 2011 most housewives in Surabaya are still not financially savvy in managing their household expenditures, which still require subsidies from parents / family / relatives, using credit facilities, awareness to save and invest is still low, especially among private employees, so that the pattern of household consumption expenditure is consumptive. While in 2012 there were 46.7% of the total respondents housewives in Surabaya who are not financially savvy in managing their household finances. and in 2012 the pattern of household family spending in East Java is still consumptive with the main dominance on the cost of purchasing clothing, cosmetics, and debt repayments. So included in the category of not financially savvy and has not achieved family welfare.

In 2013, the cultivation of milk fish in Sidoarjo is more feasible to be invested because it has NPV, PI, Payback Period, & ARR which is bigger than shrimp and tilapia, thus potentially able to increase the financial intelligence of its farmers. In 2014-2015 the potential development of tourist villages through its financial strategy as a new tourism object of Bromo and in 2017-2019 modeling and formulation and strategic plan involving the policy of stakeholders as the implementation of appropriate financial literacy and financial inclusion to accelerate the improvement of community welfare the tourism industry in Kabupaten Gresik.

RESEARCH METHODS

Research design

Research activities begins with data collection conducted through two techniques namely (a) literature study and (b) field studies consisting of observations, interviews and questionnaires. Literature study is done by studying books, literature, scientific writing, where researchers seek theoretical data as a material as well as comparison by applying it to the problem under study. Field study aims to observe the object of research so as to understand the actual conditions. Interview is a technique of collecting data in the form of verbal communication with related parties. Data are analyzed through stages: (a) data processing; (b) evaluation and analysis of results; (c) conclusions

Research sites

The location chosen as the object of research is the small industrial center in the tourism area Giri Gresik regency. The reasons underlying the selection of the study sites are based on preliminary observations there are indications that the industrial community in this tourist area is still not understood and has not applied financial skills (financial literacy)

which can improve welfare. Most of their business finances are still united with their personal finances or household finances, so it seems as if they have been successful and wealthy. Though essentially in the household finance there is a business operating costs that unwittingly come to be used as the cost of daily living.

Analysis Technique

Data were analyzed by using factor analysis to detect Financial Literacy that able to improve prosperity of small industry community of Gresik Regency.

RESULTS AND DISCUSSION

Result of Analysis of Financial Literacy Education Model To Improve Welfare of Industrial Society of Tourism Region of Gresik Regency of East Java.

Based on the results of data processing with factor analysis on 12 indicators which is a factor of financial literacy obtained results in Table 1. Table 1. Indicators and Factor Values

Table 1. Financial Literacy

No.	Indicator	Factor Values
1	Old Age	0,920
2	Financial Education	0,913
3	Financial Experience	0,905
4	Budgeting Business Finance	0,868
5	Economic Behavior	0,836
6	Financial Attitude	0,828
7	Gender	0,810
8	Financial Behavior	0,802
9	Self Control	0,788
10	Government Policy	0,784
11	Financial Socialization from the Government	0,772
12	Budgeting Family Finance	0,747

Factor 1: The Old Age

The small industry community has a perception that the Financial Literacy is important as preparation of financial condition when entering old age and face urgent condition.

Factor 2: Financial Education

Small industrial communities need financial education in the sense that they need to be trained in literacy finance education so that the small industrial community becomes financially competent.

Factor 3: Financial Experience

Experience in finance is the third highest factor after the old age and financial education (financial education) means that experience in the financial field is also an important factor in the Financial Literacy.

Factor 4: Budgeting Business Finances

Budgeting (budgeting) business is an important factor for small industry management means that small industry management should budget their business finances so that income and expenditure are targeted and measured.

Factor 5: Economic Behavior

Economic behavior is the behavior of business in applying the economic principle that is bringing the benefits as big as possible with the cost as efficiently as possible in order to get the optimum benefits.

Factor 6: Financial Attitude

Financial Attitude in this research is a financial habit performed by small industry community. Financial Attitude small business actors still think that the money for his business is also part of family money without any separation of both.

Factor 7: Gender

Between men and women turned out differently in terms of financial literacy. Gender is an important factor for the small industrial community in terms of financial management. Women are more knowledgeable about financial management.

Factor 8: Financial Behavior

The small industry's financial behavior that has not been able to separate between business finance and its household finances triggered the ineffectiveness of the small industry community in achieving financial security.

Factor 9: Self Control

Self control (self control) for small business actors is very important considering they do not separate between business finances and family finances. Then self-control is to be done in order not consumptive.

Factor 10: Government Policy

Government policy in terms of training and assistance of small industries, especially in the tourist area of Gresik regency is still not achieved.

Factor 11: Financial Socialization from the Government

Need to be socialized in terms of financial literasi especially from the government to increase knowledge of small industries in terms of financial literacy. While to improve understanding and motivation of financial literasi need to do workshop (training and assistance).

Factor 12: Budgeting Family Finance

Family finance budgeting for small industries is important to know the deviations that occur when realization diverges from the budget.

Result of Variable Welfare Factor Analysis of Industrial Society of Tourism Region of Gresik Regency East Java

The result of factor analysis indicating the existence of 2 indicators which is the factor of prosperity of industrial society of tourism area of Gresik Regency East Java presented in table 3 below.

Table 2. Indicators and Values of Community Welfare Factors

No.	Indicator	Factor Values
1	economic needs	0,863
2	Well-established economy	0,863

Factor 1: the necessities of life

Fulfilling the needs of the families of small industry communities is a measure of their welfare.

Factor 2: Well-established Economy

Well-established economics indicates that the life of the small industrial community has reached a state of prosperity and fulfilled all the necessities of life.

CONCLUSIONS AND RECOMMENDATIONS

The small industrial community of tourism area of Gresik regency of East Java is still not able to utilize the potential as a tourist destination in order to improve their welfare. They still need socialization and education related to financial literacy in business finance and family finance to develop the business and realize the welfare of his family.

The active role of local government is needed in socializing and educating the small industry community regarding financial literacy in business finance and family finance so that they become proficient financially and able to develop their business and realize the expected prosperity.

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