

## **Achieving Financial Goals Through Better Savings Literacy for the Kota Daro II Village Community in Rantau Panjang District, Ogan Ilir Regency, South Sumatera**

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### **Abstract**

The Financial Services Authority (OJK) faces serious issues when it comes to financial literacy due to the low level of community ability to manage personal finances and MSME business owners. The financial situation of the residents of Kota Daro II Village, Rantau Panjang District, Ogan Ilir Regency, who depend on a variety of businesses for their daily needs and long-term planning. The idea of financial planning includes saving as a crucial component. The goal of this service is to provide education in the form of counseling on understanding the concept of saving, understanding factors that make it difficult to save consistently, appropriate saving techniques, and saving in a variety of investment vehicles in addition to banking. The target audience in this community service activity is 33 people both as households and also MSME actors. The activity model is education in the form of counseling with face-to-face implementation methods in Kota Daro II Village. The event took place on Monday, October 22, 2022, from 9:00 AM to 12:00 PM. Based on the evaluation of community service activities, the results of the activities demonstrate an improvement in understanding for 100% of the activity participants. The ability of the participants to respond to oral questions at the end of the activity demonstrates their level of understanding.

**Keywords:** financial planning, saving, bank

### **INTRODUCTION**

Saving activities is one of the parts of household financial planning which been used as a foundation to create a habit to achieve financial goals. Every household has different financial goals based on their total income, number of dependents, and marital status (Adityandani & Haryono, 2018; Private & Dewi, 2021). Saving as a financial activity needs to be concerned because sometimes, the earning income is spent immediately, even though saving money is needed to achieve future financial goals.

The low willingness of a community to save their money in a bank can be caused by several factors. For example, they are not being able to organize their household finances. The confusing factors especially household wives in organizing their household money, and a low ability especially soft skills which caused a not efficient ability to manage a financial (Sukirmal *et al*, 2019). Based on the problems that arise, this service activity will provide education about correct financial literacy with a communication, information, and education approach in Kota Daro II village.

Kota Daro II Village, Rantau Panjang District, Ogan Ilir Regency has good potential for local resources, a strategic location that can be easily founded, has an average population density of 540 people per km<sup>2</sup>, which is also a village with a relatively sparse population density (BPS 2013). The income that Kota Daro society got has come from the primary sector with almost 90% of the society working as a farmer/breeders and laborers. Most of the villagers in Kota Daro II are of Pegagan ethnicity. In 2015, Kota Daro II village has been chosen as the Sriwijaya University Foster Village managed by the Faculty of Economics.

Most of the topography of the village is in lowland swamp conditions. Part of the lebak swamp land is used for farming rice paddy fields, and for rearing ducks and fish. About 36% of Kota Daro II are farmers/breeders and 40% are farm laborers, 10% are still students, and the rest are traders,

civil servants, paramedics, and self-employed. Besides the potential of available natural resources, Kota Daro II Village also has the potential of human resources which so far have also developed a songket craft business.

The goals that need to be achieved from this program are to educate well about the correct savings concept, explain the detailed reason how difficult to build a routine in savings, give an explanation about the correct techniques in savings, give information that savings are not only in banking, educate about routine savings in various investment instrument.

### METHOD

The activity model is counseling with the implementation method being education to villagers in Kota Daro II village about how to do the right savings to achieve financial goals. The service activity will be held in Kota Daro II village in Rantau Panjang District, Ogan Ilir Regency. The target audience according to the target is 33 people. The implementation agenda will be carried out on October 24, 2022. The location is in Kota Daro II Village in Rantau Panjang District, Ogan Ilir Regency. The stages of community service activities include identifying problems, determining problems, providing solutions to problems, and providing counseling which includes why saving is necessary, why saving is difficult, correct saving techniques, saving not only in banks, the financial goal of saving as an effort to have an emergency fund. The explanation is informed simply and is easy to understand. Some of the non-bank financial institutions that will be discussed are insurance, pawnshops, and the capital market. The Flow of thought for community service activities is shown in this figure 1.

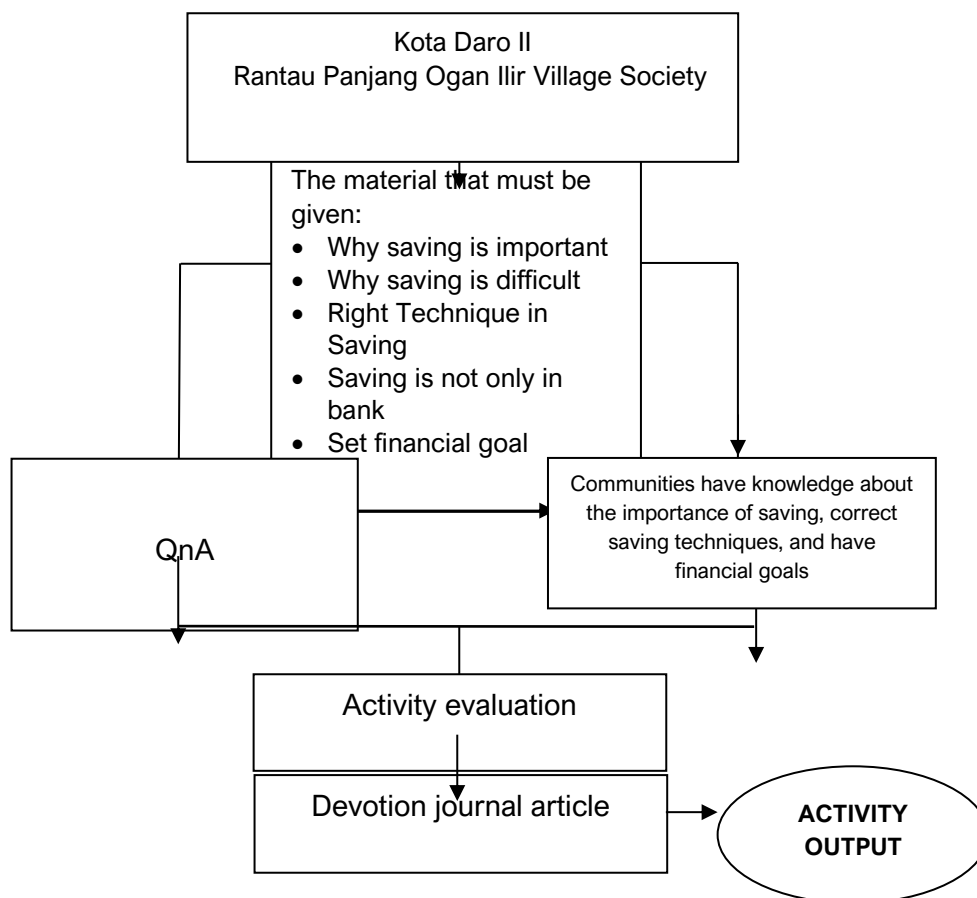
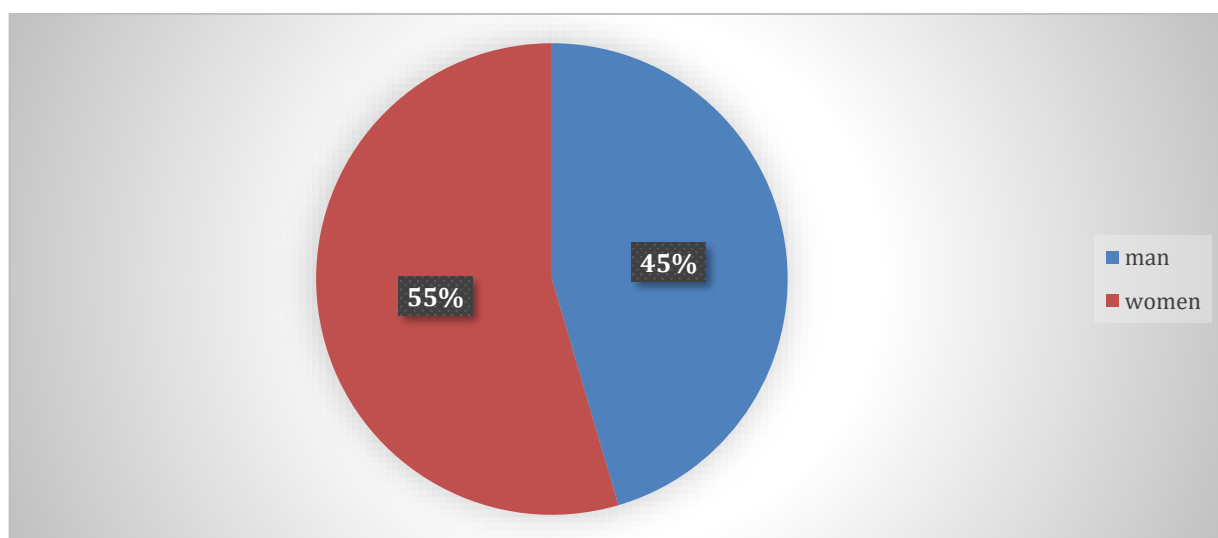


Figure 1. Service Activity Flow

## RESULTS AND DISCUSSION

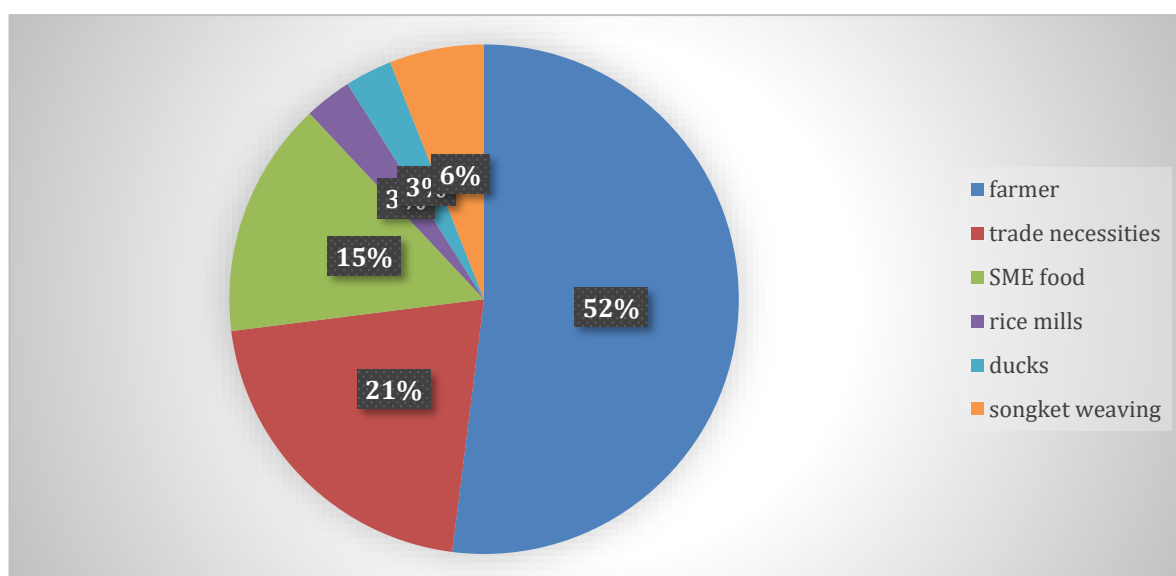
Community service activities were carried out on Monday, October 24, 2022. The activities took place at the head's office in Kota Daro II Village, Rantau Panjang District, Ogan Ilir Regency, South Sumatra. Duration time starts from 9 am – 12 pm. Technical activities are divided into three sessions. The first session was the opening of the activity by the head of the service and continued with remarks from the Village Head, Mr. Abdul Gani. In the second session, the main event is the provision of material, and in the third session, the discussion. The number of target audiences who attended the community service event was 33 people and all who attended were households and also MSME actors. MSMEs engaged in duck farming, songket weaving, groceries, farmers, model shops, plantations, and various other sectors. The description of service participant data based on gender can be seen in the graph in figure 2 below.



Source: field data, 2022

**Figure 2.** Type of participants' gender

Figure 2 above shows the amount of the audience based on their gender. This event was attended by 55% of women and 45% man. This event was held on Monday, before midnight and it turned out that for gentlemen there were still a lot of work activities so those who attended the activities were dominantly women. The Audience activity based on their SME is shown in figure 3:



Source: field data, 2022

**Figure 3.** Type of SME based on the participants

The participants of this event have various types of SME (Figure 3.). About 50% of the participants was a farmer, the types of farming that are carried out are rice, coffee, and rubber. About 21% chose to trade necessities, women were dominant in this profession. The types of groceries that were sold is to fill the daily needs, for example, rice, flour, sugar, indomie, and so on. Furthermore, SME trade by 15%. The types of merchandise sold are Palembang food, for example, pempek, tekwan, risol, and other snacks. The rest of the MSME types are raising ducks and selling their duck eggs and there is one rice mill. Saving is the foundation of financial planning. Financial planning is a process to achieve one's or a family's life goals through proper and planned financial management (FPSB, 2013b). Personal finance in financial management is an ongoing, coordinated, and integrated activity (FPSB, 2013a). Activities to implement in a total and coordinated manner are contained in financial planning. Financial planning reflects a person's way of managing finances which has a positive impact on achieving financial goals in the future (Yuliani et al., 2020). A person's financial goals include buying a house, saving for children's education, or for planning for retirement.

The material provided begins with the concept of saving. Savings that have been taught from childhood that 'let's save old luck'. There is a point because in the concept of saving there are two things contained in these activities, namely routine and period. Routine is a consistency to continue to do until 'old', the term means it takes a long term to be able to get 'lucky'. Does the discussion start with why is it difficult to save? The discussion starts with the question of why is it difficult for people to save. The difficulty of saving is due to the following six cause:

#### **Not having a financial goal (saving)**

Everyone sometimes does not have clear and measurable financial goals so saving activities are not important. Every person or family must have ideals for the future, all of which require a certain amount of funds. Funding requirements are influenced by what these goals and ideals are and are related to when or how long it will take to make them happen. Financial goals will be related to the timeframe for realizing them, namely for a period of less than one year, medium term, and long term. The implications of this time will have an impact on the instrument chosen as a saving activity.

#### **Have not been able to distinguish between wants and needs**

Every person and family sometimes finds it difficult to distinguish between wants and needs. It's hard to tell the difference, but everyone can tell the difference between priority and not. Various promos on social media as a means for companies to sell their products aim to increase the company's turnover, however, this is the company's strategy. Everyone also has a strategy for buying products that are made very attractive by taking advantage of discounts, cash-back programs, and payments through e-wallets.

#### **Doesn't have a savings account yet**

The level of public financial literacy, which is still below 50% based on OJK data, shows that they are not literate in financial information, so quite a lot of people, especially in rural areas, do not have accounts, especially accounts in banks. More people use arisan as a means of saving. Actually, in concept, saving through arisan is good because it pays periodically until the end of the arisan is over. There are several obstacles in transportation to banking so people are more likely to be reluctant to open an account at a bank.

#### **Not Saving at the beginning (set aside)**

The tendency to save from leftovers is a habit of people who are not literate in financial management. Savings activities should be carried out at the beginning when receiving income. Any income received must be set aside for savings and this is the initial activity. The phenomenon that occurs is saving from leftovers which turns out to have no leftovers because there are no leftovers continuously impacting the inability to set aside income for savings.

### **Do not have a habit of saving**

Every family will try to make a living by having an income. The main thing that is done is the habit of continuing to save and invest while earning income. Make savings and investments at the beginning or at the time of receiving income. The method that can be done, for example, is by auto-debit which automatically means that each household has an expenditure item for investing and saving.

### **Consumptive and hedonic behaviour**

Stylish life makes people have consumptive behavior. We should follow a simple but adequate lifestyle or known as the frugal living lifestyle. But sometimes human nature is influenced by the environment and easy access to information so that consumptive behavior becomes dominant.

Furthermore, after discussing why saving is difficult, the next explanation is the correct saving technique. There are several ways to do this:

#### **Set *automatic debit* to a savings account**

The technique used is to set the auto-debit from the savings account and this is done by the system. This technique is enough to make everyone disciplined to save. This auto discharge can also be done manually without the need for a system, but there are obstacles. The auto debit that is done manually is sometimes not routine and not disciplined.

#### **Start from a very small number**

This technique is rarely noticed by everyone because sometimes the mindset of saving has to be in a large nominal amount. Financial planning gives weight to saving and investing at least 10% every month. In practice, if this is done routinely and consistently, then building a habit from a small nominal will be big for the long term. Small denominations or what is often called 'change' in the form of metal or small denominations can even be used to invest. Currently, several investment instruments can also be easily reached by the public.

#### **Collect and Save the change**

The definition of change is money left over from several payments made. But now because payment methods are increasingly varied, cash, debit, and e-wallets make it easy for people to make transactions. If you pay attention, sometimes it is rare to save the change and collect change because it is often considered unusable. If you observe the change when you diligently collect it, it will become more and more.

#### **Create segregated accounts**

The next technique is to have separate accounts. Financial planning teaches that at least a minimum of two accounts. The first account is used for transaction activities and the second account is specifically for savings and investments. A separate account should not need to be made at an ATM because sometimes it feels like there are savings that are used even though they can be made like frozen savings that will be taken according to financial goals.

The last material presented was about types of savings. When people hear about saving, their orientation is in banking. Even though currently other instruments also provide information on saving. For example, the capital market has the tagline 'let's save stocks', procurement 'Let's save gold', and mutual funds 'save routine'. Some of these taglines provide information that saving is not only in banking.

Currently, various investment instruments can be purchased by saving (in small installments) every month. This method is known as Dollar Cost Averaging (DCA). How to save with DCA is very suitable for investment instruments that are aggressive or volatile because on average you will get a lower price than guessing the price from the market. Everyone does not have precise accuracy on the price forecast of an investment instrument. For example, stocks, not everyone can predict stock prices accurately because stock prices are formed by the market, namely the prices investors buy and sell.

After the presentation of the material continued with a discussion session. There were three questions from the participants. The first question is if basic needs have not been met, what are the tips for saving?

The answer to the first question is if the need has not been met, the way to save can be circumvented in two ways, which is to record expenses every day so that it is known what items, even though they are small, have continuous expenses. The second way is to increase income. Income consists of two sources, namely regular and non-routine income. Regular income is the main income that spends a lot of time to get this income, while non-routine income is income that is not obtained periodically.

Then the second question is, can participating in arisan among PKK women be categorized as saving? The answer to this question is correct. Usually, PKK women form an arisan which is followed by several women and will last for 10 months. Expenditure that is allocated regularly and within a certain period is the saving category. Arisan is useful for friendship, discipline to pay (because if you are not disciplined in a future gathering you will not be invited back to join the gathering), and social punishment if you are not disciplined.

The third question is whether buying gold is in the saving category. The explanation that can be given is correct. One of the investment instruments is gold. This gold product is a favorite for mothers because it is yellow and shiny. However, for the category of gold that is used as an investment instrument, pure gold or Precious Metals are used, while gold jewelry is also included in the investment category, but when it is disbursed, it has a large deduction and wages.

After giving material and question and answer, the next activity is to provide an evaluation of the activity. The achievements and indicators of activity results can be seen in the table below.

**Table 1.** Evaluation after the event

| No | Questions                                       | Achievement of participant answers   |
|----|---|--|
| 1  | Give a reasons why we should do saving?         | 100% able to answer correctly  |
| 2  | Why saving is difficult?                        | 100% able to give the reason   |
| 3  | Explain the right technique in saving           | 100% able to explain correctly   |
| 4  | Is Saving is only available in the bank?        | 100% participants are able to explain that savings is not only at the bank |
| 5  | Do ladies and gentlemen have a financial goals? | 100% able to answer this question  |

Source: The results of the evaluation after the activity, 2022.

The results of the evaluation after the activity are shown in Table 1. This community service activity was 100% able to increase my understanding of the concept of saving and the right way to save.

### **CONCLUSIONS AND SUGGESTIONS**

The community has a good understanding of the concept of saving, the reasons for the difficulty of saving regularly, proper saving techniques, and saving not only in banking. Participants have a good understanding of how important saving is in managing household finances and MSME business actors. Participants actively asked questions during the presentation of the material. This service activity can change the mindset that saving is important. Suggestions for service activities for the future, namely assisting with the selection of investment instruments properly because each investment instrument has certain characteristics. The people of Kota Daro digitally do not have internet access constraints so it provides an opportunity to be able to invest digitally considering the geographical conditions of the village which are quite far from the city. Good internet access is an important part of a routine investment.

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