



## Community Service Activities: Socialization of Financial Literacy for Micro, Small and Medium Enterprises Between Two Countries in the Motamasin Border Area

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### ARTICLE INFO

*Keywords:* Financial Literacy, MSME'S, Border Areas

*Received :* 18, July

*Revised :* 20, August

*Accepted:* 22, September

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### ABSTRACT

The aim of this activity is to provide outreach to the public about simple financial recording for MSMEs. Providing knowledge to the public about financial planning and management. Providing knowledge to the public regarding the preparation of Financial Reports for MSMEs. The theories of empowerment, training and financial literacy are adapted in this article to explain the financial literacy of MSMEs in cross-border regions. Financial literacy services include needs surveys, program planning, interactive training, discussions, effectiveness evaluations, and continued development through partnerships. The results is The MSME community in Border Areas knows about Simple Financial Recording; The Border Area MSME community knows about Financial Planning and Management for MSMEs; The MSME community in Border Areas knows about the preparation of financial reports

## **INTRODUCTION**

Financial planning is a crucial step for society in facing the turbulent economic situation, including the threat of a global recession. Recession refers to a significant decline in a country's economic activity simultaneously, which is characterized by negative economic growth, market imbalances and weakening of gross domestic product (GDP) in a country (Blandina et al , 2020). Small Micro and Medium Enterprises (MSMEs) have a very significant role in encouraging national economic activities. Based on data released by the Central Statistics Agency, the number of MSMEs in Indonesia has reached 64 million. This figure shows the big role of MSMEs in Indonesia's economic turnaround. However, this figure is not accompanied by an adequate level of financial literacy.

Financial literacy is financial knowledge , skills, confidence, which influence a person's attitude and financial behavior to improve the quality of decision making and financial management in order to achieve prosperity. Financial literacy can influence the way a person thinks about managing and making financial decisions related to business (Idawati & Pratama, 2020). Financial literacy can be defined as the ability to evaluate new and complex financial instruments and make informed judgments in both the choice of instrument and the level of use that will be in their best long-term interests (Rianty, 2020).

Education regarding the importance of financial awareness (financial literacy) for the community needs to continue to be improved. Financial Literacy can influence the way a person thinks about managing and making financial decisions related to business (Harjayanti et al., 2020). There are three things that are the basis for measuring people's financial literacy, namely attitudes, knowledge and financial behavior (Sugiharti & Maula, 2019). The aim of this activity is of course so that people are able to manage their finances well in order to achieve financial freedom. Financial freedom can be achieved by adopting good habits in using money well, such as saving and being careful in consumption. As explained by (Arianti, 2022), people who are financially literate are people who have the attitudes, skills and knowledge to manage one's finances in order to fulfill financial goals which help in achieving better life goals.

Border areas often experience significant economic challenges, one of which is the lack of understanding of micro, small, and medium enterprises (MSMEs) regarding financial literacy. Low financial literacy can have an impact on the ability of business actors to maintain and develop their businesses sustainably. Poor financial records, inadequate planning, and inappropriate financial management are the main obstacles in business management. Therefore, socialization and education regarding financial literacy are very much needed to strengthen the competitiveness of MSMEs, especially in border areas that have limited access to resources and information. This community service program aims to answer this need by providing basic knowledge and skills in financial literacy to business actors in Alas Selatan Village, as part of an effort to support local economic growth.

Developing financial literacy for border area communities who experience difficulty accessing financial services is a challenge for the government. Financial literacy and inclusion play a role in encouraging optimal economic recovery. Alas Selatan Village is the outermost village which directly borders the neighboring country, namely Timor Leste. The distance from Alas Selatan Village is around 28 KM from Malacca Regency, which takes 1 hour's journey. Inadequate access to transportation, communication and electricity is the cause. Providing understanding regarding financial planning is the key for people to be able to adapt more easily to life changes and feel safer for whatever may happen in the future. Alas Selatan Village is categorized as a remote area. The inequality in the lives of people in remote and urban areas has created a knowledge gap phenomenon, especially in terms of financial knowledge. These differences between urban and regional communities require the government to have special methods so that people can easily learn aspects of financial literacy (Ade Gunawan, 2022).

Based on the results of the initial situation analysis from the border area survey, it is known that micro, small, and medium enterprises (MSMEs) in the border area have a poor understanding of financial literacy, especially in terms of proper bookkeeping, planning, and financial management. This is due to the lack of knowledge and access to training or education related to financial literacy among MSMEs in the area. This community service was carried out with the aim of providing additional knowledge to MSMEs in the border area through Financial Literacy Socialization in Alas Selatan Village, which directly borders the Cova-Lima District, Timor Leste. This activity took place at the Motamasin State Border Post, on Friday, March 22, 2024, from 08.00 until finished. The target of this activity was business actors in trade, related officials, and the general public, with more than 70 participants attending.

The border area, namely Alas Selatan Village, is one of the areas that must be reached in spreading financial literacy in Indonesia. There are a number of economic problems experienced by people, especially those who work as traders, namely the inability to process resources due to their level of education. Communities as business actors can manage business results with concrete business development plans. Based on this background, the financial literacy outreach that will be carried out will focus more on MSMEs, although this does not close the opportunity for the general public to take part in this outreach activity (Raneoetal., 2022). The theme presented was Increasing Financial Literacy in supporting MSME financial management and household financial management with the aim of participants being able to better manage their finances and make their businesses develop better. Where in the conditions in the field, MSME actors in Alas Selatan Village have currently had limitations regarding loans to banks. So far, for business development and household financial management, loans have been made through cooperatives or individual lenders (loan sharks).

## IMPLEMENTATION AND METHODS

Devotion society based a number of stage between other:

1. **Preparation** In the preparation stage, what the team carried out was to conduct a survey of MSME actors at the border of Alas Selatan, Kobalima Tim., Kab. Malacca, Nusa Tenggara Team.
2. **Implementation** On stage This, team do implementation activity during twelve month Which showed on Figure 1 follows.

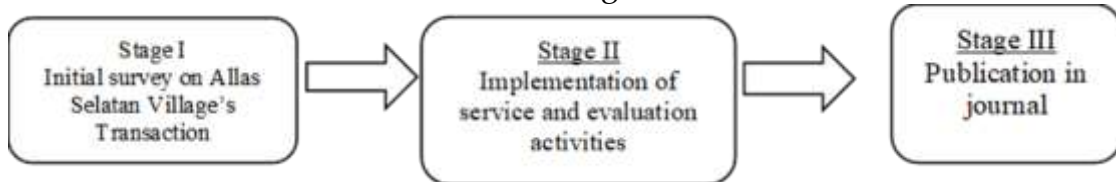


Figure 1. Implementation of Community Service activities

3. **Evaluation** A joint evaluation was carried out in order to find out how much influence this activity had on partners and the impact on the behavior of traders and buyers in border markets.

Table 1. List of Solutions Provided Along with Indicators and Targeted Outcomes

No	Problem	Problem Details	Solutions offered	Achievement Indicators	Measurement Scale	Outcomes to be achieved
1	Accountancy	<ol style="list-style-type: none"> <li>1. Lack of understanding in financial literacy</li> <li>2. Weak business foundations</li> <li>Inability to set targets and</li> </ol>	<ol style="list-style-type: none"> <li>1. Increasing Financial Literacy in MSMEs based on PSAK 69</li> <li>2. Socialization regarding market share</li> <li>3. Training related to household financial management</li> </ol> Comprehensive business environment training	OJK based indicators (2013): <ul style="list-style-type: none"> <li>• Well literate</li> </ul> Have knowledge and confidence about financial information regarding financial products, including features, benefits and risks, rights and obligations related to financial	<ul style="list-style-type: none"> <li>• Well Literate is on a scale of 75%-100%</li> <li>• Sufficient Literate is on a scale of 50%-75%</li> <li>• Less Literate is on a scale of 25%-75%</li> </ul>	Well Literate with an achievement measure of 100%

		evaluate business		<p>products and services, and have skills in using financial products and services.</p> <ul style="list-style-type: none"> <li>• <i>Sufficiently literate</i></li> </ul> <p>Have knowledge and confidence about financial information and financial products and services, including information, benefits and risks, rights and obligations related to financial products and services.</p> <ul style="list-style-type: none"> <li>• <i>Less literate</i></li> </ul> <p>Have knowledge of financial information and financial products.</p>	<ul style="list-style-type: none"> <li>• Not Literate is on a scale &lt; 25% (OJK, 2013)</li> </ul>	
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				<ul style="list-style-type: none"> <li>• <i>Not literate</i></li> </ul> <p>Do not have knowledge and confidence in financial information and financial products and services . And do not have skills in using financial products and services.</p>		
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Based on table 1, the solution provided is related to training in scientific concentrations, namely accounting and financial management. The achievement measurement indicators in each solution provided refer to the OJK (2013) based indicators, namely well literate , sufficient literate , less literate , not literate . This measure was applied to observations in a previous study conducted by researchers in 2022 which tested the level of financial literacy achievement with similar indicators (Timuneno, 2022). This indicator is considered relevant considering that the average education level of the people of Alas Selatan Village is at high school level and there are still very few who hold a bachelor's degree, let alone have educational qualifications in the field of accounting and financial management. The implication of this scheme is mapping the level of understanding of the aspects of accounting and financial management training so that in the future further development plans can be measured clearly through mapping this level of understanding. This scheme was also implemented through a literature review of previous research which tested the financial systematics of border areas.

## RESULTS AND DISCUSSION

Based on the results of the initial situation analysis of the border area survey, it is known that micro, small and medium business actors in cross-border areas do not understand financial literacy, namely how to record in bookkeeping, planning and managing finances properly and correctly. This is caused by a lack of. This Community Service is carried out to provide additional knowledge to micro, small and medium enterprises (MSMEs) in border areas through Financial Literacy Socialization in Alas Selatan Village which directly borders the Cova-Lima District of Timor Leste. This activity takes place at the Motamasin State Border Post, on Friday, March 22 2024, 08.00-finish. The target of this activity was trade business actors, related officials and the public with more than 70 participants attending. The following is a series of community service activities:

1. Participants register
2. Opening and introduction
3. Provide material regarding correct accounting and bookkeeping records
4. Provide material regarding personal financial management and finances originating from business units
5. Providing material on financial literacy, namely financial planning and management.
6. Discussion.

The socialization activity "Financial Literacy Counseling for Micro, Small and Medium Enterprises in the Motamasin Border Area" was attended by the Chair of PLBN Motamasin, lecturers from Universidade Catolica Timorese, lecturers from Dilli Institute Technology and lecturers from Widya Mandira Catholic University. On the day of the activity, 70 participants attended.

The speakers in the socialization activity "Financial Literacy Counseling for Micro, Small and Medium Enterprises in the Motamasin Border Area" are:

1. Beatrix Yunarti Manehat, SE.,M.Ak: Lecturer in the Unwira Accounting Study Program
2. Kristina Wada Betu, SST.Pa.,M.Ak: Lecturer in the Unwira Accounting Study Program
3. Lecturer of Universidade Catolica Timorese

During the service session, there was a fairly interactive discussion between the business actors and the speakers. Several MSME actors conveyed the challenges they face in running their businesses, especially in terms of financial recording and planning. One problem that often arises is the habit of not recording daily transactions in detail, which makes it difficult to track cash flow and calculate profits accurately. Participants also highlighted the difficulty in separating personal finances and business finances, which often drains business capital for personal needs. In this discussion, the speaker emphasized the importance of separating the two types of finances so that business management becomes more effective and transparent.

In addition, several participants expressed their desire to obtain access to financing from formal financial institutions, but were hampered by not having adequate financial reports as a requirement for applying for a loan. In response to this, the speaker explained how simple recording can be the basis for compiling financial reports that can later be used to apply for financing. This discussion session was an opportunity for MSME actors to share their experiences, exchange ideas, and receive constructive input on practical ways to overcome the financial constraints they face. Through this dialogue, participants gained new insights into the importance of financial literacy in building a sustainable and profitable business.



**Figure.1 The MSME community in Border Areas knows about Simple Financial Recording**



**Figure.2 The Border Area MSME community knows about Financial Planning and Management for MSMEs**



**Figure.3 The MSME community in Border Areas knows about the preparation of financial reports**

The socialization activity "Financial Literacy Counseling for Micro, Small and Medium Enterprises in the Motamasin Border Area" are:

1. **The MSME community in Border Areas knows about Simple Financial Recording;** In this session, MSMEs were taught how to do simple financial recording, such as recording daily income and expenses systematically. The discussion developed when several participants said that although they realized the importance of recording transactions, they often did not do so due to time constraints or lack of understanding of the correct recording format. The speaker explained that with neat records, business owners can more easily manage cash flow and make better business decisions. The speaker also provided an example of a simple recording format that can be adopted by participants to facilitate its implementation.
2. **The Border Area MSME community knows about Financial Planning and Management for MSMEs;** Participants were then invited to understand the importance of mature financial planning in maintaining the sustainability of their business. The discussion focused on how to create a budget for business needs, including calculating operational costs and allocating funds for business development. Participants stated that financial planning is often not done due to the lack of clear guidelines or lack of knowledge. The speaker provided practical steps to prepare a budget that covers short-term and long-term needs, and emphasized the importance of discipline in implementing the planning that has been made so that the business remains stable.
3. **The MSME community in Border Areas knows about the preparation of financial reports;** In the discussion on preparing financial reports, several participants highlighted their difficulties in preparing income statements, balance sheets, and cash flow statements. They stated that these reports are often considered too complicated for small businesses that are still limited in scale. The speaker provided an understanding that even for small businesses, financial reports are still important, especially for evaluating business performance and as a requirement to access financing from banks or other financial institutions. As a solution, participants were taught how to prepare basic financial reports using data from their daily records, and were given a simple template that they could use according to their respective business needs.

These discussions provide an opportunity for participants to better understand the concept of financial literacy that is practical and relevant to their conditions, while encouraging them to start implementing better financial management for the sustainability of their businesses.

## **CONCLUSIONS AND RECOMMENDATIONS**

After participating in this socialization activity, participants learned that simple financial recording, preparation of financial reports and financial planning and management for MSMEs are very important for the community, especially for MSME players, in increasing knowledge in managing finances so that their businesses can be more advanced and developed. Suggestions and recommendations that can be given are increasing outreach activities to the community regarding "Financial Literacy Counseling for Micro, Small and Medium Enterprises in the Motamasin Border Area" for lecturers in supporting government programs. The university provides outreach and appeals to the community, especially MSMEs, to take part and actively participate in similar "Financial Literacy Counseling for Micro, Small and Medium Enterprises in the Motamasin Border Area" outreach activities in the future.

## **ACKNOWLEDGMENT**

The author would like to thank Widya Mandira Catholic University, Accounting Study Program, Institute for Research and Community Service (LPPM) UNWIRA, Accounting Study Program, Catolica Business School, Universidade Catolica Timorese Sao Joao Paulo II (Timor Leste), Head of PLBN Motamasin and the team, MSMEs from two countries and all parties who have supported service activities and publication of this article.

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