

## Financial Literacy: Investing in Gold as a Low-Risk Investment

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### ABSTRACT

Good financial planning and management and selecting the right investment are important aspects in optimizing financial resources in preparation for the future. The ability to manage income for migrant workers must be able to allocate it to the right form of investment. The purpose of this community service is so that migrant workers in Malaysia have good financial literacy knowledge and are able to choose the right investment instruments after the pandemic and face the coming recession. The results of the posttest given show that their understanding increases after the presentation of the material, they can manage finances and allocate income and are more careful in choosing gold investments that are widely circulating in the market.

## **INTRODUCTION**

Financial literacy is a very important basic knowledge that every individual must possess to become more financially literate and intelligent. OJK (2021) says that it is important to provide financial literacy education and knowledge about the financial industry, both banking and non-banking, to the Indonesian people, so that people are smarter in managing their finances and it is hoped that they will be able to choose investment products by first considering the risks.

Various efforts have been made by the government to increase public financial literacy and inclusion. One of them is by launching the 2021–2025 Indonesian Financial Literacy National Strategy (SNLKI) to accelerate the country's economic recovery and improve the welfare of Indonesian citizens, including Indonesian Migrant Workers.

The Consulate General of the Republic of Indonesia (KJRI) Johor Bahru emphasizes the importance of financial literacy and understanding for Indonesian Migrant Workers (PMI) so they can manage the income from their hard work in Malaysia. In this case the Indonesian Consul General - Johor Bahru, Sunarko appealed to PMIs to be able to manage their finances and income while overseas carefully so that they are expected to be financially prepared when they return to their homeland (Ministry of Foreign Affairs, 2021).

Most Indonesian migrant workers are dominated by workers with low education and no skills, so mistakes often occur in managing their finances (Buchdadi & Kurnianti, 2022). Based on some information related to financial management abilities, most migrant workers working in Malaysia will bring their work results (savings) with them when they return to Indonesia but when they return to their hometown they spend the money without full planning, forcing them to return to Malaysia to look for work (Ministry of Foreign Affairs, 2021).

The Head of BP3TKI (Service Center for Placement and Protection of Indonesian Migrant Workers) Medan Syahrudin conveyed the same thing, "Those who have worked on average do not have any savings left that can be used for productive businesses for themselves and their families." This is due to a lack of knowledge regarding the importance of managing income such as saving and investing for the future.

The Head of BP3TKI expressed his hope that with the provision of financial literacy knowledge for Indonesian Migrant Workers (PMI) they will be able to manage their finances while working later in the destination country. PMI later when working abroad can manage their income and have low-risk long-term investments to ensure the welfare of themselves and their families.

The question that arises is what is the right investment choice to deal with a recession that is predicted to occur in 2023 as stated by the Minister of Finance of the Republic of Indonesia, Sri Mulyani Indrawati, "a recession is certain to occur in the near future", CNBC (2022).

Mohammad Johari (2017) states that investing in gold can be the right choice during a global crisis including a recession. Investors tend to divert their investments in gold when economic conditions are uncertain, such as after a

pandemic and facing a recession, because gold is a stable investment instrument when a recession strikes. During a recession, the price of gold tends to rise, apart from that gold is liquid or can be disbursed at any time (Sadono, 2022).

As stated above, to start an investment, it is necessary to first understand how to manage finances so that you can set aside some income for investing, and you need knowledge about investment strategies during a crisis or recession so that mistakes in investing can be avoided.

The main problems that will be sought for solutions through this service activity are:

- a) financial literacy is still low, especially regarding financial management owned by Indonesian migrant workers in Malaysia, in this case partners, who mostly work as cleaning services or household assistants.
- b) Partners have high enthusiasm for investing but are still unsure about the right investment choice.
- c) Partners do not/have not received education regarding knowledge about gold investment which is widely offered on the market.

Observing this, the UTM Jakarta PKM Team with UM Jambi and Batanghari Jambi University felt the need to provide financial literacy with the theme "Gold Investment as a low-risk investment" to the guardians of the Sungai Pencal Malaysia guidance studio students. With the hope that later this community service activity can be useful and help them to be able to make the best investment decisions during the post-pandemic and face a future recession.

## **IMPLEMENTATION AND METHODS**

The International Partnership Community Service Program (PkM-KI) is one of the community service programs developed by the Institute for Community Service and Organizational Development (LMPPP) Muhammadiyah University of Surakarta for the purpose of strengthening and developing PkM with foreign partners.

This program is a community service activity intended for efforts to improve the quality of community service in collaboration with universities/academicians/NGO/PCIM activists abroad. The targets of this dedication are Indonesian citizens or communities of Indonesian citizens abroad. This PkM overseas activity is expected to be one of the strategies for strengthening and recognizing institutions, study programs and/or lecturers of the PkM implementing team on the international stage.

UTM Jakarta as one of the institutions of Muhammadiyah Higher Education (PTM) is obliged to realize and implement the ideas of the Muhammadiyah Central Executive who are determined to spread Washatiah Islam. Of course, this socialization does not only exist in Indonesia but also spreads to all corners and corners of the world.

Muhammadiyah already has 26 special branches in various countries, seven special branch leaders, three special branch leaders of Aisyiah and three tapak Suci, Muhammadiyah has also established ABA Kindergartens in Malaysia and Egypt, basic education institutions in Melbourne Australia and Muhammadiyah higher education in Johor Baru Malaysia. Through the

establishment and development of special branches and charities abroad, it is hoped that Muhammadiyah will be able to develop Wasatiyah Islam and progressive Islam which is expected to be an inspiration to the world.

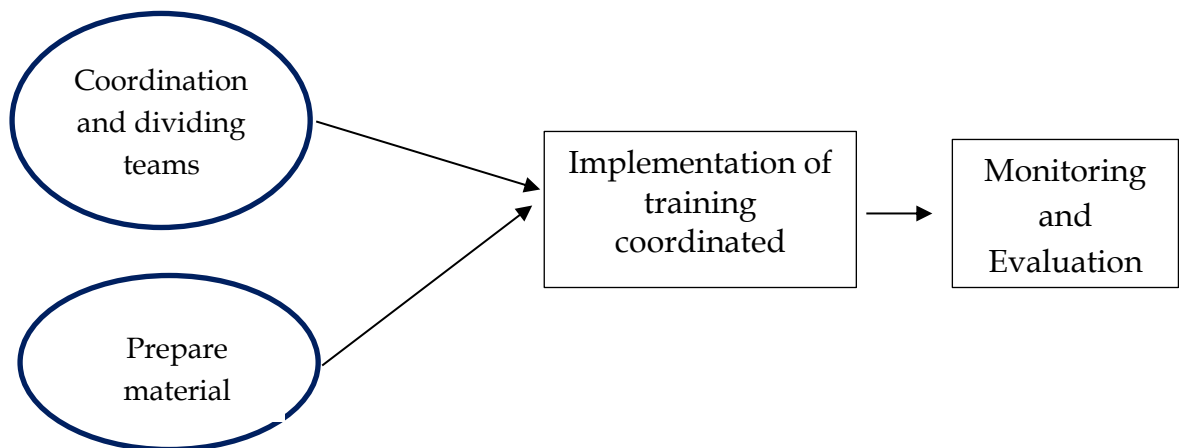
The implementation of community service activities is carried out collaboratively with the international Muhammadiyah University of Technology Jakarta, Muhammadiyah University Jambi and Batanghari University Jambi. This PKM activity was carried out on Friday (18/11/2022) at the Kepong Malaysia Lake Park.

By using the classical method to the participants so that the material can be well received, namely by using a lecture approach (presentation of material), answering several questions that are conveyed in writing and discussion.

This activity was held by the proposing team due to the lack of understanding of Malaysian migrant workers regarding financial planning and gold investment products on the market and the limited access of migrant workers to information regarding gold investments that are safe and supervised by the OJK (Financial Services Authority) and registered with Bapebti (Commodity Futures Trading Regulatory Agency).

This service activity is carried out in several stages, namely:

1. The first stage, coordinating and dividing tasks between teams,
2. Prepare related material, pre-test and post-test to evaluate participants' understanding
3. Coordination with partners to determine the schedule for the implementation of activities, venues, facilities and information on participant data.
4. Implementation of training coordinated with the team and trainees
5. Monitoring and evaluation of training materials
6. Preparation of the final report.



Picture 1. Conceptual Framework

## RESULTS AND DISCUSSION

The International Partnership Community Service Program (PkM-KI) is carried out in the form of a synergistic cooperation network between Muhammadiyah University and various overseas stakeholders and is oriented towards developing AUM, strengthening competitiveness, independence and

welfare of overseas partners. The main target of this program is Indonesian citizens or communities of Indonesian citizens abroad. This PkM program is in accordance with the direction of Muhammadiyah University Leadership and Organizational Leadership, to work together and involve PCIM abroad. And allows expansion with Government/PT/NGO to target foreign nationals abroad.

The objectives of the KKN & PKM-KI program are:

1. Develop community service activities by involving foreign partners.
2. Providing proper education for Indonesian children who experience limitations in the educational process in Malaysia.
3. Develop the potential of Indonesian children who are in Malaysia
4. Empower and strengthen migrant communities, Muhammadiyah Charity (AUM) & PCIM as well as native people abroad so that they are independent and competitive.
5. Gaining real experience in the field for writers as students and accompanying lecturers to understand problems and provide solutions to solving problems in society and implementing the preaching of Al Islam & Muhammadiyah abroad

The solutions provided by the team to partners for the problems that arise are as follows:

- a) Provide education regarding financial management by providing an understanding of how to set aside income for investment and alms before spending it for various purposes.
- b) Provide an understanding of investment concepts that are appropriate for the post-pandemic period and facing a crisis or recession.
- c) Provide education about investing in gold to avoid fraud and losses.

Community service activities at the Penchala Village Learning Center have gone as expected. This can be seen from the high level of participation and enthusiasm of the participants in following the material presented and actively asking questions during the activity. The first question asked is how to know that gold sold online is not a hoax. This is an important issue to discuss because of the widespread sale of gold online which is very at risk of fraud. In this case the presenter gave several tips to avoid fraud, namely first by checking the seller's reputation by ensuring that the seller has a license or permit from the Commodity Futures Supervisory Agency (Bappebti) to sell gold online. The buyer may require the seller to produce the appropriate license documents. Besides that, read reviews or reviews from previous customers and find out if they have a good track record in selling gold. Continuing this question, the participants also asked about the difference between OJK and CoFTRA. The speaker explained the main difference between the two institutions, namely that the OJK is responsible for regulating the financial services sector in general, while CoFTRA is only responsible for regulating futures trading. In online transactions, OJK is responsible for regulating and supervising companies that offer online financial services such as banking, insurance and investment, while CoFTRA is responsible for regulating and supervising companies that offer online futures trading products and services.

The next question is about the choice of allocating income into the form of gold investment or insurance, which one is more promising to meet long-term funding needs. The speaker tried to explain with the concept of inflation which is always attached to the value of money. Even though Education insurance products, for example, have a large value at this time, the value of the money disbursed may decrease for the next 10 years so that additional funds are still needed to cover the shortfall when funds are used for expenses. Child education. In contrast to investing in precious metals, especially gold bullion and storing it in the long term, its value remains stable because it is not eroded by inflation. Regarding the allocation of this salary, the participants also asked whether it was better to buy land or invest in gold. According to the speaker, the choice of investment depends on the purpose and risk profile of investing. Gold investments tend to be safer from the effects of inflation and are assets that can be sold quickly when needed. However, gold investment is not like land which can provide passive income in the form of rent or value appreciation. During the COVID-19 Pandemic, many people had reduced income, so selling gold was an alternative solution to dealing with financial problems so that their monthly needs were met. Meanwhile, to liquidate other assets such as land is not as fast as gold and requires uncertain time. The next question from the participants was why the selling price of gold jewellery in Malaysia is cheaper in Indonesia. The speaker tries to answer with the concept of a different buying price and selling price of gold and this difference is the profit margin earned by the seller. even if the gold is purchased at the same shop on the same day, it will cause the price of gold to be cheaper when it is resold. Then the gold content after use will cause the price to be cheaper and other costs such as gold printing costs and currency exchange rates also affect the selling price of gold. The last question asked by the participants was regarding the golden aristocracy. Golden aristocracy can be an attractive investment option because it can be done in an affordable amount and can be done in groups. golden aristocracy can be followed for a flexible period of time, so it can be stopped at any time if necessary. However, the speaker emphasized more on the risks that need to be anticipated before joining the gold gathering. including ensuring that the golden aristocracy manager is a person who is trustworthy and can be trusted. Check the gold distribution schedule and ensure that it can be followed. Always updated with the latest (daily) gold prices that can be checked online.

Before the community service activities were carried out, the participants carried out the activity pre-test first. The results of the pre-test showed that 100% of participants understood the difference between saving and investing, but due to lack of financial literacy, participants' understanding of investment risks and the benefits of investing in gold was very low, around 30% and 60%. less than 70% of participants understand the concept of investing in gold related to inflation, recession and financial management. For this reason, an explanation of the concept of gold investment needs to be carried out by the Community Service Team and has increased participants' understanding of gold investment which can be used as a way of effective financial management. Increased Participant understanding of gold investment which can be used as a means of protection



## CONCLUSIONS AND RECOMMENDATIONS

The conclusions of the Community Service-International Partnership (PKM-KI) financial literacy program are as follows:

1. PKM-KI financial literacy low risk gold investment was successfully carried out.
2. Participants gave a positive response during the activity through active interaction between the resource person and the participants and questions submitted by the participants. From the results of the post-test given, it shows that their understanding has increased after the presentation of the material so that it is hoped that they will be smarter and wiser in managing finances and allocating income and be more careful in choosing gold investments that are widely circulating in the market.

Recomendation from the Community Service-International Partnership (PKM-KI) financial literacy program are as follows:

1. Developing financial literacy PKM-KI low-risk gold investment in several other areas where TKI work.
2. Making it an alternative low-risk investment solution

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