

The Improvement Strategies For Sharia Financial Literacy On Creative Economy

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Abstract: This study aimed to discover the comprehension of business actors of Small Medium Enterprises (SME) in creative industry sector on the concept of sharia finance as well as formulating the development strategy of financial literacy toward business actors of creative industries. This study used a qualitative approach of case study in Yogyakarta Special Region, Indonesia. The types of data used are primary and secondary data. The data analysis was performed through a descriptive-statistical analysis, and the policy formulation was done through SWOT analysis. This study found that the index of sharia financial literacy on the majority of SMEs in the creative industry sector is in the medium category (sufficient literate). The improvement strategies for financial literacy are performed through a) the strategy of collaboration between stakeholders (penta-helix); b) the establishment of education centers and the socialization of sharia finance at regional level; c) sharia-based bank and non-bank financial institutions should be more aggressive in providing financial services to SMEs.

Index Terms: Financial Literacy, Small Medium Enterprise (SME), Creative Economy, Penta Helix.

1. INTRODUCTION

FINANCIAL literacy can be defined in a broad or narrow meaning, the broad meaning of financial literacy is adopting economic comprehensions and how economic conditions affect household decisions [1]. Financial literacy as the knowledge and comprehension over concepts and risks of finance, including the skills, motivation, and confidence to implement the conceived knowledge and comprehension in the effort of producing effective financial decisions, improving the financial well-being of individuals and society as well as participating in the economic sector. [2]. Financial literacy is a measurement toward the comprehension of an individual regarding financial concepts as well as the capability and confidence to manage personal finance through the proper short-term decision making and long-term financial planning while also observing economic events and conditions [3]. Financial literacy encompasses the awareness and knowledge regarding financial instruments and their application in business and life. Thus, promoting financial literacy to own awareness and knowledge as the foundation of its application in business becomes the need within the effort of developing SMEs in creative industry sector [4]. Financial literacy is about knowledge or capabilities in managing personal finance [5]. Financial literacy is the capability in using knowledge and skills to manage financial resources effectively for the welfare of life [6]. Financial literacy is the knowledge about the underlying facts, concepts, principles, and technological instruments to become smart in using money. At national scale, financial literacy keeps expanding (well literate). This condition can be seen from the Index of Financial Literacy which increased from 21.84% in 2013 to 29.66% in 2016. The Index of Financial Literacy for Yogyakarta Special Region in 2016 amounted to 38.55%—meaning that the rate was above the national average. Indonesian people still have low literacy of sharia finance. This condition is indicated by the Index of Sharia Financial Literacy in 2016 which only amounted to 11.06%—increased slightly from 2013 which only amounted to 8.11% [7]. Spatially, the Index of Sharia Financial Literacy of DIY's people in 2016 was only amounted to 9.45%. This condition means that the comprehension of Yogyakarta people regarding the conventional finance is higher compared to the sharia finance; even higher than the national average. However, on the other side, there is a concerning matter in which the comprehension of Yogyakarta people regarding sharia finance is lower than the national average. The

comprehension of financial literacy on the community affects economic behaviors [8]. This thing is highly associated with the option of financing access. Financial sector is effective in promoting economic developments including the effort conducted by the actors of Small Medium Enterprises (SMEs) if equipped with a good financial literacy and high financial inclusion. At national level, SMEs are the strategic economic actor from the side of the number and absorption of labors. This situation was also occurring in the research location in which the business actor of SMEs dominated the number of business actors engaged in every sector, including the creative industry sector. According to 2016's Economic Census, facts have been acquired in which the businesses/enterprises in the research location were mostly micro/small enterprises that amounted to 524,935 units or 98.36% of total business actors while there were 8,735 units or 1.64% of large and medium enterprises of total business actors [9]. Quantitatively, the number of SMEs is always increasing, however, this significant increase of SMEs is not supported by the quality of education and knowledge about the financial management, therefore, there are still many SMEs that less productive due to the low level of financial knowledge. The actors of SMEs should understand the financial management and planning, so they would be beneficial in developing their business, due to that matter, financial literacy is actually a sure thing that has to be understood by the actors of SMEs for the financial decision making can be done wisely [10]. The economic potentials in the research location are massive, especially the creative industries such as fashion, craft, and processed food which until present have been developed by the economic actors in the scope of SMEs. One of the obstacles faced by SMEs is the financing access especially for business capital. On the other side, the financial inclusion has reached decent amounts namely 76.73% for the conventional finance and 13.45% for sharia financial institution [11], however, the financial literacy is still low, especially on sharia financial literacy which results in the low access of SMEs and public to sharia finance that also causes the slow growth of the sharia finance because inclusion and literacy is interrelated. Therefore, there is an imbalance issue between sharia financial literacy and the massive potential of creative economy which can be developed in further by the actors of SMEs. This research aimed to discover the comprehension of business actors in the scope of SMEs within the creative industry sector toward the

concept of sharia finance as well as formulating strategies to develop the potentials of creative industry performed by SMEs with funded by sharia finance.

2 METHODOLOGY

This study used a qualitative approach. The scale of this study was at the provincial level with a case study in Yogyakarta Special Region, Indonesia. Primary and secondary data were used as the types of data which acquired from various related institutions namely Financial Services Authority, Central Statistical Bureau, Cooperative and SMEs Office, Industry and Trade Office, and deep interview towards the main informants, data analysis was performed subsequently. To test the validity of data, the researcher used a triangulation technique. Triangulation technique consists of several aspects [12]. SWOT analysis was used as the reliable instrument to conduct the strategy analysis, the efficacy of the instrument is on the capability of strategy makers to maximize the role of the strength factor and utilizing the opportunities which also used as the instrument to minimize the weaknesses and suppressing the impact of the occurring threats [13].

3 DISCUSSION

3.1 The Literacy Rate of Sharia Finance

The SMEs in the creative industry sector which became the sample of this study were 28 units of micro-scaled business, 24 small-scaled business, two units of medium-scaled business. The role of SMEs of the Creative Industry Sector from the perspective of employment was relatively moderate, 63.8% of SMEs in Creative Industry Sector employed less than four people for each company. About 26.3% of SMEs employed 5-19 people, 8.8% employed 20-99 people, and 1.3% employed more than 100 people. Theoretically, financial literacy has a positive correlation with education level. The last/recent education dominated by a Bachelor's degree in the amount of 58.8% of the entire SMEs of the Creative Industry Sector that became the respondent. About 37.5% of the respondent were Senior/Vocational Secondary School graduates and only 2.5% of them who have a postgraduate degree. The availability of a continuous financial reporting system that is formulated based on the accounting standard is one of the factors that indicate if the actors of SMEs in the Creative Industry Sector are having financial literacy. The following is the sample data of the SMEs Actors of the Creative Industry Sector who compile financial reports. The processing results of the questionnaire provided toward 54 respondents have produced the average number of sharia finance literacy rate of creative industry owners in Yogyakarta Special Region which categorized as sufficient literate, according to Financial Services Authority (OJK), the sufficient literate is only having knowledge regarding the financial service institution, financial products and services. The measurement of this literacy rate includes several aspects, namely: basic financial knowledge, saving and borrowing, investment, and insurance, and the financial literacy rate of someone is seen from the understanding. Table 1 shows that 37.5% of Creative Industry SMEs are in good category of financial report quality; 26.3% in moderate category; and 36.4% have low quality of financial report. These results indicate the capability of creative industry SMEs in compiling financial reports is still poor, therefore, the effort to improve

technical skills in formulating financial reports is necessary. This study acquired results of the literacy rate of sharia finance on creative economy SMEs in which there are 20 SMEs (37%) which categorized as well literate, there are 23 SMEs (42.6%) which categorized as sufficient literate, and then, there are six people who categorized as less literate with 11.1% rate, and five people who categorized as illiterate with 9.3% rate. Substantiated by the survey results conducted by OJK in 2016, Yogyakarta Special Region has the third highest rate of financial literacy in Indonesia or amounted to 38.55%. The t-test analysis in Table 2 shows the variables of gender, age, education, and the length of business toward the literacy rate of sharia finance of creative industry owners in Yogyakarta Special Region. This condition can be seen from the sig t value in which each variable owns sig t value which smaller than 0.05. On the variable of gender, the significance t value is 0.040 which means that gender is having significant impact toward financial literacy. The variable of education has 0.016 of t-significance value which means that education has positive and significant impact toward dependent variable. The length of business which has 0.036 significance value also means that the length of business has significant impact

TABLE 1
FINANCIAL REPORTS OF CREATIVE INDUSTRY SMEs

Financial Report	Percentage	Valid Percentage	Cumulative Percentage
Good	37.5%	37.5	37.5
Moderate	26.3%	26.3	63.8
Low	36.3%	36.3	100.0
Total	100.0	100.0	

Source: Primary data processing, 2019

toward financial literacy. The comprehension about finance can be identified from the comprehension of actors of SMEs who became the respondent in this research over several basic knowledges regarding finance, institution, knowledge of products such as sharia insurance and investment. According to the questionnaire results, the majority of respondents (57%) have knowledge and understand the management of general finance. The knowledge regarding general finance becomes basic information about financial literacy. In this research, the Bachelor's degree as the majority of education owned by respondents showed that generally, the community has functional academic abilities. This condition is in line with the knowledge regarding financial reporting. Meanwhile, according to the indicator of the comprehension of sharia financial institutions, there were 54% of respondents who comprehend. The knowledges regarding sharia financial institutions are not only related to the differences with common banks, but also about general information associated with the characters of sharia finance itself, such as akad (verbal agreement) and profit-sharing models. Profound knowledges regarding a banking system will become one of the preference factors over institutions used to support business activities or personal finance. With an assumption that more comprehension will affect rational constancy of an option, including in the context

of financial services. In the context of sharia-based saving and loan concepts as the indicator of sharia finance knowledge, an information has been acquired in which the majority (65%) of respondents did not understand concepts of saving and types of loan as well as sharia-based akad (verbal agreement). This

phenomenon of the relative minimum selection of customers over sharia finance is parallel with the financial macro data in which the role of sharia banking is still relatively small compared to conventional banking. Similar to the activity of sharia insurance and investment. It is recorded in April 2018

TABLE 2
PARTIAL T TEST

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	114.433	6.497		17.614	.000
Sex	2.640	2.220	.168	1.189	.240
Age	1.554	2.324	-.160	-.669	.507
Education	1.326	1.059	-.178	-.178	.210

that the total asset of sharia banking amounted to Four hundred thirty-five trillion rupiahs, which indicates only 5.79% of the total asset of national banking industries. Similar to the industry of sharia insurance which has forty-two trillion rupiahs or only 5.89% of the total asset of national insurance. In terms of investment, it has been recorded that in the same period, the State's outstanding Sukuk (sharia-compliant certificate) amounted to six hundred trillion rupiahs or only 17% of the total outstanding of state obligation (bisnis.com, 29/7/2018). In the micro context, someone can be determined as well literate if he/she has knowledge and confidence about institutions, financial products and services as well as skills in discovering features, benefits, risks, rights and obligations of those financial products and services.

3.2 The Literacy Improvement Policy of Sharia Finance

In regard to the phenomena above, the potentials of sharia finance can still be optimized, one of the efforts that can be done is by improving sharia financial literacy on business actors and public. In the perspective of macro policy, the policy directions and the derivative programs regarding the effort to enhance the general or sharia financial literacy in Indonesia have been stipulated. The document of the policy is embodied in Indonesian National Strategy for Financial Literacy (SNLKI) which has been revised in 2017 by Financial Services Authority (OJK). The important meaning of financial literacy is related to the quality human resources as one of the underlying factors in the economic development. In this context of economic development, the quality of human resources needs to be improved, including strengthening the competences, one of them is related to financial literacy. The knowledge of the community regarding financial literacy is a requirement in the daily life, so it becomes life skill that should be owned by every individual to live a long-term life. It is assured that the well-literate community will be easier to understand things associated with financial service industries as well as having the information to access financial service industries required in their daily activities. This condition will allow them to determine financial products and services more easily based on the needs and capabilities in the effort of improving the well-being. In addition, the well-literate community tends to have the better financial management in supporting their financial wellbeing. In that order, the well-literate and financially inclusive community might emerge which eventually will support

the economic development.

OJK has made 3 (three) strategic programs of financial literacy, namely:

1. Financially Literate. Financial literacy is formed from several components namely knowledge, skills, and confidence. The financially-literate community needs to have extensive knowledge regarding institutions and financial products and services including the benefits, features, risks, rights and responsibilities, acquisition methods, fines and costs.
2. Wise Financial Attitudes and Behaviors. The efforts in discussion are conducted through quality financial decision making, the proper use of financial products and services according to needs as well as the planned financial management in the effort of achieving wellbeing. Wise financial attitudes and behaviors will create better financial security in various financial situations.
3. Financial Access. The massive expansion of financial access is required to facilitate the community in accessing institutions, financial products and services based on needs and capabilities. The expansion of financial access should be substantiated with the development of financial products and services, including the establishment of the schemes of financial products and services that affordable/reachable for the community.

In the context of the improvement of sharia financial literacy, the actors of Creative Industry SMEs at regional level is the small part of the national financial literacy target, thus, operational policies and real programs with the target group which in this context is Creative Industry SMEs. The institution which has the main duty in improving financial literacy, including sharia finance is OJK. According to the interview results of the researcher toward the Regional Head of OJK (July, 2019), it was explained that the regional office of OJK is not in position to take policies. Every policy is determined by the central OJK. The main thing done at regional level is the supervision function. Therefore, there is no special policy taken by the regional OJK but only runs the program determined by the Central OJK, including in the matter of the improvement of sharia financial literacy. Even though, due to the existence of national programs, thus, the financial literacy is automatically still being done. As outlined in national policies, one of the improvements of financial literacy is done by involving multi stakeholders. Even, from the institutional perspective, there are programs that facilitate financial service industries and stakeholders in the region to establish education center and financial information in municipalities/regions in various forms. According to the data discovery from interviews toward financial practitioners and the academicians who concern about the theme of financial literacy, some things have been obtained that can be categorized as the element of policy strategy, namely the things that become strengths, weaknesses, opportunities, and challenges associated with the improvement effort of sharia financial literacy for Creative Industry SMEs. Those aspects become the input for SWOT analysis in the formulation of strategic policies for the improvement of sharia financial literacy.

1. The Strength Aspect

The majority of last/recent education of the actors of Creative Industry SMEs in the research location is Senior Secondary School graduates, even in this research, the majority of actors who become the respondent in this study are having Bachelor's

Degree. These education levels become the main capital for sharia financial education from the perspective of the capacity of the target group. A higher level of education is believed to correlate with the financial literacy rate, including sharia finance. In addition, the growth of creative industry business is valued as positive if seen from the business turnover growth. This condition becomes the internal strength of SMEs actors who always expanding, therefore, financial services are required in financial management, including sharia finance institutions.

2. The Weakness Aspect

The majority of actors of Creative Industry SMEs in the research location have yet to implement financial management, especially in the context of nationally-standardized bookkeeping. The actors of medium-scale creative economy have operated with the computerization system conducted by professional staffs, however, the financial bookkeeping on MSEs of small-scale creative economy is still conducted simply. The focus is more on the cash flow; therefore, the bookkeeping is only from the sides of revenues and expenditures without completely making financial reports. In addition, explicit differences and basic characteristics of each sharia and conventional financial services do not become the main factor in the option over financial services. In this context, very minimum business actors who have option due to the characteristic of financial system but more based on the consideration of the rationality of financial services which easy, fast, and affordable.

3. The Opportunity Aspect

The policies of Central OJK already have various main programs (core actions) associated with the improvement of financial literacy, including sharia finance. Observing the entire programs and policies that have been compiled within the SNLKI, if those efforts are performed intensely on the target group namely the actors of Creative Industry SMEs, thus, it can be expected that the sharia financial literacy on SMEs actors will improve. The increasing number of sharia financial institutions with various services become the opportunity from the sides of access and resources for improving sharia financial literacy. According to law regulations, each banking or non-banking institution has the duty to conduct financial education toward the wide community. Therefore, there is an opportunity to synergize potentials of the existing sharia financial institutions to perform the education of sharia finance on Creative Economy SMEs.

The presence of universities that concern about sharia finance, either from public or private universities are the potential as the educational agency of sharia financial literacy at the regional level. The study and learning as well as the implementation of the Tridharma of Universities related to sharia financial literacy is getting more interest. The availability of Professional Associations such as Sharia Economic Community (MES), the Association of Islamic Economists (IAEI), and also the association of sharia financial institutions have the potential as the agent of sharia financial education.

4. The Challenge Aspect

The domination of conventional financial practices and investments has made the sharia-based financial services have yet to become the main option for the actors of SMEs in utilizing financial services. A higher domination of conventional finance will make business actors to use conventional services as the main service in the financial sectors that has implications on sharia financial literacy which is relatively lagging behind the conventional finance. There is no regional institution that actively takes part as the leading sector to integrate potentials in the improvement of sharia financial literacy for Creative Industry SMEs.

Inspecting the aspects of strength, weakness, opportunity, and challenge related to the development of sharia financial literacy on Creative Industry SMEs, thus, SWOT analysis can be done which produced policy recommendations as follows:

1. Collaboration strategy between stakeholders (penta helix) to expand the education of sharia finance on the actors of SMEs through different real activities that directly interact with business actors.
2. The establishment of education centre and socialization of sharia finance one each region as the actual program of the collaboration strategy between stakeholders, especially Financial Services Authority, Banking Financial Institutions, associations, and universities.
3. Sharia-based banking and non-banking financial institutions should be more aggressive in providing financial services, so the ratio of sharia banking and non-banking contribution in macro will increase, thus, this condition will impact on the trust and choice for SMEs actors to use sharia financial services that will generate impact toward the improvement of sharia financial literacy on SMEs.

4 CONCLUSION

According to the analysis in the previous section, thus, some conclusions can be formulated as follows:

1. The strengthening of sharia financial literacy on Creative Industry SMEs will be effective if using the approach of collaboration strategy between stakeholders (penta helix).
2. The establishment of education centers and the socialization of sharia finances which actively conduct the role and function as the actual program of the stakeholder collaboration strategy especially Financial Services Authority, Banking Financial Institutions, Associations, and Universities.

According to the conclusion above, some recommendations can be formulated as follows, namely:

1. Sharia-based banking and non-banking financial institutions should be more aggressive in providing financial services, so the ratio of sharia banking and non-banking contribution in macro will increase, thus, this condition will impact on the trust and choice for SMEs actors to use sharia financial services that will generate impact toward the improvement of sharia financial literacy on SMEs.
2. Financial Services Authorities which available in every region could become the leading sector in penta helix to improve the scale of education activities of sharia

finance.

ACKNOWLEDGMENT

The researcher wants to express gratitude to LP3M of Universitas Muhammadiyah Yogyakarta which has provided the fund for this research.

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