

Financial Literacy and BUMDES revitalization on SMEs' sustainability in the period of Covid-19 Pandemic

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ABSTRACT

This article aims to give a new insight regarding the revitalization of BUMDES on going concern of SMEs and elaborate how SMEs actor should literate in financial matters in order to manage SMEs in proper way. This paper try to study on SMEs in two different locations of different islands, there are Sumatera island and Java island. The different location of SMEs provides different characteristic of community in social, culture and demography which should take in our consideration in developing SMEs to achive of SMEs' sustainability. As we know, SMEs business also suferred of covid-19 pandemic since SMEs majority related to small and medium amount of capital. This paper using qualitative method and confirmed the result through indepth interview to key person such as Kepala Desa (Head of Village), SMEs actor, and many more. The study revealed the level of financial literation of SMEs actor contributed on the SMEs sustainability, at minimal level of moderate level and BUMDES play a significant role not only to support SMEs cashflow but also in motivating SMEs actor to manage and run business in efficient and effective way. Suggestion to government to released policy in supporting this conclusion for SMEs in the future. This study have limitations since study only in two locations, so the extends of SMEs location will come up to more conclusive and increase the generalization of this study.

Keywords: BUMDES, SMEs, Sustainability, business

1. INTRODUCTION

The covid-19 pandemic not yet ended [1], and recently, Bloomberg published survey lists of crisis-prone countries, and Indonesia at the 14th rank with possibility exposed on crisis at the rate of approximately 3% [2]. We should used this announcement as early warning system to take our consideration eventhough the possibility at very small amount. The crisis consists of energy crisis, food strength crisis, supply-crisis, logistic crisis and commodity crisis. In Indonesia, as we know SMEs have a great contribution to our GDP in signicant amount [3], thus to anticipated the possibility of crisis we should make our people to increase the supply side especially in SMEs product and services. In the year of 2004, government of Indonesia released UU Desa about fund village to make the rural people or community to manage the fund directly by receiving directly fund village to the community. It is a must of country to make the SMEs going concern stabil in term of recovery of community walefareness.

At the same time with village fund policy, The government also support village to build the village-owned business entity known as BUMDES. BUMDES based on UU RI no. 23 2014 (UU Desa) and UU RI no 9 th 2015 (UU PEMDA) but in implementation of BUMDES in the some villages in Indonesia did not comply whith UU Desa [4]. The Objective in forming the BUMDES, to make community in the rural to manage fund professionally and have separate entity with local government. BUMDES expected to fostering the SMEs and in the future will elevate the community

income. Then, by elevating community walefareness hopefully got a trickle down effect to the business activity in the rural area. BUMDES not only support regarding finaance resources but also knowledge to the SMEs actor in term of financial literacy, risk finance atttude and assist accessed to various finance entity to support SMEs capital. BUMDES revitalizations achieved if manage by professional people and should focused on maximized BUMDES role to increase community business activity especially in the form of SMEs. As we know in the covid_19 pandemic all society activity fullof limitation ofout door activities and suggests of working from home.

This article give a new insight regarding the revitalization of BUMDES on going concern of SMEs and elaborate how SMEs actor should literate in financial matters in order to manage SMEs in proper way. This paper try to study on SMEs in two different locations of different islands, there are Sumatera island and Java island. Organizational of this paper will be consists of introduction in the chapter 1 and in the chapter 2 will discussed about literature review backgrounds, described on financial literacy and SMEs sustainability and SMEs sustainability. Chapter 3 will will discussed the method of this article and chapter 4 about the result and discussion. The last chapter will described about conclusion, authotcontributions, acknowledgements and references.

1.1. Theoretical Background

Next, narration about theoretical background consists of two terminology we discussed in this article. First, explained about Financial Literacy, how SMEs actor have enough

knowledge about finance in term of understanding of terminology of finance, how to manage finance effectively, and attitude on finance risk and relationships between finance literacy and SMEs' sustainability. Second, BUMDES revitalizations will explored how BUMDES should back to its original objectives to the village community. Hopefully the walfareness of community attained then, quality pf human resources of village also will be higher.

SMEs play a vital role to elevate rural economy especially in the covid-19 pandemic, which mostly all business activities impacted. Stakeholder should collaborate to survive in this hard condition. Government launched vsrious policies to give room for SMEs to keep their business held in this hard situations.

1.1.1. Financial Literacy and SMEs Sustainability

SMEs with enough knowledge resources tends to survive in the long run so it could continue to provided goods and services to the customer and keep its going concern as business entity in the locations of village community [4]. Enough knowledge about financial has a broaden meaning where actor of SMEs have accessed to finance institutions to proposed cashflow to back up the business activities or in the situation to expand their business to ctach up yhe business opportunity or customer demanding either product or services. Additionally, literate in finance also has a behavior meaning in term of how the SMEs actor response on the risk of finance and make a proper decisions to overcame the finance problem in the future. It is a must to SMEs to increase the capacity of the human resources in order to achieved its sustainability in the future. [5], empowering SMEs business [6], achieved target profit [7], efficient and effective system management [8], finally increase community economy [9] and realized opportunity of village economisc prospect in the long run [10].

1.1.2. BUMDES Revitalization

In order to revitalized BUMDES in the rural area needs a participation of rural community in BUMDES management, in the comfort situation and conditions among community in the rural so hopefully sense of belongings of BUMDES would exist [11]. BUMDES an an insturions separatel manage with head of of village will gave a room to focused on BUMDES functions goals. In order to maximize role of BUMDES in supporting rural ministry program of the prority rural in acceleration of economic growth, should take place the sustainability in empowering human resources capacity in the rural [12]. BUMDES implementation in the village needs internal and external controlling to assure its operational activity comply wits its goal to increase rural people walfareness [13]. In practical view, BUMDES had play significant role to develop business of UMKM in the Java Island such as in Sukosari [14], Blitar [15], Kudus [16]. BUMDES also assist for supporting the agriculture industry [17]

Based on the literature review background we realized it is very important in the country with developing economy to manage its SMEs to be a strong institution, by increasing access to finance and have a finance risk attitude to the manager of SMEs. Based on Survey in Srilanka in 2019, [8], found that strong SMEs should achieved in the conditions and situations of SMEs actor have strong literate in finance in term of accessed on finance institutions and proper attitude in respone of financial risk. The research questions of this article would be how literations in finance in the SMEs Nagari Suliki, West Sumatera Province support SMEs sustainability. And the next reserach qustions is how BUMDES revitalizations support SMEs Sustainability.

And the predictions of this article is if SMEs Nagari Suliki actors got a enogh training and should make them enough knowledge on financial matters, so the SMEs' going concern could maintained. And the next preditions, should the BUMDES back to its initial objectives as stated in the UU Village of year 2004, the SMEs will strong enough to sustain its business in the future.

2. METHODOLOGY

This is descriptive analitic article since using literature review, data provided by some sources and indepth interview to key informant related to the topic and observation by using the five senses [9]. The literature review about Financial Literacy, sustainability of SMEs and BUMDES, and the location of study is Nagari Suliki, West Sumatra Province and for this topic we chose SMEs acrtivities, in the village of Nagari Suliki, and the key informants are SMEs actor, ninik mamak, wali nagari, next we processed data provided by office of Nagari Suliki. Based on the data provided and indepth interview we concluded the role of BUMDES, financial literacy to sustainability of SMEs.

3. RESULT AND DISCUSSIONS

After exploring literature review regarding the topic such as Financial literacy, BUMDES revitalizatio and sustainalibity of SMES, we collected data of SMEs in Nagari Suliki, West Sumatra and also held indepth interview to key informan. The data we collected are list of SMEs, and the age of SMEs, and also kinds of product and services provided to customers. The profile of SMEs in the Nagari Suliki mostly consists of home industry and manage individually and the ccapital is very small and wecategorized as micro industry. An the rest of SMEs also have a big enough of capital and managed by owner and have several employees to handled the routine transactions. Product of SMEs majority concists of culinary approximately 80% and the rests are services and product non culinary.

From data provided by wali nagari Office administration, there were BUMDES already in the Nagari Suliki, provided soft loan to SMEs actor. Due to limitation of amount of cash availability and on the other hand SMEs request soft loan was large in quantity, not all SMEs received fund assistance.

Based on indepth interview to head of wali ngari Suliki Mr A, started this year and in the future, village fund in the BUMDES would allocate to all SMEs, it means all SMEs could moving together due to equality treatment to all SMEs. Based on indepth interview on several SMEs actors, we found some of them was in the condition not well informed regarding the opportunity to proposed fund for their business in the SMEs. Additionally the Head Village should elevate the transparancy in the standard operational procedures to proposed for the funds.

And based on indepth interview to Head of walinagari Suliki, Wali nagari office have commitment that they should held fairness selection for SMEs that will received tha grant for SMEs activity either from the Village Fund or other source of finance grants.

Figure 1. Accessed to Financial and Sustainability

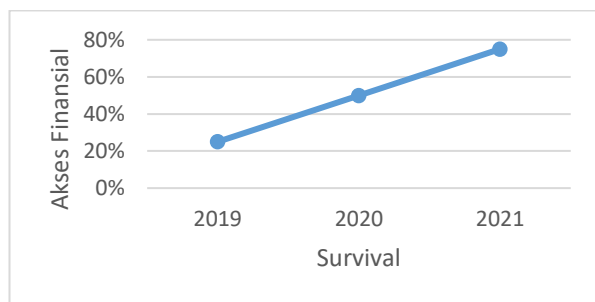


Figure 1 described how accessed to financial resources influenced sustainability of the SMEs. The increasing of ability of SMEs to accessed to various financial resources expected the ability of SMEs to survive would higher in the future due to the possibility they can got finance support would be higher. The rational for this statement due to each business entity needs resources of cash flow to continue business or keep its going concern in the future especially in the specific conditions such as to catch up the business opportunity, or to finance new line of business or to pay debt to bank.

Based on indepth interview with SMEs actors in Nagari Suliki, West Sumatera Province, they already attended some training regarding how to finance evethough they felt not yet enough tand need extended training for the comprehensive topics about finance, such as how to compile business plan, how to calculate unit cost of product or services so they could got enough margin and low cost if they manage their business as efficient as they could. According to Wali Nagari, they realized that in the future SMEs in Nagari Suliki would got some training regarding comprehensive finance subjects.

Figure 2. BUMDES Revitalization and Sustainability

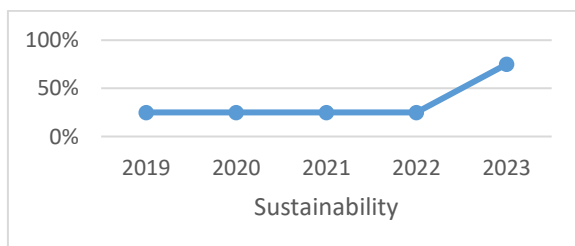


Figure 2 explained the conditions of BUMDES play its function to SMEs in the rural community as mandated on Village Law, as one of distributor of Fund Village to SMEs in the rural area, for this article, described how BUMDES provided fund village to SMEs in Nagari Suliki, West Sumatera Province. Although BUMDES revitalizations proven have important role for the SMEs sustainabililty in the Suliki Community, unfortunately not all SMEs knew about the fund of BUMDES provided for SMEs. Equal tretment among SMEs will also give similarity in the accessed to gained cashflow. And also the community should literate in the finncial so they can manage the cash flow in theefferent and effective ways, and hopefully their business will exist in the long run, it means they can sustain their business in the future even in the difficult time such in the Covid-19 pandemic conditions.

Based on indepth interview to Wali Nagari Suliki, he stated that Nagari Suliki has BUMDES in its organizational stucture, but he realized that BUMDES functions not yet maximized to all SMEs in the Nagari Suliki. In term of planning of BUMDES its already done, but in term of implementations still needs development, next Wali Nagari Suliki said they should interpretes in term of implementation stage of mandated of UU Desa in order to achieved its initial objectives to elevate the walfareness of all community in the rural of Nagari Suliki.

There are some obstacles that BUMDES nagari Suliki should face and solve. The limitations such as the quality of human resources and also the leaderships. As we know in the Minangs tribals, going out side the town is honourable and noble. And the people in the Nagari Suliki have strenght motivations to “merantau”. Mosly the succeeded one keep staying in the City and never comeback to hometown.Wali nagari Suliki try to upgrading the quality of human resources by giving the trainings about topic finance, leaderships, and many others relevant topic to BUMDES role in the community.

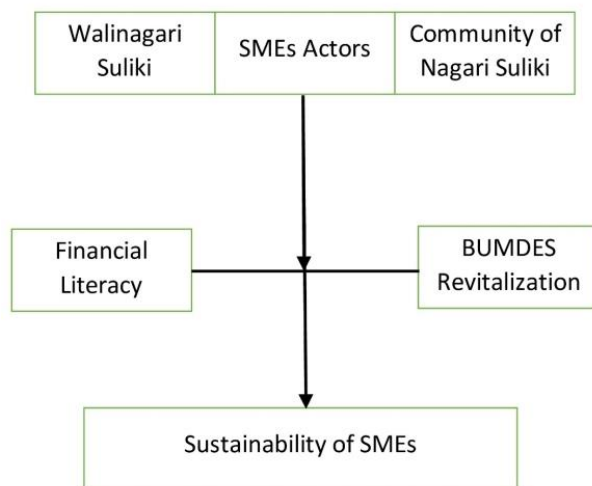
In the side of SMEs actors, they all have a strong needs of BUMDES role to help them survive in the hard situations like covid-19 pandemic. The remote area of Nagari Suliki is the limitations and also will be the great opportunity for the community to survive in their business. The greta opprtunity in the tourism industry as the Nagari Suliki have a various tourism destinations. The Business of SMEs in the Nagari Suliki have a great potential in the future because of its variety for not only in the cullinary and non cullinary but also in the services provided to customer.

In the Covid-19 pandemic situations which restriction in out door acitivity and in the year of digitalizations, the locations is no big problem, because by using technology SMEs actor can marketed its product and services to potential customer out of town. Digitalizations needs resources of finance to accessed the digitaizations either the devices or the skill to used it. BUMDES as foster or SMEs have a possibility to plya signifiacant role in order to make SMEs actors literate

in digitalizations. So, no obstacle at all to do their business in the covid-19 pandemic.

By using Digitalization technology, SMEs could broaden target and segment market of products and services provided to either customers or potential customers. Technology information devices consists of variety tools, started from cheaper one to the expensive one and each tools have specific benefits. According to SMEs actors in Nagari Suliki, some of them familiar with digitalization tools, but the rest still not yet friendly even with smart phone or androids.

Picture 1 explores how collaborations of wali nagari Suliki, SMEs actors and community of Nagari Suliki to support sustainability of SMEs. Those three stakeholders should literate in finance and support of BUMDES revitalizations expected SMEs could exist in the future especially in the covid-19 pandemic. Processing to literate in finance of the stakeholders by training to elevate knowledge of stakeholders.



Picture 1. Charts of Sustainability of SMEs in nagari Suliki

4. CONCLUSION

The conclusion of this article will answer the research questions of this paper. Based on the literature review backgrounds, and the data provided of Wali Nagari Suliki Offices, and the observations of author to the field and in the narrations of indepth interview, the Nagari Suliki community convinced that financial literacy and BUMDES revitalizations will support the SMEs going concern in the future especially in the difficult situations such as covid-19 pandemic. The limitations of this article due to based on case study in one places is Nagari Suliki, West Sumatera Province with specific characteristic of geography, demography and education of community and also the age profile of people in the rural.

The limitations of this article could be an opportunity of future research such as study empirical methods and also bench marking to several areas of rural with similar

characteristic or similar profile of demography. There are expected the teorytical based of the conclusion of this article could higher in the generalization aspects, as well as in the practical based.

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