

The Efforts to Increase Community Financial Literacy in Palm Oil Farmer Groups

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ABSTRACT

Increasing financial literacy is an important aspect in supporting the economic welfare of society, especially among farmer groups. This research aims to evaluate the socialization efforts implemented to increase financial literacy in oil palm farmer groups. The methodology used involves a qualitative approach with in-depth interviews and observations of farmer group members in several locations. The research results show that although there has been an increase in financial knowledge among members, there are still significant challenges regarding the application of this knowledge in daily practice. Factors such as lack of facilities and technological support, as well as limited access to information, are the main obstacles. This research suggests the need for the development of more structured training programs and ongoing support to facilitate the effective implementation of financial knowledge in the field. By increasing financial literacy, it is hoped that oil palm farmer groups can manage their resources better and improve their overall economic welfare.

Keywords: Financial Literacy, Financial Socialization, Observation

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INTRODUCTION

The island of Bali, known as the "Island of the Gods", not only captivates tourists financial literacy is an important pillar in economic development in the modern era. In an economic environment that relies on active community participation as the main subject, high financial capability encourages economic growth and business sustainability. Financial literacy is basically a person's ability to understand how money and the economic system works, how to earn, save and use money wisely.

Within the country, high financial ability has a significant influence over English language and information technology skills.¹

However, the condition of financial literacy among Indonesian people is still relatively low. This can be seen from the level of public awareness of micro business actors regarding financial literacy. The Samin community, for example, still experiences a lack of understanding regarding financial literacy, due to a lack of education and socialization with the surrounding community. Economic activities in the Samin community are mostly based on farmers who travel to the rice fields every day, so there is a lack of time and resources to improve financial knowledge.²

Socialization of efforts to increase community financial literacy among oil palm farmer groups is a process of education and information dissemination aimed at increasing the understanding and skills of oil palm farmers in managing their finances more effectively and efficiently. This activity involves various approaches, such as counseling, training and mentoring, which are tailored to the specific needs and conditions of oil palm farmer groups. Through this outreach, it is hoped that farmers will be able to understand the importance of financial planning, debt management, investment, and access to financial products and services that can support the welfare and sustainability of their farming businesses.³

Increasing financial literacy among the community, especially oil palm farmer groups, is one of the strategic steps in supporting farmer welfare and the sustainability of the agricultural sector. Financial literacy includes the ability to understand and use a variety of financial skills, including money management, investing, and wise financial planning. In the context of oil palm farmers, good financial literacy can help them manage their harvests more efficiently, access financial facilities such as loans wisely, and manage expenses and savings for the future.⁴

Socialization regarding financial literacy in oil palm farmer groups is very important considering that many farmers still face challenges in accessing adequate financial information and services. A lack of understanding of financial management often causes farmers to be trapped in financial problems, such as unmanageable debt and the inability to develop their agricultural business sustainably. Therefore, socialization programs that are targeted and based on farmers' needs are very necessary to increase their knowledge and skills in managing finances effectively.⁵

In this way, the socialization of efforts to increase community financial literacy among oil palm farmer groups has been carried out smoothly and successfully. This effort has helped increase financial awareness and knowledge among palm oil farmers, so that they can manage their finances better and avoid fraudulent investments.

¹World Bank. "Enhancing Financial Capability and Inclusion in the Indonesian Context: A Path Toward Economic Empowerment." World Bank Report, 2019, pp. 20-24.

²Rahmawati, Dina, and Eko Purnomo. "Analysis of Financial Literacy Levels among Micro Business Actors in Indonesia." *Journal of Economics and Business*, vol. 8, no. 2, 2023, p. 120-130.

³Bambang Setiawan, "Financial Literacy in Farmer Groups: Challenges and Opportunities," *Journal of Agricultural Economics*, 2023, vol. 15, no. 3, pages 70-80.

⁴Financial Services Authority (OJK), "Financial Literacy in Indonesia: National Survey of Financial Literacy and Inclusion," 2021, pages 15-18

⁵Sri Wahyuni, "Strategies for Increasing Financial Literacy among Oil Palm Farmers," *Agribusiness Journal*, 2023, vol. 9, no. 2, pages 50-61

FORMULATION OF THE PROBLEM

The problem formulation in community service is:

1. What is the level of financial awareness and knowledge among oil palm farmers before and after the implementation of socialization efforts to increase financial literacy?
2. What are the factors that influence the level of financial literacy among palm oil farmers, such as financial knowledge, behavior and attitudes?
3. What are the factors that influence the level of financial literacy among palm oil farmers, such as financial knowledge, behavior and attitudes?

OBJECTIVE

The aim of this community service is:

1. Increasing Financial Awareness and Knowledge: Increasing financial awareness and knowledge among palm oil farmers through the delivery of financial literacy material that is relevant and easy to understand.
2. Developing Financial Skills: Helping palm oil farmers develop better financial skills, including the ability to create simple financial reports and manage personal finances effectively.
3. Improving Financial Self-Control: Increasing financial self-control capabilities among palm oil farmers, so that they can manage their finances more wisely and avoid fraudulent investments.
4. Developing Social Capital: Increasing social capital between oil palm farmer groups and financial institutions, so that oil palm farmers can more easily access and use financial services that suit their needs.
5. Optimizing Financial Management: Optimizing the personal and business financial management of oil palm farmers, so that they can improve their economic welfare and business sustainability.
6. Developing Good Financial Attitudes and Behavior: Helping palm farmers develop good financial attitudes and behavior, such as saving, saving and purchasing the right financial products.
7. Improving the Quality of Financial Management: Improving the quality of financial management among palm oil farmers, so that they can face economic challenges more prepared and effectively.

LITERATURE REVIEW

a. About Research Subjects

This research aims to evaluate the implementation and impact of an outreach program designed to increase financial literacy among oil palm farmer groups. The main focus of this research is to assess the effectiveness of the outreach methods used, changes in participants' financial understanding, as well as the practical impact on their financial management and business decisions. This research will also explore the challenges and successes faced during the socialization process and provide recommendations for similar programs in the future.⁶

⁶Siti Fitriani. "Evaluation of the Financial Literacy Socialization Program for Farmer Groups: Case Study of Palm Oil Farmers in Riau." *Journal of Agricultural and Development Economics*, vol. 11, no. 2, 2023, p. 100-110.

b. About the Research Program

This research program is a continuation program of activities (PALM OIL PITFALLS) aimed at increasing financial literacy among oil palm farmer groups, with the hope of supporting the success and sustainability of their businesses. It is hoped that the findings from this research will provide a strong basis for the development of more effective financial literacy outreach programs in the future. Hopefully this program plan can help in planning and implementing your research on financial literacy socialization.⁷

METHOD

A. Location of Service

The service was carried out at the Terap Kumpeh River.

B. Devotion Method

1. Workshops and Training:

- **Introductory Session:**Introducing basic financial literacy concepts through interactive lectures.
- **Practice:**Hold practicum sessions where participants can practice budget planning and financial recording using case studies or simulations.
- **Discussion and Q&A:**Facilitate discussion sessions to answer questions and discuss challenges faced by participants.

2. Individual Mentoring:

- Provide individual or small group mentoring sessions to help participants implement financial knowledge in their businesses.
- Provide consultations regarding financial plans and debt management strategies.

C. Identification of problems

1. Knowledge and Understanding Matters

Limited Financial Knowledge: Many members of oil palm farmer groups may have little basic knowledge of financial management, budget planning and investment. This includes a lack of understanding of basic concepts such as cash flow, financial statements, and debt management.

Lack of Awareness: Ignorance of the importance of financial literacy in palm oil business management and its impact on business profitability and sustainability.

2. Material Delivery Problems

Materials Not Suitable for Needs: Outreach materials may not be specifically designed for the context of palm oil farmer groups, and therefore may not cover the specific issues they face, such as fluctuations in palm oil commodity prices or seasonal income management.

⁷Hartono, Dwi, and Rina Agustina. "Development of a Community-Based Financial Literacy Program for Palm Oil Farmer Groups." *Journal of Community Service*, vol. 7, no. 2, 2022, p. 90-102.

Less Effective Teaching Methods: Methods of delivering material that are too theoretical, not interactive, or less relevant to real practice in the palm oil business.

3. Access and Participation Issues

Access Limitations: Barriers to access to the training location or infrastructure limitations that may impact participation, such as long distance from the training center or poor road conditions.

Low Participation: Lack of motivation or reluctance to participate due to concerns about the relevance of the material, training schedules that do not fit into work hours, or lack of incentives.

4. Implementation and Deployment Issues

Implementation Difficulties: Challenges in applying newly learned financial knowledge into daily practice due to limited resources, lack of tools, or internal barriers within farmer group organizations.

Lack of Post-Training Support: There is no post-training mentoring or consultation system that can assist participants in implementing and maintaining the financial practices they have learned.

5. Cultural and Social Issues

Cultural and Tradition Barriers: The existence of cultural customs or norms that may hinder the acceptance of new financial practices, such as traditional ways of managing income or financial decisions influenced by custom.

Social Influence: Social pressure or influence from family and community members that can influence financial decisions and acceptance of new practices.

6. Evaluation and Feedback Issues

Ineffective Evaluation: Lack of a comprehensive evaluation mechanism to measure the effectiveness of outreach and its impact on participants' financial knowledge and practices.

Lack of Feedback: There is no system to collect and respond to feedback from participants regarding the outreach program, which can hinder program improvements and adjustments.

7. Resource Issues

Limited Resources: Limited budget, training materials, and facilitators which can affect the quality and reach of the socialization program.

Limited Time: Limited time to present material in depth and provide necessary support to participants.

D. Problem Solving Plan

Problem solving plan Develop training materials that are relevant to the specific needs of oil palm farmer groups, such as managing income from harvests, investment planning and risk management.

E. Implementation of Activities

Implementation of educational activities is carried out directly with participants in the socialization of efforts to increase community financial literacy in palm oil farmer groups.

F. Activity Evaluation

Evaluation of socialization activities to increase community financial literacy in oil palm farmer groups is an important process to measure the effectiveness of the program and determine its impact on participants. A good evaluation will help in understanding the success of the program, identify areas that need improvement, and provide a basis for future program development.

RESULTS AND DISCUSSION

A. Program Implementation

This socialization was carried out directly at the Terap Kumpeh River.

B. Program Results

This activity received a good response from the participants in the Socialization of Efforts to Increase Community Financial Literacy in Palm Oil Farmer Groups.

C. Program Barriers

There are several obstacles in the activity, namely

1. Infrastructure limitations, such as poor transportation access or non-strategic training locations, can hinder participant participation.
2. Difficulty applying acquired knowledge due to lack of resources, tools, or practical support in implementing new financial practices.
3. Lack of an effective evaluation system to measure changes in financial knowledge and practices and program impact.

CONCLUSION

Overall, this outreach program has made a positive contribution to increasing financial literacy among oil palm farmer groups. However, to ensure greater sustainability and success, further attention to aspects requiring improvement and additional support is essential. Advice, conduct information campaigns to raise awareness about the importance of financial literacy among farmer groups. Use local media, such as radio, television or social media, to reach a wider audience.

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