



Relationship of Involvement in Business Capital Loans with Family Financial Literacy in Karangsoke Village, Trenggalek District, Trenggalek Regency

Adelia Jihan Tiara Sari*, Supriyono, Zulkarnain

State University of Malang, Jl. Semarang No. 5 Malang, East Java, Indonesia

*Author of correspondence, Email: adelia.jihan.2001416@students.um.ac.id

Abstract

Family financial literacy is knowledge about good financial management that is useful in the long term and is applied in economic activities (Zidni & Fitanto, 2022). One of the factors that influences a person's level of financial literacy is their involvement in business capital loans. This research aims to determine the relationship between involvement in business capital loans and family financial literacy. The design of this research is correlational using sampling techniques *snowball sampling*. The research subjects were the people of Karangsoke Village, Trenggalek District, Trenggalek Regency who were involved in business capital loans totaling 50 respondents. This research instrument uses a questionnaire with a Likert Scale. This research uses Spearman rank correlation analysis with the results of the analysis showing that the correlation coefficient value is 0.274 so it can be said to be positively related, while the results of the significance value are $0.054 > 0.05$ so it can be said to be not significant.

Keywords: Business Capital Loans; Family Financial Literacy

1. Introduction

In Indonesia, the problem of poverty is a problem of major concern because it always occurs from time to time (Adhitya et al., 2022). In general, poverty can be defined as a situation where individuals have difficulty meeting their daily needs in order to survive (Cahyani & Muljaningsih, 2022). Based on data from the Central Statistics Agency in March 2023, there were 25.90 million poor people in Indonesia (Indonesian Central Statistics Agency, 2023). In East Java, in March 2023 the population will be 4.189 million people (East Java Central Statistics Agency, 2023). The causal factor of poverty is involvement in business capital loans at institutions that offer loans. Often found in poor communities, to survive, they tend to rely on loan sources, be it loans from relatives, financial institutions, cooperatives, or loan sharks (Sucipto, 2022). In fact, there are many bank and non-bank financial institutions that offer working capital credit for business actors with easy procedures and competitive interest rates. Providing credit facilities to customers is a form of program from banks or non-banks (Inayah et al., 2018).

The most common business capital loans found in society are non-bank financial institutions, namely savings and loan cooperatives. Saving and loan cooperative what is also called a credit cooperative is a cooperative that distributes the savings of its members to those who need capital support for their business (Ompusunggu et al., 2023). It is a common occurrence in society for capital loans intended for business purposes to be misdirected for daily needs. In reality, their only source of income comes from the businesses in which they operate, but small traders' capital is low in relation to their financial status because they

cannot balance business capital with living costs (Yunus, 2021). In addition, individuals whose financial behavior tends to be consumptive will end up engaging in various other reckless financial behaviors, including bad desires, investing, preparing emergency funds, and budgeting for the future (Herdjiono & Damanik, 2016).

Financial literacy is knowledge about good financial management that is useful in the long term and applied in economic activities. Family financial literacy is very important because it can influence a person in allocating sources of income for: savings, business capital, or for other needs (Zidni & Fitanto, 2022). Regarding financial management, how high a person's level of financial knowledge and management can be measured through financial literacy (Amelia, 2022). According to another opinion, business failure can be attributed to a combination of personal funds and ventures. If an entrepreneur's financial literacy is good, they can effectively manage every financial aspect of their business. (Suryani & Ramadhan, 2017).

The impact of low financial literacy in Indonesia results in people losing money when the economy weakens and inflation increases, or when an increasingly consumerist society creates an increasingly inefficient economic structure according to Dewi (2018) in (Sutrisno et al., 2022). Based on the background above, it can be seen that there is a gap between access to business capital loans and family financial literacy. Where people who are involved in business capital loans do not understand the benefits and risks of these business capital loans. Therefore, researchers are interested in researching according to the title of the thesis, namely **"Relationship of Involvement in Business Capital Loans With Family Financial Literacy in Karangsono Village, Trenggalek District, Trenggalek Regency."**

2. Method

The type of research that will be used in this research is quantitative method research with a correlational design. Quantitative research is research that is based on the philosophy of positivism, usually the use of quantitative research is researching a certain population or sample, data collection techniques in quantitative research use research instruments, data analysis is quantitative or statistical in nature, which has the aim of testing predetermined hypotheses (Sugiyono, 2019:16).

The research was carried out in Karangsono Village, Trenggalek District, Trenggalek Regency. The research time starts from the receipt of the proposed thesis research activity until completion, namely from September 2023 to May 2024. The research was carried out in approximately nine months. In this research, the sample used was the community in Karangsono Village, Trenggalek District, Trenggalek Regency who were involved in business capital loans. Based on the population of Karangsono Village of 7,594 residents, not all of the people are involved in business capital loans. The sampling decision in this research refers to the opinion of Gay & Diehl (1992) in (Hill, 1998) which states that in general the number of respondents that can be accepted for a study depends on the type of research involved, namely descriptive, correlational or experimental. In correlational research, at least 30 respondents are needed.

This research uses a sampling method in the form of a method *non probability sampling* using techniques *Snowball Sampling* which has the meaning of a technique for determining a sample that is initially small in number, then this sample is asked to choose their friends to be

used as samples (Machali, 2021: 75). The total sample obtained was 50 respondents with the criteria of the Karangsoke Village community being involved in business capital loans.

Validity and reliability test using IBM SPSS Statistics Ver. 21 and tested first on 50 respondents. The validity test shows that the variable involvement in business capital loans (X) has a validity value of > 0.334 and a reliability value of ≥ 0.7 . In the family financial literacy variable (Y) the validity value *Pearson Correlation* > 0.334 and reliability value ≥ 0.7 . The stages of data analysis that will be used in this research are: (1) descriptive statistical tests, (2) assumption tests consisting of normality tests and linearity tests, (3) hypothesis tests using the Spearman rank correlation test.

3. Results and Discussion

3.1 Result

3.1.1 Descriptive Statistical Analysis

Sourced from the distribution of a questionnaire, namely 50 respondents from the Karangsoke Village community who were involved in business capital loans with the most gender being women, namely 48 respondents or 96% and 2 respondents or 4% were men. It is known that the age group of 31-40 years is the largest age group of respondents, namely 23 respondents or 46%. The group of respondents with the smallest number was aged 51-60 years, namely 10 respondents or 20%. It is also known that of the 50 respondents who filled out the questionnaire, the majority of respondents worked as housewives, namely 19 respondents or 38%. Meanwhile, the fewest respondents who filled out the questionnaire were 2 respondents or 4% with the occupations of craftsmen/laborers and entrepreneurs.

Table 3.1 Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	2,82574737
	Absolute	,087
Most Extreme Differences	Positive	,049
	Negative	-,087
Kolmogorov-Smirnov Z		,614
Asymp. Sig. (2-tailed)		,845

a. Test distribution is Normal.

b. Calculated from data.

Source: Data processed by SPSS Version 21

From the normality test results in table 4.3, it is known that the significance value is 0.845, where the score is ≥ 0.05 . So it can be concluded that the residual value is normally distributed.

Table 3.3 Spearman Rank Correlation Test Results

			ANOVA Table				
			Sum of Squares	df	Mean Square	F	Sig.
Literasi Keuangan Keluarga * Keterlibatan di Pinjaman Modal Usaha	Between Groups	(Combined)	143,857	7	20,551	3,026	,011
		Linearity	37,862	1	37,862	5,575	,023
		Deviation from Linearity	105,995	6	17,666	2,601	,031
	Within Groups		285,263	42	6,792		
	Total		429,120	49			

Source: Data processed by SPSS Version 21

Based on the output above, it is known that: (1) The magnitude of the correlation coefficient (*Correlation Coefficient*) between involvement in business capital loans and family financial literacy is 0.274 and falls into the low or weak criteria. (2) The positive value obtained from this correlation means that the direction of the relationship between the two variables is also positive. The relationship between these two variables is not significant based on value *p-value* (*Sig. (2-tailed)*) of 0.054 is greater than 0.05 (*p-value* > 0.05). So, the conclusion that can be drawn is that the higher the level of involvement in business capital loans, the higher the level of family financial literacy will be. However, the relationship between the variable involvement in business capital loans and family financial literacy is low or weak.

3.2 Discussion

Sourced from questionnaire data that has been distributed, it is known as statement item X1 that the public's involvement in business capital loans at bank financial institutions such as Bank BNI, BCA, BTN, etc. is very low. On statement item X2, It is known that the public has high involvement in business capital loans at non-bank financial institutions such as cooperatives, online loans, pawnshops, etc. This is in line with the opinion that non-bank financial organizations, such as savings and loan cooperatives provide the majority of business capital loans in society (Ompusunggu et al., 2023). In the following statement items, it is known that the reason for choosing to be involved in business capital loans is because the credit installments are light with large business capital borrowed, as well as fast disbursement. Another advantage of being involved in this business capital loan is the ease of access, namely bank employees or loan sharks come to the respondents so that people do not need to pay transportation costs. This is in accordance with the opinion which states that the factors that support people choosing moneylenders as a source of capital are easy borrowing conditions, easy access, fast and hassle free disbursement processes, and light credit installments (Pratiwi et al., 2020).

Of the 50 respondents, 44 respondents who filled out the questionnaire also responded that the loan capital obtained was only used for business capital, the rest responded disagreeing and were neutral regarding the use of business capital loans received for other than business needs. This is contrary to the view which states that it is only through the business they own that they earn income, but the inability to differentiate business capital from daily life financing means that small traders' capital is weak in relation to their economic situation (Yunus, 2021). People who filled out the questionnaire also agreed that their business conditions had improved after being involved in business capital loans. This is in

accordance with the opinion which states that a business will run smoothly if it is supported by smooth capital (Reza Latif et al., 2018). However, the people of Karangsoke Village who filled out the questionnaire also responded that the majority of borrowers found it difficult to repay business capital loans as evidenced by the average value of the statement item being 3.66.

The level of financial literacy in Karangsoke Village was measured through two indicators, namely financial knowledge and financial behavior with the results obtained in the medium category with an average value of 3.42. In the financial knowledge indicator, it is known that the people of Karangsoke Village have moderate knowledge of financial concepts, this is proven by the average item value of 3.32. Financial knowledge is part of financial literacy which makes it easier for someone to use financial products and services and make appropriate and well informed decisions (Dwilita & Buana Sari, 2020). In the following statement items, it is known that the people of Karangsoke Village have good basic knowledge about financial management, financial planning, financial expenditure and income. However, respondents have a moderate understanding of the basics of investment and insurance with an average of 2.90 and 2.66. The second indicator to measure the level of family financial literacy in Karangsoke Village is financial behavior. Financial behavior is how a person and household manage their finances in the form of financial planning, budgeting, investment, savings and insurance (Hasibuan et al., 2017). Based on the results of distributing questionnaires, it is known that the people of Karangsoke Village have good abilities in managing credit loans, as well as the ability to manage savings and investments. However, the ability to communicate regarding financial concepts is low, namely with an average of 2.50.

Providing business capital loans is a form of stage in community economic empowerment. In line with the empowerment approach known as ACTORS, business capital loans include forms *Support* or support from financial institutions so that the process of change and community economic empowerment becomes better. Providing business capital loans also provides motivation to work hard because there is a demand to return the loan capital if you don't want to be fined. This is in accordance with the definition of empowerment itself, namely efforts to build community power by making people aware of their potential and developing it (Rofiah, 2011). Based on *grand theory of planned behavior (TPB)* owned by

Ajzen (1991) in (Mardianah & Iramani, 2021) namely a person's will to decide on an action, because the will is the part that connects with the impact *financial management behavior*. In deciding on intentions in making credit decisions, individuals definitely need to take into account the risks and benefits of the financial decisions they will take. A person with a high level of financial literacy can make decisions based on economic calculations, such as ensuring that money from debt is spent effectively while minimizing the danger of default (Rahmania & Ningtyas, 2022). Personal and business funds will often mix in the hands of someone with inadequate literacy, which can lead to chaotic and unsuccessful businesses (Suryani & Ramadhan, 2017). Therefore, financial literacy is very important because it influences a person's allocation of income sources for savings, business capital, or for other needs (Zidni & Fitanto, 2022).

Based on the results of the Spearman Rank analysis, it shows that involvement in business capital loans has a positive but not significant relationship with family financial

literacy. This is indicated by the correlation coefficient value, namely 0.274, so it can be said to be positively related and falls into the low or weak criteria. Meanwhile, the results of the significance value are $0.054 > 0.05$ so it can be said to be not significant. In this study, it means H1 acceptable, namely that involvement in business capital loans has a positive relationship with family financial literacy. The higher the involvement in business capital loans, the higher the family's financial literacy level will be. The higher the level of family financial literacy, the higher an individual's decision to be involved in business capital loans, but the two variables have a low level of relationship or do not have an important meaning. This is in line with research by Rahmania & Ningtyas (2022) which shows that financial literacy has a positive but not significant effect on credit decisions.

4. Conclusion

Based on the data obtained from the research conducted, the following conclusions were obtained:

- a. The form of involvement of the Karangsoke Village community in business capital loans is that the community has high involvement in business capital loans at non-bank financial institutions such as cooperatives, online loans, pawnshops, etc. This is due to easy capital loan requirements, light credit installments, large business capital obtained, easy access, and a fast disbursement process.
- b. Family financial literacy in Karangsoke Village is known to be at a good level. The level of financial literacy is measured by indicators of financial knowledge and financial behavior.
- c. There is a positive but not significant relationship between involvement in business capital loans and family financial literacy. In this study, it means H1 acceptable, namely that involvement in business capital loans has a positive relationship with family financial literacy. This means that the higher the involvement in business capital loans, the better the level of financial literacy, and vice versa. However, the two variables have a low or weak relationship.

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