

CHAPTER I

INTRODUCTION

1.1 General Description of Research Object

1.1.1 Company Profile

Company Name : Koperasi Pemberdayaan Ummat Daarut Tauhid (KOPMU-DT)

Company Address : Jalan Pak Gatot Raya No. 16 RT 07 RW 03 Gegerkalong,
Kota Bandung, Jawa Barat

Business Field : Savings, Loans and Sharia Finance, Commercial Units, and Education & Training.

Telephone : +62-22-82002629

Email : info@kopmudt.com

Working Hour : Monday – Friday, 08.00 AM – 04.00 PM

1.1.2 Company History

Cooperatives are business entities consisting of people or legal entities cooperatives by basing their activities based on cooperative principles as well as people's economic movements based on the principle of family.

Lembaga Amil Zakat Dompot Peduli Ummat Daarut Tauhiid (now DT Peduli) on April 22, 2002 pioneered a program of community economic empowerment program called the *MiSykat (Microfinance Syariah berbasis Masyarakat)* and on April 22, 2003 the *MiSykat* program was inaugurated by KH. Abdullah Gymnastiar at Daarul Ilmi Building, Islamic Boarding School in Daarut Tauhiid Bandung. For the past five years the *MiSykat* program has become a flagship program of DPU DT.

Along with the journey, developments, demands of the times and the independence of the programs at DT DPU, in 2009 the *MiSykat* program was encouraged to be independent by having an independent legal entity and being able to finance the operations of their own institutions. Based on a member meeting led by H. Asep Hikmat on Wednesday, April 22, 2009 at the DPU DT Bandung meeting room, the *KSU Misykat* was officially formed. Approximately 7 years with the name *KSU Misykat*, based on demands for changes to the

Cooperative Law and strategic plans that have previously been prepared, then on February 21, 2018 at the Members' Meeting in Daarul Hajj Building, Daarut Tauhiid Islamic Boarding School Bandung was agreed to change names from KSU *Misykat* to *Koperasi Perberdayaan Umat Daarut Tauhid* (KOPMU-DT).

KOPMU-DT is currently engaged in savings and loans and Sharia finance, commercial units, and education & training.

1.1.3 Company Logo



Figure 1.1: KOPMU-DT Logo

Source: kopmudt.com

1.1.4 Vision and Mission

1.1.4.1 Vision

“Become an independent Sharia cooperative and welfare the members with an evenly distributed program area”.

1.1.4.2 Mission

1. Increasing the professionalism and accountability of institutions.
2. Improve the quality of service, education, assistance and systematic and continuous coaching.
3. Developing a wider range of program areas.

1.2 Background

In the (Merriam-Webster, 2018) the definition of an entrepreneur is someone who organizes and uses a risk, a business or business. In simple terms the meaning of entrepreneurship is a person who has the soul to dare to take risks to open a business on various occasions. Having the courage to take risks means being mentally independent and daring to

start a business, without being overwhelmed by fear or anxiety even in uncertain conditions. (Kasmir, 2007: 18) in (Juliana, 2011)

The entrepreneurial process has been defined as managerial behavior that consistently utilizes opportunities to deliver results beyond one's own abilities (Parston, 1998). Necessary people are active agents of change, but may not be entrepreneurs in a strict sense. An entrepreneur is someone with a vision who sees new opportunities and thinks of acting on them and starts something. Entrepreneurs can be found in many areas of life; entrepreneurship extends far beyond the managerial sector of small business owners, with this everywhere. (Thompson, 1999).

According to Barringer & Ireland (2006) in (Wijatno, 2009) entrepreneurial behavior has three important reasons for strength and also economic stability, the first reason is to minimize unemployment because entrepreneurs provide employment. The second reason is innovation, because innovation is related to making something new or different from what already exists. The third reason is globalization, this is the most important phenomenon for the world economy, because with globalization the product can reach the whole world, not just in the country.

The role of entrepreneurship in economic development is not only limited to increasing per capita output and income, but also acts as an initiator of changes in business structure and society, Zimmerer et al, 2008; in (Wijatno, 2009). Micro, Small and Medium Enterprises (MSMEs) are one of the drivers of innovation and economic growth in a country. According to Carrer and Klomp, 1996; Adomoko, Danso, and Damoah, 2016 in (Aribawa, 2016), "The existence of MSMEs also contributes to poverty alleviation through job creation" so that people who do not have jobs can get jobs through MSMEs.

One of the problems in entrepreneurship and MSMEs is financial literacy. In the business literature and entrepreneurship, lack of knowledge and access to financial resources has been linked to the inability of companies to achieve goals (Beck, Demirguc Kunt, and Maksimovic 2005; Hutchinson and Xavier, 2006; Malo and Norus, 2009; and Coad and Tamvada, 2012), and manager's inability to take strategic actions (Wiklund and Shepherd, 2003) (Aribawa, 2016).

Financial literacy has attracted increasing attention both in developed and developing countries because of its role in financial decisions. Like a developed country in the United

States. In January 2008, the United States government established a Presidential Advisory Board for financial literacy which was tasked with improving financial education at all economic levels. Hartog et al. (2010) used the United States national longitudinal thought study to examine the effect of various personal characteristics between employers and employees. They found that verbal abilities seemed more important to employees, while mathematical, technical and social abilities were more important for entrepreneurs. They also argue that ability and balance in various types of abilities can generate higher income for entrepreneurs (Njoroge, 2013). The United States also has a Consumer Financial Protection Bureau (CFPB) and Financial Education Office (OFE) with promoting knowledge and skills in helping SME company managers and owners to make appropriate financial decisions (Eniola & Entebang, 2016).

Whereas in developing countries like Ghana prepare programs aimed at increasing financial literacy (Njoroge, 2013). The Government of Ghana in 2009 also approved the national strategy of working with international institutions on financial literacy and consumer education in helping SME company owners and managers (Eniola & Entebang, 2016). Nunoo et al (2012) in a study examining how financial literacy affects SMEs in Ghana and found that financial literacy is very important in stimulating the SME sector. Financial literacy SMEs can save more costs, and manage risk better (Njoroge, 2013).

Financial literacy includes the knowledge and skills needed by individuals to function effectively in the money economy and make informed judgments regarding their own and their families' circumstances. There is a correlation between financial literacy and positive financial behavior even though the direction of causality is unclear (Hilgert, Hogarth, & Beverly, 2003). Those who are financially literate cannot be intimidated by the complexity of the financial system and can therefore cause people to make inappropriate decisions (Njoroge, 2013). According to Hilgert and Jeanne (2013) the lack of knowledge about the principles of financial management and financial problems can explain why someone is not recommended to rely solely on experience in financial management. It also can strengthen the importance of financial literacy to develop human resources in MSMEs in Indonesia (Widiyanti, 2014).

In Indonesia, according to the National Survey of Indonesian Financial Literacy conducted in 2013 (www.sikapiuangmu.ojk.go.id), stated that the level of financial literacy of Indonesian people is classified as well literate (having knowledge, beliefs, skills and using

financial services products) only amounting to 21.8%, sufficient literate (having knowledge and confidence) of 75.69%, less literate (having knowledge) of 0.41% (OJK, 2017).

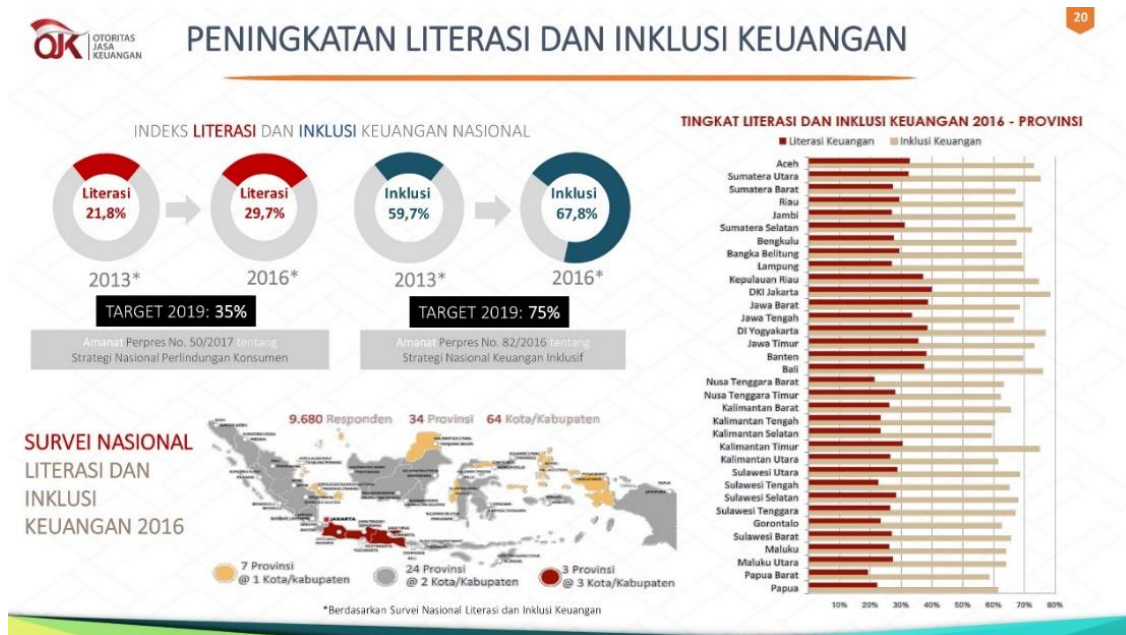


Figure 1.2: Increased Literacy and Financial Inclusion (2013-2016)

Source: *Siaran Pers Akhir Tahun 2017: Otoritas Jasa Keuangan*

In 2016, shown in figure 1.2 according to the Financial Services Authority (OJK) National Survey on Literacy and Inclusion in Financial (SNLIK) stated that Indonesia's financial literacy index increased to 29.66%. Whereas in 2018, the Financial Services Authority (OJK) predicts the level of financial literacy at the beginning of this year to reach 31% of the total population of Indonesia. Source: CNN Indonesia (Muthmainah, 2018)

The problem in this study is the lack of public knowledge in Indonesia regarding financial literacy. In a study conducted by OJK (2013) where the community still did not know much about information on savings and investment which caused the pattern of public consumption to increase. When the pattern of excessive consumption will have an impact on the emergence of debt for these consumption. It is very important for MSME actors to understand financial management for their welfare in the future. This phenomenon indicates that MSME players should need investment to prepare their future to avoid financial problems. According to (Lusardi, 2008), low financial knowledge has an effect on future financial planning, while ignorance of basic financial concepts can be related to low investment planning. Hilgret, Hogart, Beverly (2003) states that knowing and utilizing credit, savings and investment is

classified as having financial knowledge and financial experience, so that increasing knowledge and financial experience can improve financial management. Another theory also stated by Sina (2012) that financial experience is the ability to make investment decisions or decision making in determining investment planning and management to find out the usefulness of financial management for now and in the future (Hikmatul, 2016).

Mirshekary and Saudagaran (2005) assessed how different financial report users use the information disclosed in annual reports, and the importance of different sources of information in investment decisions. In this relationship between the level of financial literacy and investment decisions, highly educated investors prefer and use different criteria when making decisions than investors who have not been literate. Investors who are very curious are more likely to use financial publications, while investors who have not been literate rely more on advice from family, friends, and stockbrokers (Al-Tamimi, 2009).

A study in developing countries such as India by Bhushan (2014) on the relationship between investment behavior and financial literacy has found that new age, financial products, awareness and investment preferences are highly dependent on individual financial literacy. That is, the higher the level of understanding of financial problems, the higher the opportunity to make investment decisions. In another study in developed countries like Saudi Arabia by Mian (2014) on the level of financial literacy and its impact on investment and other financial decisions, it was revealed that there was a negative relationship between financial literacy and the need for financial decisions. In this study financial literacy is shown by pension plans and stock market participation. Mian (2014) the choice of these indicators cannot be justified because this study ignores the fact that financial literacy is a combination of behavior, attitudes, skills, knowledge, and awareness of rounded individuals. In other countries in Ghana, Atakora (2013) found that there was no relationship between financial literacy and investment decisions. He also concluded that the decision to invest depends on one's experience, age and exposure. There is inconsistency in the results of the relationship between financial literacy and investment decisions, some of these studies have found positive (Bhushan, 2014) negative (Mian, 2014) and also there is no correlation (Atakora, 2013) in (Mugo, 2016). Therefore, the Research Gap was found between studies in Saudi Arabia and Ghana with other studies, making researchers want to confirm similar phenomena in Indonesia.

Based on the above phenomena, the author sees a research opportunity to examine the internal conditions of MSMEs, one of which is financial literacy. So, the authors are interested

in making financial literacy an independent variable in this study. Therefore the authors make this study to determine the extent to which financial literacy affects investment decisions. The author wants to do this research on MSMEs who are members of KOPMU-DT. Through interviews that I have done with one of the KOPMU-DT coaches, Mr. Rustandi, it was found that the problem faced by MSMEs is the lack of awareness in financial records that can affect financial management, existence of MSME member consumptive behavior for using their own profit costs which could affect their business and lack of awareness of saving in business development planning that can affect investment decisions. Based on the background described above, the author is interested in conducting a study entitled “**The Impact of Financial Literacy on Investment Decision of MSMEs Member Guided by Sharia Cooperative at Bandung Raya Region**”.

1.3 Research Questions

Based on the background described earlier, the questions in this research are:

1. How is the financial literacy of MSMEs member guided by KOPMU-DT?
2. How is the investment decision of MSMEs member guided by KOPMU-DT?
3. How is the impact of financial literacy on investment decisions of MSMEs member guided by KOPMU-DT?

1.4 Research Objectives

The objectives of this research are:

1. Knowing the financial literacy in MSMEs member guided by KOPMU-DT.
2. Knowing the investment decisions in MSMEs member guided by KOPMU-DT.
3. Knowing the impact of financial literacy on investment decisions on MSMEs member guided by KOPMU-DT.

1.5 Research Benefit

The benefits of this research are:

1.5.1 Theoretical

1. Knowing the financial literacy in MSMEs member guided by KOPMU-DT.
2. Knowing the investment decisions in MSMEs member guided by KOPMU-DT.

3. Knowing the financial literacy on investment decisions in MSMEs member guided by KOPMU-DT.
4. As reference material for further research.

1.5.2 Practical

1. As a consideration for MSMEs member guided by KOPMU-DT in formulating strategies on investment decisions.
2. Increasing the knowledge to the reader's into financial literacy on investment decisions of MSMEs member guided by KOPMU-DT.

1.6 Systematic Writing of Research

To facilitate the direction and description of the material contained in this research writing, the authors compile the system as follows:

CHAPTER I INTRODUCTION

In this chapter describes the general description of research objects, background, research question, research objectives, research benefits, and systematic writing of research.

CHAPTER II LITERATURE REVIEW

In this chapter describes the literature review of research, previous research, conceptual framework, research hypothesis, and scope of research.

CHAPTER III RESEARCH METHOD

In this chapter describes the type of research, operational variable, stages of research, population and samples, data collection, validity and reliability tests, and data analysis techniques.

CHAPTER IV RESEARCH RESULTS AND DISCUSSION

In this chapter explains the characteristics of respondents, research results, and discussion of research results.

CHAPTER V CONCLUSIONS AND SUGGESTIONS

In this chapter explains the overall conclusions of the chapter and suggestions from research that has been carried out.