# Farmers' Level of Knowledge of Financial Management in Rabbit Farming Businesses

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## ABSTRACT

*The rabbit farming business is used as income for business sustainability and development and has the potential to be developed. Knowledge of financial management is important for farmers to manage their rabbit farms efficiently and obtain productive credit. Financial management in the livestock sector becomes very important if finance helps introduce important technologies that affect productivity in a timely manner The research aims to determine the level of knowledge of rabbit breeders in managing business finances. Data analysis uses the levels financial services authority is well literate, sufficient literate, less literate and not literate. The results show that financial management is in the < 60% category, which means the individual has category low financial knowledge is less literate. This shows that farmers' knowledge regarding financial management is still very low. This can be seen that the skills or abilities of breeders in financial management are still low. The ability to absorb new technology and business development in the global market for small and medium scale farms will be hampered if skills in management and simple financial management practices are respectively low. This is something that can hinder obtaining business financing.*

*Keywords: Financial Management, Knowledge, Rabbit Farming Businesses, Financial Literacy, Farmers*

## INTRODUCTION

Rabbits are livestock has the potential to be used as a producer meat. However, not many people do who knows that rabbit meat if consumed has many benefits in terms of health (Mancini & Paci, 2021; Siddiqui et al., 2023). Nutritional value of rabbit meat according to (Peiretti et al., 2013; Volek et al., 2018) namely energy 7.3(kJ/g), water content 67.9%, protein 20.8% and fat 10.2%. Other elements what rabbit meat contains is niacin (8.43 mg/100 gr of substance, equivalent with 42% of total daily requirements), vitamin B12 (8.3 μg/100 gr of material), and selenium (Se) with levels of 38.5 μg/100 gr material, an amount that can cover about 55% of the body's daily needs will be this element (Rinanto et al., 2018).

The meat rabbit can be called meat healthy and can also be used for losing weight. Besides, because rabbit meat contains protein, which is high and has fat content low, rabbit meat is also suitable consumed by people with high blood pressure, liver, and cholesterol (Zoltan et al., 2017).

Rabbit farming has the competitive ability to compete with other meat sources in meeting human needs (nutritional needs) and is an alternative meat provider that needs to be considered in the future. Rabbit meat is a type of meat that is of good quality and suitable for consumption (Bahar, 2018; Brahmantiyo et al., 2018)

An increase in population is always accompanied by an increase in food needs. Production efficiency and efforts to produce quality products are some of the challenges that rabbit breeders must face. The main potential of rabbit farming in agribusiness can be seen from its ability to grow and reproduce quickly (Masanto, 2020).

This research was carried out after the Covid-19 pandemic. So, education about financial management is important because it is one of the businesses in the livestock sector that is affected. Another new thing is that this rabbit breeder is a side business that is not very popular and is not well pursued, especially in analyzing costs or managing the finances of the business. However, independent farmer groups have started to run, but financially it has not been done well. So, it is necessary to know the level of knowledge of rabbit breeders to be able to provide education regarding financial management.  One measure of the success of a livestock business is the ability of its management, in this case the farmer, to obtain positive cash flow. Apart from the ability to manage operational activities, it is also determined by the ability and skills in setting aside income, being able to save and utilizing the credit or debit obtained according to its intended purpose. Therefore, financial literacy of farmers is very necessary if they want to improve their welfare.

Financial literacy refers to a person's ability or skills in managing their finances. The ability to manage money in financial literacy includes using money wisely, whether to meet daily needs to investment plans and savings activities (OJK, 2017a, 2017b). Knowledge about financial literacy also does not only refer to personal money management but how to understand banking institutions which can be used as a source of financing for livestock farmers. (Byrne, 2007) states that low financial knowledge will cause a bias in achieving prosperity when you are at a no longer productive age.

The low level of financial literacy knowledge for breeders is caused by various factors, including sociodemographic and cognitive abilities. Research that has been carried out previously by (Lusardi & Mitchell, 2011; Muvui & Kalunda, 2013) states that the ability to study individual characteristics, in this case what is meant is sociodemographics such as age, gender, income, employment, education, influence an individual's financial literacy. Cognitive abilities, in this case how an individual (breeder) can understand, relate, assess, and make decisions, also influences financial literacy. Knowledge of Financial Literacy, in this case financial management for breeders, will be easier if they have sociodemographic and cognitive abilities. Farmers who run small and medium businesses in handling business financing issues are of course banks. Financing institutions such as banks know that the industry, in this case the livestock business, has changing profits, so it is necessary for a farmer to manage the business he started to have good financial management skills. This was also conveyed by (Kalunda, 2014; Sartika & Karyani, 2018) (Nasereldin et al., 2023; Supanggih & Widodo, 2013) that breeders in this case who are developing their business are looking for business capital in informal institutions, where these institutions have high risks due to high interest rates. This is because financial literacy skills are still low so they don't know which institutions should be used for business financing. The interaction between farmers and extension workers regarding financial management, how business financing is managed has not been implemented optimally so that knowledge and practice of financial management still needs to continue to provide financial education. The aims of this research to determine the level of knowledge of farmers in managing business finances. so that education about finance is more relevant because it is in accordance with what farmers need.

**METHODS**

This research was carried out in Salokaraja Village, Lalabata District, Soppeng Regency involving 20 rabbit breeders who developed independent rabbit farms. The 20 breeders were used as samples in this research and ata collected for this specific study.  To measure the level of financial literacy among rabbit breeders, descriptive analysis was used using a Likert scale. Quantitative descriptive analysis tries to describe, explain, and interpret a phenomenon that occurs according to existing data in the field. (Suharsimi, 2020) The variables being measured are broken down into dimensions, after that the dimensions are broken down into sub-variables and then broken down again into indicators that can be measured. This is in accordance with the opinion (Budiaji, 2013; Joshi et al., 2015; Kho, 2018; Mumu et al., 2022; Wu & Leung, 2017) that the Likert scale is used to measure the

attitudes, opinions and perceptions of a person or group regarding social events or phenomena. This scale is designed to reveal pro and con, positive, and negative, agree and disagree attitudes towards a social object. In the attitude scale, the social object acts as an attitude object. By using a Likert scale, the variables to be measured are translated into indicators that can be measured. Then these indicators are used as a starting point for compiling instrument items which can be in the form of statements or questions.

The Financial Services Authority (OJK) is an independent institution that has the functions, duties and authority of regulation, supervision, inspection and investigation . Financial literacy is the competency and skills that a person must have to change their standard of living, by understanding the effective and accurate allocation and planning of financial resources. So, this is the importance of financial literacy for breeders, so they are able to develop their business.

The data analysis used is the level of knowledge of Financial Services Authorities (OJK) well literate, sufficient literate, less literate and not literate. The flow of data analysis techniques is as follows:

1.  Calculate the highest score Highest score = number of items × highest item score (strongly agree)
2.  Calculating the lowest score Lowest score = number of items on the question × lowest item score (strongly disagree)
3.  Determine the highest percentage number × 100%
4.  Determine the lowest percentage number.
5.  Determine the range = highest percentage number – lowest percentage number
6.  Determine the interval = Interval = Range (R): Number of categories = 75 % / 4 = 25 %

In knowing the levels of this category, the scores obtained (in %) using descriptive analysis and subsequent personal financial literacy are grouped into three groups, namely:

1.  < 60% which means the individual has low knowledge about finance.
2.  60%–79%, which means the individual has moderate financial knowledge.
3.  >80% which shows that the individual has high financial knowledge

## RESULTS AND DISCUSSION

The level of financial literacy in a rabbit farming business is a measure of the level of understanding and use of financial information, especially by breeders. The level of financial literacy can describe the skills, knowledge and confidence of a person who is considered capable of using various functions and understanding the risks, rights and various responsibilities associated with financial service products. Information on the financial literacy level of rabbit breeder households can be divided into three dimensions, namely knowledge, attitudes, and behavior.  Descriptive results of farmers' responses to the level of financial literacy are presented in the Table 1.

**Table 1.**  Descriptive Results of Farmers' Responses to Literacy Level Measurement Aspects Finance

| | Description theme | Response (Score) | | | | | Amount total % score |
|---|---|---|---|---|---|---|---|
| | | (1) | (2) | (3) | (4) | (5) | |
| 1 | Prepare a Financial Budget | 5 | 5 | 4 | 6 | 0 | 51,0 |
| 2 | Set aside income for savings/investment | 0 | 2 | 8 | 10 | 0 | 68,0 |
| 3 | Set aside certain funds in one month, such as for cage repairs, improving feed quality, etc. | 7 | 3 | 5 | 5 | 0 | 48,0 |
| 4 | Record well receipt and expenditure transactions | 10 | 5 | 4 | 1 | 0 | 36,0 |
| 5 | Manage debt well | 2 | 6 | 4 | 8 | 0 | 58,0 |
| 6 | Have simple financial bookkeeping | 11 | 4 | 4 | 1 | 0 | 35,0 |
| | **Total** | | | | | | **296,0** |
| | **Average** | | | | | | **49,3** |

$$\% \text{ Average Financial Management} = \frac{\text{Amount total} \% \text{ score}}{\text{Description theme}} = \frac{296,0}{6} = 49,3\%$$

According to the Table 1 results show that financial management is in the < 60% category, which means the individual has good financial knowledge, low. This shows that breeders' knowledge regarding financial management is still very low. This can be seen that the skills or abilities of breeders in financial management are still low. So, it also appears that the rabbit farming business that is run does not get maximum results and tends to be just a small business that cannot be developed.
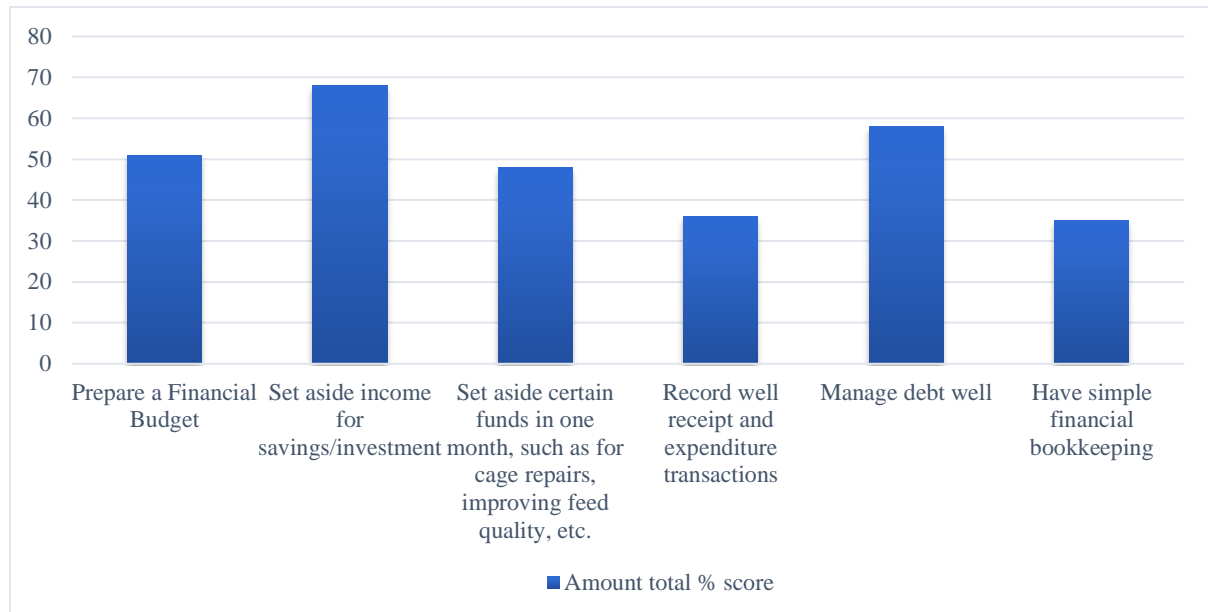


**Figure 1.** Farmers' Responses to Literacy Level Measurement Aspects Finance

Prepare a financial budget, set aside certain funds in one month, such as for cage repairs, improving feed quality, etc. setting aside certain funds in one month, such as for cage repairs, improving feed quality, etc., managing debt well is in the low category with a total score of 51.0%, 68.0%, and 58.0%. Meanwhile, recording well receipt and expenditure transactions and having simple financial bookkeeping is also in the low category with a total score of 36.0% and 35.0%. Based on Figure 1, it shows that farmers tend not to carry out simple financial bookkeeping or record expenses and receipts for the business activities they carry out because of the low percentage they earn. Those in the medium percentage category, namely breeders, can set aside their income for savings/investment. Farmers who run their businesses tend to focus on savings and investment but do not prioritize sustainability and development of the businesses they start.

If small and medium-sized businesses have poor management skills and accounting practices, they will be unable to acquire or adopt new technologies, expand their operations in global markets, and will not have access to venture capital. Research conducted by (Canto-Cuevas et al., 2019; Demirgunes, 2016; Fatoki & Odeyemi, 2010) explains that managerial skills influence business planning and a company's ability to obtain financial resources. This was also stated by (Khodijah et al., 2021; Rohayati et al., 2020) that limited capital is the main problem for small business owners because they operate alone and rely on capital from their owners. Suppose a small business values experience over financial reporting when it comes to improving performance. Apart from that, financial management training which aims to help farmers understand sources of funds, financial reports, cash management, financial management, finance, and those related to financial recording is also mandatory. A plan that allows banks to distribute loans to economic actors, especially the livestock sector.

Low financial literacy without proof of recording business transactions makes the work of banks and economic actors difficult. For a farmer as a business actor who wants to develop a managed rabbit farming business but without any proof of financial records, simple financial bookkeeping, financial management. Where in simple financial bookkeeping you can see proof of receipts and expenses, business income, profits. The bank that will provide business financing for the distribution of additional capital to increase the turnover of livestock business funds can only make capital borrowing decisions only through financial management matters made by the business actor (breeder).

This sufficient level of knowledge and ability is important in managing personal and family finances and more specifically for starting a business or developing a business to avoid financial problems in the future and be able to determine priorities and decide on the scale of needs. Being able to manage finances well will also influence decision making regarding the priority scale for spending costs. The desire to spend the money you have will be more useful towards developing a sustainable and profitable business.

This is consistent with the idea that financial literacy is the ability to make livestock business decisions and take effective action regarding the use and management of current and future business costs (Gärling et al., 2009; Jurevičienė et al., 2020; Kabir, 2020). This leads to the ability to understand financial options, plan, spend money wisely, and overcome challenges related to life events such as unemployment, saving for retirement, and funding children's education (Sailaja et al., 2023; Sevim et al., 2012). (Hasan et al., 2021; Hermansson & Jonsson, 2021; Lusardi, 2019; Rashid et al., 2022) explains that this is also related to financial decision making. The level of knowledge in financial management will have a significant impact on future decisions, business development solutions, investments, and financial actions.

## CONCLUSION

Farmers' knowledge in running and developing a business, in this case one of the important things regarding financial management of rabbit farms, is still lacking. This study is important because it provides knowledge about the concept of monetary value. This will enable ranchers to develop a basic understanding of calculating and forecasting changes that affect their operations and become more knowledgeable about bank loans for business financing capital. The younger generation is expected to deepen their knowledge of the basic concepts of bank lending and be able to manage their financial affairs better. Recommendations for further research are financial literacy, lifestyle, locus of control, and income on financial behavior. after knowing about the level of knowledge which is certainly still low. So, there is a need for education about financial management and awareness of the dangers of breeders in managing their finances. what then becomes the priority in business development.

## ACKNOWLEDGEMENT

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