

The Effect of Financial Literacy on Financial Management of Msme in the Pantura Area, Subang Regency

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Abstract

The empowerment of MSME actors is very important because it is related to its function as a driving force for the economy of a country through micro, small, and medium enterprises. This study aims to describe the level of financial literacy that can influence the movement of micro, small, and medium enterprises in MSME actors in the Pantura Region of Subang Regency with experience, economic status and culture and social environment, self-efficacy, and attitude. The method used in this research is descriptive quantitative. The object of this research is MSME actors in the Pantura area of Subang Regency with a total sample of 100 respondents using a simple random sampling technique and obtaining data through a questionnaire. The results of the study show that experience, economic status and social culture and environment, self-efficacy, and attitude affect financial literacy.

Keywords: Financial Literacy, Financial Management, MSMEs, Self-Efficacy, Attitude.

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1. Introduction

MSME or Micro, Small and Medium Enterprises is a sector that is quite important in the Indonesian economy, including in the Pantura area of Subang Regency [1]. The Pantura area of Subang Regency is famous for its fairly developed agricultural and fishery sectors [2]. Therefore, the many MSMEs in this area are generally related to agricultural and fishery products, such as the fish processing industry (fish crackers and fish floss), the food and beverage processing industry (crackers, dodol, traditional cakes, and regional specialty drinks).), agricultural business (cultivation of vegetables, fruits, and food crops), and creative industries (handicrafts of woven bamboo and rattan) [3].

However, it is possible that there are also MSMEs engaged in other sectors in the Pantura area of Subang Regency, depending on the potential and business opportunities that exist in the area. Subang Regency Government provides support and facilities to improve the capabilities of MSMEs in the Pantura area [4]. One of the programs launched by the government is the MSME training and mentoring program to improve product quality and marketing. In addition, the government also opened a training and guidance center for MSMEs in the Pantura area [5].

The geographical condition of the Pantura area which is directly adjacent to the North Coast of Java makes accessibility to market opportunities outside the region easier [6]. Thus, MSME players can expand their market reach outside Subang Regency [7]. According to the Central Bureau of Statistics for Subang Regency, in 2021 there will be around 23 sub-districts in Subang Regency, which includes the Pantura region. Subang

Regency has around 54,000 micro, small and medium enterprises (MSMEs) spread throughout its territory [8].

Overall, the development of MSMEs in the Pantura of Subang Regency can be said to be quite positive [9]. However, further efforts are still needed to improve the quality and competitiveness of MSME products in order to compete in an increasingly competitive market [10]. In addition to natural conditions that are difficult to predict, the existence of the Covid-19 pandemic has prevented fishermen from going to sea [11]. Apart from these external factors, there are also internal factors where one of the problems is the level of financial literacy in MSMEs which is still relatively low [12]. Many people do not understand the basic concepts of financial management, including MSME entrepreneurs. As a result, they find it difficult to manage finances properly [13].

Financial literacy refers to a person's ability to understand, manage and make wise decisions when it comes to personal finances [14]. Financial literacy is knowledge about financial management that is owned in order to develop for a more prosperous life in the future [15]. The importance of financial literacy is to conduct education in the field of finance to the Indonesian people so that they can manage finances intelligently [16]. Financial literacy is the ability of individuals to understand and use the knowledge and skills necessary to make good financial decisions and manage their personal finances well [17]. This definition highlights the importance of understanding financial concepts, including budget management, investing, and insurance, as well as the ability to make sound decisions and make appropriate use of available financial resources [18]. Financial literacy has several

indicators which can be explained as follows understanding of basic financial concepts Ability to understand basic financial concepts, such as interest, inflation, risk and return, and taxes [19]. Budget management: Ability to budget, understand cash flow, and manage expenses and income effectively [20].

Financial decision-making: The ability to make wise and effective financial decisions, including understanding the available financial options and selecting the best suited to personal financial situations. Understanding of financial products: Ability to understand different financial products and choose the right product for personal financial needs. Investment management The ability to understand the risks and returns of investment, and choose the right investments to achieve the indicated financial goals. Risk and insurance management: Ability to understand and manage financial risks, including understanding the concept of insurance and choosing the right insurance product. Debt management: Ability to understand and manage debt well, including understanding debt-related interest and costs.

Financial literacy has benefits and goals, which are to help individuals make wise and appropriate financial decisions according to their financial needs and goals. Help individuals manage risk and reduce future financial uncertainty. Improving the financial well-being of individuals and families. Increase the ability of individuals to choose the right financial products and services for their financial needs and goals. Increase individual understanding of risk and return on investment. Increase individual understanding of the role and benefits of insurance in managing financial risk.

The level of financial literacy by Indonesians is divided into four parts, namely Well literate, having knowledge and confidence about the indication of financial services and financial service products, including features, benefits, risks, rights, and obligations related to financial products and services, and skills in using financial products and services. Sufficient literate, having knowledge and confidence about the indication of financial services and financial products, including features, benefits and risks, rights and obligations related to financial products and services. Less literate, only having knowledge about financial services, products, and financial services. Not literate, do not have knowledge and confidence in the indication of financial services, as well as financial products and services, and do not have skills in using financial products and services.

MSMEs in Indonesia found several indicators that affect MSME financial literacy, namely education: MSMEs with higher indicators tend to have better financial literacy. Experience: MSMEs that have experience in managing finances tend to have better financial literacy. Business size: Larger MSMEs tend to have better financial literacy. Sources of information: MSMEs that obtain financial information from various sources tend to have better financial

literacy. Access to financial indicators: MSMEs that have better access to financial indicators tend to have better financial literacy.

Ownership is an indicator that affects the level of financial literacy where MSMEs that have share ownership or have a relationship with financial indicators tend to have better financial literacy. In addition to sharing ownership, the financial environment can also affect the level of financial literacy, MSMEs that operate in a more complex financial environment tend to have better financial literacy.

Several indicators were obtained including internal and external indicators that can affect the level of financial literacy, including Demographic Factors, Age: Age can affect a person's level of financial literacy. Financial literacy tends to increase with age. Gender is men tend to have a higher level of financial literacy than women. Education: Education is a significant indicator of increasing financial literacy. People who have higher indicator levels tend to have better financial literacy. Social and Economic Factors. Experience in financial management: People who have experience in financial management tend to have better levels of financial literacy. People who have higher economic status tend to have better financial literacy. Cultural and environmental indicators: cultural and environmental indicators also affect financial literacy. For example, families who discuss and prioritize financial management tend to have family members who have a better level of financial literacy. Psychological Factors. Self-efficacy is self-efficacy or self-confidence in managing finances affects a person's level of financial literacy. Attitude. Attitude towards finance also affects a person's financial literacy. Next Conceptual Framework Featured on Figure 1.

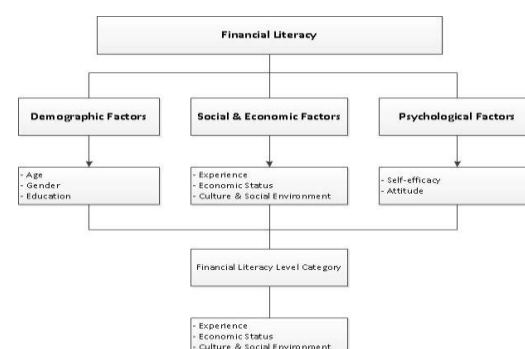


Figure .1 Conceptual Framework

2. Research Method

This study uses a qualitative descriptive research design with a survey method. This survey will be conducted by distributing questionnaires to respondents who are owners or managers of MSMEs in the Pantura area of Subang Regency. The population in this study were all MSME owners or managers in the Pantura area of Subang Regency. The size of the population in this study is very large and cannot be known with certainty, so the sample size used according to Rao Purba in uses the following formula $n = Z^2 / (4$

$[(Moe)]^2$). Information n is Sample size. Z is 1.96 score at a certain level of significance (the degree of confidence is determined by 95%). Moe is Margin of error, maximum error rate is 10%. By using the above formula, the following calculation is obtained $n = [(1.96)]^2 / (4 [(10\%)]^2)$. $n = 96.04$ or rounded to 100. So the sample of this study were 100 owners or administrators of UMKM in the Pantura area of Subang Regency.

To find out the purpose of this study, which is to examine what indicators influence the level of Financial Literacy in MSME actors in the Pantura Region of Subang Regency, the authors conducted a descriptive analysis to describe the level of financial literacy of MSME actors in the Pantura Region of Subang Regency.

3. Result and Discussion

This study involved 100 samples of MSMEs in the Pantura area of Subang Regency, where the author wanted to know the level of financial literacy as measured by two variables, namely Social and Economic Factors which consisted of three indicators, and Psychological Factors which consisted of two indicators, where each indicator consists of five questions that represent the indicator. The following is a tabulation of descriptive statistical data for the two variables.

First indicator regarding the experience has been good with a range of respondents' answers of 4.006 so that social and economic factor variables can be explained based on experience, respondents feel that the MSME business has been running long enough, the business being run is a hereditary business where currently there are many of the next generations at a relatively young age, apart from the pandemic condition so that they do not continue their education, but still their parents make financial decisions, where in running a business and making financial decisions more based on experience and intuition alone, not yet based on knowledge, in this case, financial literacy is a new thing for them.

Meanwhile, for psychological variables as measured by self-efficacy and attitude indicators, it can be seen that MSME actors in the Pantura area of Subang Regency have high self-confidence in managing their finances even though it is only based on experience and intuition alone, as well as the attitude shown by the perpetrators. MSMEs in the Pantura Region of Subang Regency have been good at supporting their business financial performance.

Financial literacy in MSMEs in the Pantura Region of Subang Regency was taken from 5 indicators with 25 questions with a total of 100 respondents. The characteristics of the level of financial literacy are divided into 4 levels, namely not literate, less literate, sufficiently literate, and well literate. From the results of the data analysis above, social and economic factor variables, with 3 indicators, namely experience,

economic status, culture, and social environment each has an average value of 40.18%, 28.18%, and 40%. From these results, it can be concluded that the better the average value of experience, economic status and culture, and social environment, the higher the financial literacy level owned by MSMEs in the Pantura Region of Subang Regency. The second variable, namely the psychological factor variable consists of 2 indicators, namely self-efficacy and attitude, each having an average value of 40.18% and 40.32%. From the results of the data above the financial literacy level of MSMEs in the Pantura area of Subang Regency is Less Literate level, therefore researchers want to increase the financial literacy of MSMEs in the Pantura area of Subang Regency so that they are better at managing their businesses, both from experience, economic status and culture and social environment, self-efficacy, and attitude.

This study aims to determine the indicators of experience, economic status and culture, and social environment, self-efficacy, and attitude with the financial literacy of MSMEs in the Pantura Region of Subang Regency. Experience is a hereditary business that has been carried out by many MSME actors in the region, coupled with the Covid-19 pandemic causing the younger generation to not continue to further education levels, where financial management is carried out only based on previous experience supported by intuition without financial scientific considerations adequate. The economic status of MSME actors tends to be below or in other words is a weak economy, and is a micro-enterprise which, when experiencing a decline, the products produced will eventually be self-consumed. MSME actors do not own assets either generated from their business or those used to support their business. The culture and Social Environment of MSMEs in the Pantura area of Subang Regency are still very thick with a close family feel with social norms that are maintained to maintain harmony in community life, so that when there are problems they will be solved by communicating and deliberating to solve them. Self-Efficacy is the belief of MSME actors in the Pantura Region of Subang Regency that they are able and able to manage finances well based on the experience they have gone through. And finally, Attitude is an attitude in financial management where they know that good financial planning will be needed in the business they are in.

4. Conclusion

Based on the results of the analysis that has been carried out in this study, the following conclusions can be drawn: experience, economic status and culture and social environment, self-efficacy, and attitude have a considerable influence on financial literacy. This means that the higher the experience, economic status, social culture and environment, self-efficacy, and attitude possessed by MSMEs in the Pantura Region of Subang Regency, the higher quality of financial literacy will be in running the business they have. With good financial literacy, MSMEs in the Pantura Region

of Subang Regency are increasingly aware that financial literacy must be applied in every activity in the business.

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