



The Influence of Financial Education and Financial Literacy in Improving Financial Management Behavior in Tasikmalaya MSMEs Business Actors

Ati Rosliyati¹, Yusuf Iskandar²

¹ Magister Manajemen, Program Pascasarjana, Universitas Siliwangi, Tasikmalaya, Indonesia,

² Prodi Manajemen, Fakultas Ekonomi, Universitas Galuh, Ciamis, Indonesia

Article Info

Article history:

Received: Oct 9, 2024

Revised: Oct 20, 2024

Accepted: Nop 11, 2024

Keywords:

Financial education;
Financial literacy;
MSME financial management behavior.

ABSTRACT

Financial education plays a crucial role in the sustainability and development of micro, small, and medium enterprises (MSMEs). This study aims to examine the influence of financial education and financial literacy on financial management behavior. The research uses a quantitative approach with a survey method. A quantitative approach was chosen to observe the effect of financial education and literacy on the financial management behavior of MSMEs in Tasikmalaya City. The research instruments consist of questionnaires related to financial education, the level of financial literacy (adapted from the Financial Literacy Index by OJK) assessing basic financial knowledge, and questionnaires related to financial management behavior. The data analysis technique uses regression tests to determine the influence of the independent variables on the dependent variable. The conclusion of this study indicates that financial education and financial literacy significantly impact financial management behavior. This underscores the importance of these two factors in improving financial management behavior among MSME players.

This is an open access article under the CC BY-NC license.



Corresponding Author:

Ati Rosliyati,
Magister Manajemen, Program Pascasarjana,
Universitas Siliwangi,
Jl. Siliwangi No. 24 Kahuripan Kota Tasikmalaya 46115, Tasikmalaya, Indonesia
Email: ati.rosliyati@unsil.ac.id

1. INTRODUCTION

UMKM is an abbreviation for Micro, Small and Medium Enterprises, which are defined based on several criteria such as number of workers, turnover and assets (Dhamayantie & Fauzan, 2017; Hendrawan et al., 2020; Islam et al., 2022; Nugroho & Muchran, 2023). According to Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises In this law, MSMEs are differentiated based on assets and turnover: 1) Micro Enterprises: Have assets of a maximum of IDR 50 million (excluding land and buildings where the business is located) and a maximum turnover of IDR 300 million per year. 2) Small Business: Has assets of more than IDR 50 million to a maximum of IDR 500 million, and a turnover of between IDR 300 million to a maximum of IDR 2.5 billion per year. 3) Medium Enterprises: Have assets of more than IDR 500 million to a maximum of IDR 10 billion, with a turnover of between IDR 2.5 billion to a maximum of IDR 50 billion per year.

In general, Micro, Small and Medium Enterprises (MSMEs) have a strategic role in encouraging the economic development of a country. Moreover, Indonesia as a developing country is

very important to pay attention to the MSME sector so that it can encourage economic growth (Basry & Sari, 2018; Djou, 2019; Ria, 2018; Yanti, 2019). Apart from MSMEs being able to encourage economic growth, MSMEs can also act as incubation centers for small businesses in the community which themselves can create new jobs, especially for the surrounding community. Based on data from the Ministry of Cooperatives and SMEs, the MSME sector contributes more than 60% to the national Gross Domestic Product (GDP) and absorbs around 97% of the total workforce in Indonesia. The existence of MSMEs also helps stabilize the domestic economy in the face of external shocks, because they are less dependent on international markets compared to large companies. Through MSMEs circulating in society, local product innovation can also be increased so that it can be marketed more widely. Therefore, the development and guidance of MSMEs by the government is a means of increasing economic growth in society.

MSMEs in Tasikmalaya City have an important role in driving the regional economy. This is due to the city's label of handicrafts and creative industries ranging from: food and drink, bamboo crafts, embroidery, and the local fashion industry. Based on data from the Tasikmalaya City Department of Cooperatives and MSMEs in 2022, there are more than 62,000 active MSME units in this city, with a large contribution in absorbing the workforce. Around 60-70% of total employment in Tasikmalaya comes from the MSME sector, which plays a significant role in reducing unemployment and increasing people's income. According to data from the Tasikmalaya City Central Statistics Agency (BPS), the MSME sector contributes around 58% of the total GRDP (Gross Regional Domestic Product) of Tasikmalaya City, especially from the trade and processing industry sectors. Not only does it reflect the economic movement through developing MSMEs, but the presence of MSMEs in Tasikmalaya can reflect superior products from the Tasikmalaya city area.

The development of MSMEs in the city of Tasikmalaya does not necessarily come with problems. Some of the challenges faced range from access to capital, financial education, financial literacy, to financial management behavior. Financial education is important so that MSMEs can further develop and compete in a wider market. One of the main challenges faced by MSMEs in Indonesia, including in Tasikmalaya City, is the low level of financial literacy. Based on a report from the Financial Services Authority (OJK) in 2022, the level of financial literacy in Indonesia only reached 49.68%, which means that more than half of business actors do not fully understand the basic concepts in financial management, such as bookkeeping, cash management, and financial planning. This applies to MSMEs in Tasikmalaya City, where MSME actors still use methods passed down from their families or traditional knowledge. For example, it is often found that financial management between personal finances and business finances is mixed so that they cannot see the development of MSMEs systematically and structurally. As a result, financial management is carried out *perfunctory* so that sometimes cash inflows and outflows are not properly documented and the MSMEs are vulnerable to bankruptcy. Apart from that, with financial reports that do not meet the standards, MSMEs have difficulty accessing capital financing from financial institutions because the financial reports are made in a crude manner. Therefore, education and financial literacy are important in providing benefits in developing MSMEs.

Financial education is important for MSME managers in maintaining the existence of their MSMEs. Several basic things such as recording transactions, managing cash flow, and budget planning are often ignored. Financial education aims to provide basic understanding for MSME players so they can manage their finances better so that MSME finances can be well maintained (Amaliyah & Witiastuti, 2015; Arianti, 2020; Djou, 2019; Laily, 2016; Yushita, 2017). With good financial literacy, MSMEs can more easily separate personal and business finances, manage expenses more wisely, and carry out more strategic financial planning, such as budget allocation for business development or loan management.

Education and financial literacy have a significant impact on the financial management behavior of MSME players. With adequate knowledge about financial management, MSMEs can make wiser decisions in planning and managing their financial resources. Effective financial education will provide an understanding of the importance of preparing a budget, recording every transaction, and

planning expenses, thereby helping business actors maintain healthy cash flow. In addition, financial literacy allows them to understand the concepts of debt, investment and risk, which are very important in developing a business. When MSMEs have a good understanding of financial principles, they tend to implement better financial management practices, such as avoiding excessive debt, efficient use of capital, and long-term financial planning (Arianti, 2020; Herawati, 2015; Laily, 2016; Susanti, Ismunawan, Pardi, & Ardyan, 2018). Thus, increasing education and financial literacy will not only improve the financial situation of individual MSMEs but can also contribute to wider economic growth in the region, including in Tasikmalaya City.

2. RESEARCH METHOD

This research uses a quantitative approach with survey methods. A quantitative approach was chosen to be able to see the influence of financial education and literacy on the financial management behavior of MSMEs in Tasikmalaya City. The survey method allows researchers to collect primary data directly from relevant respondents, namely MSME actors. The population in this research is all MSME actors in Tasikmalaya City who are registered with the Tasikmalaya City Cooperative and MSME Service. The sample was taken by purposive sampling, which was limited to those who had never attended financial education as many as 30 MSMEs who received training.

The research instrument consists of questionnaires related to financial education, financial literacy levels, which were adapted from the OJK Financial Literacy Index with an assessment of basic knowledge about finance and questions related to MSME financial management behavior, which consists of cash flow management, financial planning, debt management, financial recording to with financial decision making. The data analysis technique uses paired test analysis techniques, namely to see the influence of financial education and financial literacy in improving financial management behavior

3. RESULTS AND DISCUSSIONS

The implementation of the research was based on the results of a questionnaire given by researchers to 30 MSMEs. For financial education and literacy, the indicators taken are basic financial knowledge, with financial management practices. Meanwhile, MSME financial management behavior consists of cash flow management, financial planning, debt management, financial recording and financial decision making. The following is the profile of the MSMEs that were used as respondents in this research:

Table 1. Types of MSME Businesses

Type of Business	Frequency	Percent
Micro Business	17	56.7
Small business	10	33.3
Medium Business	3	10.0
Total	30	100.0

Based on the data in Table 1, the majority of MSMEs in Tasikmalaya City who were respondents in this research are in the category Micro Business, with as many as 17 business units, or 56,7% of the total respondents. This type of business dominates because of its characteristics, which tend to have limited capital and capacity, but they are very numerous in the local economy. Furthermore, Small business ranks second with 10 business units, or 33,3% of the total respondents. Small businesses generally have a larger scale than micro businesses, both in terms of income and number of workers. Meanwhile, Medium Business represented only by 3 business units, or 10,0% of the total, indicating that medium businesses are still the smaller segment among MSME players in this area.

Table 2. Length of Business by MSME Actors

Length of business	Frequency	Percent
<1 Year	13	43.3
1-3 Years	12	40.0
3-5 Years	2	6.7
> 5 Years	3	10.0
Total	30	100.0

Based on the data in Table 2, the majority of MSMEs who were respondents in this study have businesses that are relatively new. A total of 13 business units or 43.3% of the total respondents had a business age of less than 1 year, indicating the high enthusiasm of the community to start new businesses in Tasikmalaya City. The second largest group is MSMEs that have been operating for between 1 and 3 years, with 12 business units or 40.0% of the total respondents. This data shows that almost 83.3% of MSMEs in Tasikmalaya are in the early to mid phase of their business development. Meanwhile, only 2 business units or 6.7% have been operating for 3 to 5 years, and 3 business units or 10.0% have been established for more than 5 years. This figure indicates that a small number of MSMEs have succeeded in maintaining and developing their businesses in the long term. Overall, this data shows that the majority of MSMEs in Tasikmalaya are still in the early stages of development, with a high need for support and education to ensure the continuity of their businesses.

Table 3. Number of MSME Employees

Number of employees	Frequency	Percent
1-5 people	15	50.0
6-10 people	10	33.3
11-15 people	1	3.3
>15 people	4	13.3
Total	30	100.0

Based on the data in Table 3, the majority of MSMEs in Tasikmalaya City who were respondents have a relatively small number of employees. A total of 15 business units or 50.0% of the total respondents employ 1 to 5 employees, indicating that the majority of MSMEs in this region operate on a micro scale with limited human resources. Furthermore, 10 business units or 33.3% have 6 to 10 employees, which shows a slightly larger business scale but is still relatively small. Meanwhile, only 1 business unit or 3.3% employs 11 to 15 employees, and 4 business units or 13.3% have more than 15 employees. The relatively small number of MSMEs with more than 10 employees shows that MSMEs with larger capacities are still limited.

Table 4. Average Monthly Income

Average_Monthly_Income	Frequency	Percent
< Rp. 5,000,000,-	8	26.7
Rp. 5,000,000 - Rp. 10,000,000	13	43.3
Rp. 10,000,000 - Rp. 20,000,000	5	16.7
> Rp. 20,000,000,-	4	13.3
Total	30	100.0

Based on the data in Table 4, the majority of MSMEs in Tasikmalaya City have monthly income in the range of IDR 5,000,000 to IDR 10,000,000, with 13 business units or 43.3% of the total respondents reporting income in that range. This shows that the majority of MSMEs are still in the development stage with medium income. A total of 8 business units or 26.7% had an average monthly income of less than IDR 5,000,000, which indicates that there are MSMEs operating on a small scale with lower income. On the other hand, 5 business units or 16.7% have monthly income between IDR 10,000,000 to IDR 20,000,000, while 4 business units or 13.3% have income of more than IDR 20,000,000. Even

though the number of MSMEs with higher income is relatively small, this shows that there are businesses capable of generating significant income. The following are descriptive statistics of data from financial education, financial literacy and financial management behavior in Tasikmalaya City MSMEs.

Table 5. Descriptive Statistics on Financial Education and Literacy, Financial Management Behavior of MSMEs

	Minimum	Maximum	Mean	Std. Deviation
Education_Finance	17.00	28.00	21.6667	2.46819
Financial_Literacy	19.00	33.00	23.9333	2.93532
Financial_Management_Behavior	70.00	85.00	75.2000	3.37741

First, in the Financial Education variable, the minimum score recorded was 17, while the maximum score reached 28. With an average score of 21.6667, it can be said that MSME actors in Tasikmalaya City have a fairly good level of financial education, although there are still some respondents who get a lower score. The standard deviation value of 2.46819 indicates that there is moderate variation in the level of financial education among respondents. This indicates that although many MSME players have received good financial education, there are also those who may need more attention in this regard.

Furthermore, for the Financial Literacy variable, the minimum score recorded was 19, with the maximum reaching 33. The average score for financial literacy was 23.9333, which shows that overall, respondents have a relatively good understanding of financial literacy. However, the standard deviation of 2.93532 indicates that there is greater variation compared to financial education, indicating that some MSMEs may have lower levels of literacy, while others are superior in this regard. Then the financial management behavior variable has an average value of 75.2 with a standard deviation of 3.37741.

The next step is to test normality for the three variables. The results are as follows:

Table 6. Normality Test Results

	Sig.	Shapiro-Wilk Results
Education_Finance	.200 [*]	Normal
Financial_Literacy	.054	Normal
Financial_Management_Behavior	.057	Normal

The results of this normality test are reported with a significance value (Sig.) which indicates whether the data distribution for each variable can be considered normal. If the significance value is greater than 0.05, then the data is considered to be normally distributed. The following is a further explanation: 1) The significance value for this variable is 0.200. Because this value is greater than 0.05, the data on the Financial Education variable can be considered normally distributed. Thus, the normality assumption is met for this variable. 2) This variable has a significance value of 0.054. Even though the value is close to the limit of 0.05, this result is still greater than 0.05, so the data distribution for the Financial Literacy variable is also considered normal. 3) The significance value obtained for this variable is 0.057. Just like the previous variable, this value is greater than 0.05, which means the data on the Financial Management Behavior variable is also considered normally distributed. Overall, all variables in this table—Financial Education, Financial Literacy, and Financial Management Behavior—meet the assumptions of normality based on the results of the Shapiro-Wilk test. Thus, this normally distributed data allows researchers to use parametric statistical tests in further analysis.

Next, hypothesis testing and regression testing are carried out. The results are as follows:

Table 7. Hypothesis Test Results

Hypothesis	Significance Value	Correlation Coefficient	Coefficient of Determination	Regression Equations	Conclusion
There is an influence of financial education on financial management behavior	0.0007	0,484	0.234	$Y = 60.851 + 0.662X$	There is an influence of financial education on financial management behavior
There is an influence of financial literacy on financial management behavior	0.0000	0.600	0.360	$Y = 58.697 + 0.690X$	There is an influence of financial literacy on financial management behavior

For the influence of Financial Education, the significance value is 0.0007, and for Financial Literacy it is 0.0000. These two values are far below the general significance limit of 0.05, which indicates that there is a statistically significant influence of the two variables on financial management behavior. This column shows the correlation coefficient between each independent variable (Education and Financial Literacy) and the dependent variable (Financial Management Behavior).

For Financial Education, the correlation coefficient is 0.484, which indicates a moderate positive relationship between financial education and financial management behavior. For Financial Literacy, the correlation coefficient is 0.600, indicating a stronger positive relationship compared to financial education.

The coefficient of determination shows the proportion of variance in the dependent variable that can be explained by the independent variable. For Financial Education, the coefficient of determination is 0.234, which means that around 23.4% of the variation in financial management behavior can be explained by financial education. For Financial Literacy, the coefficient of determination is 0.360, indicating that 36% of the variation in financial management behavior can be explained by financial literacy. This shows that financial literacy has a greater influence on financial management behavior than financial education.

This column presents the regression equation obtained from the analysis. For Financial Education, the regression equation is $Y = 60.851 + 0.662X$, where Y is financial management behavior and X is financial education. The coefficient of 0.662 indicates that every one unit increase in financial education will increase financial management behavior by 0.662 units. For Financial Literacy, the regression equation is $Y = 58.697 + 0.690X$ finance on financial management behavior. This emphasizes the importance of these two factors in improving financial management for MSME players.

Financial education has been proven to help business actors optimize working capital management, increase profitability, and maintain cash flow stability. MSME players who have better knowledge about how to manage their business finances tend to be able to carry out more accurate records, reduce unnecessary operational costs, and plan more targeted growth strategies. This increase in financial management behavior can also be associated with better decision making based on financial information obtained after education. For example, business actors who previously did not understand the importance of financial recording may experience difficulties in managing finances, but after attending training, they become more disciplined in recording financial transactions and are able to analyze business performance based on financial reports (Idawati & Pratama, 2020; Israel, Surarso, & Widiyanto, 2012; Mariani & Suryani, 2018). Overall, this table shows that both financial education and financial literacy have a significant and positive influence on financial management behavior. Financial literacy seems to have a greater influence than financial education, which could be a concern for developing training and intervention programs to improve financial management skills among MSMEs.

4. CONCLUSION

The conclusion from the results of this research is that there is a significant influence of financial education and financial literacy on financial management behavior. This emphasizes the importance of these two factors in improving financial management for MSME players

References

- Amaliyah, R., & Witiastuti, R. S. (2015). Analysis of factors influencing the level of financial literacy among MSMEs in Tegal City. *Management Analysis Journal*, 4(3), 252–257. <https://doi.org/10.15294/maj.v4i3.8876>
- Arianti, B. F. (2020). The Influence of Income and Financial Behavior on Financial Literacy Through Investment Decisions as an Intervening Variable. *Accounting Journal*, 10(1), 13–36. <https://doi.org/10.33369/j.akuntansi.10.1.13-36>
- Basry, A., & Sari, E. M. (2018). Use of Information and Communication Technology (ICT) in Micro, Small and Medium Enterprises (MSMEs). *IKRA-ITH INFORMATIKA : Journal of Computers and Informatics*, 2(3), 53–60. Retrieved from <http://journals.upi-yai.ac.id/index.php/ikraith-informatika/article/view/266>
- Dhamayantie, E., & Fauzan, R. (2017). Strengthening Entrepreneurial Characteristics and Competencies to Improve MSME Performance. *Matric : Journal of Management, Business Strategy and Entrepreneurship*, 11(1), 80–91. <https://doi.org/10.24843/matrik:jmbk.2017.v11.i01.p07>
- Djou, L. G. (2019). Analysis of the influence of financial literacy, financial attitudes and personality on the financial management behavior of MSMEs in Ende Regency. *Magisma Journal*, 7(2), 1–12. Retrieved from <http://jurnal.stiebankbpdjateng.ac.id>
- Hendrawan, A., Sucahyowati, H., Laras, T., Akademi, D., Nusantara, M., & Janabadra, D. U. (2020). The Effect of Work Stress on Creativity in Workers in MSMEs in the Bantarsari Area, Cilacap Regency. *AmaNU: Journal of Management and Economics*, 3(1).
- Herawati, N. T. (2015). Contribution of Learning in Higher Education and Financial Literacy to Student Financial Behavior. *Journal of Education And Teaching*, 48(1–3). <https://doi.org/10.23887/jppundiksha.v48i1-3.6919>
- Idawati, I. A. A., & Pratama, I. G. S. (2020). The Influence of Financial Literacy on the Performance and Sustainability of MSMEs in Denpasar City. *Warmadewa Management and Business Journal (WMBJ)*, 2(1), 1–9. <https://doi.org/10.22225/wmbj.2.1.1644.1-9>
- Islam, K., Usaha, M., Location, D. A. N., Level, T., Buyer, L., Umkm, P., & Geti, K. U. E. (2022). The Influence of Islamic Entrepreneurial Spirit, Business Capital and Business Location on the Level of Buyer Loyalty in MSMEs Geti Luky's Sumber Gempol Cake, Tulungagung. *SCIENTIFIC JOURNAL OF REFLECTION: Economic, Accounting, Management and Business*, 5(1), 162–172.
- Israel, M. E. H., Surarso, B., & Widiyanto, I. (2012). *Design and Development of a Regional Financial Management Information System (Case Study at the Skpd Department of Energy and Mineral Resources....* Diponegoro University. Retrieved from http://eprints.undip.ac.id/36020/%0Ahttp://eprints.undip.ac.id/36020/1/Ella_Helmi_Israel.pdf
- Layly, N. (2016). The Influence of Financial Literacy on Student Behavior in Managing Finances. *Journal of Accounting and Business Education*, 1(4). <https://doi.org/10.26675/jabe.v1i4.6042>
- Mariani, D., & Suryani, S. (2018). The Influence of Financial Performance on Company Value with Social Performance and Environmental Performance as Moderator Variables (Empirical Study of Mining and Manufacturing Companies Listed on the Indonesian Stock Exchange 2011-2015). *Journal of Accounting and Finance*, 7(1), 59–78.
- Nugroho, G. S., & Muchran, M. (2023). Entrepreneurship and Digital Marketing Competency Training to Optimize Sales of MSME Products in Jipangan Tourism Village. *UNDIKMA Service Journal: Journal of Community Service & Empowerment Results*, 4(3), 603–610.
- Orniati, Y. (2019). Financial Reports as a Tool for Assessing Financial Performance. *Journal of Business Economics*, 14(3), 206–213.
- Ria, A. (2018). Analysis of the Application of Android-Based Financial Applications in the Financial Reports of Mekarsari Depok MSMEs. *Socio E-Cons*, 10(3), 207. <https://doi.org/10.30998/sosioekons.v10i3.2900>
- Susanti, A., Ismunawan,., Pardi, ., & Ardyan, E. (2018). Level of Education, Financial Literacy and Financial Planning on the Financial Behavior of MSMEs in Surakarta. *Business Review*, 18(1). <https://doi.org/10.35917/tb.v18i1.93>
- Yanti, W. I. P. (2019). The Influence of Financial Inclusion and Financial Literacy on the Performance of MSMEs in North Moyo District. *Journal of Management and Business*, 2(1), 1–10.
- Yushita, A. N. (2017). The Importance of Financial Literacy for Personal Financial Management. *Nominal, Barometer of Accounting and Management Research*, 6(1). <https://doi.org/10.21831/nominal.v6i1.1433>