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Financial Literacy in The Sustainability of MSME’s Businesses in Katinggolan Sub-District, East Tondano District, Minahasa Regency

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Abstract. With the existence of Micro, Small and Medium Enterprises (MSMEs), people can utilize all existing skills for economic survival, both individually and as a group. Good financial management can be measured by the level of financial literacy one has. The aim of this research is to find out, describe, analyze and explain Financial Literacy in the sustainability of MSME businesses in Katinggolan Sub-District, East Tondano District, Minahasa Regency. The research method used is a qualitative method with a source selection technique, namely snowball sampling. The data collection technique is triangulation technique: observation, interviews and documentation studies. The research results show that in order to support the sustainability of MSMEs in Katinggolan sub-district, Tondano Timur, Minahasa, financial literacy education for the community still needs to be improved, especially in terms of 1) recording and bookkeeping; 2) understanding financial reports; 3) wise investment approach; 4) network development and collaboration; 5) regular evaluation and adjustment of financial performance; 6) financial developments and industry trends.

Keywords. Financial Literacy, Micro, Small and Medium Enterprises (MSME), Financial Management

1. Introduction
Micro, Small and Medium Enterprises (MSMEs) are basically enterprises or businesses carried out by individuals, groups, small business entities or households that meet the criteria for being a micro enterprise (Saini, 2014) [1]. As regulated in statutory regulation no. 20 of 2008, according to the definition of MSMEs, the criteria for MSMEs are differentiated individually, including micro businesses, small businesses and medium businesses. This MSME has the aim of expanding employment opportunities and providing economic services to the wider community (Indonesia, 2008) [2].

With the existence of MSMEs, people can develop all existing skills for economic survival, either individually or as a group (Vinatra, 2023) [3]. This is also made clear by the existence of regulations from OJK No. 3 of 2023, concerning increasing Financial Literacy and Inclusion in the financial services sector for consumers and the public. The Financial Services Authority, in following up on the mandate of Article 28 letter a) of Law Number 21 of 2011
concerning the Financial Services Authority, has done various things, including by issuing Financial Services Authority Regulation (POJK) Number 76/POJK.07/2016 concerning Increasing Literacy and Financial Inclusion in the Financial Services Sector for Consumers and/or the Community (POJK 76 of 2016). This regulation was also issued to strengthen the commitment, awareness and responsibility of Financial Services Business Actors (PUJK) who have products and/or services and interact directly with Consumers and/or society towards increasing Literacy and Financial Inclusion for consumers and society (Satyawati, 2023) [4].

In its development, changes need to be made to these regulations, this is to: Support the government's target of a Financial Inclusion Index of 90% by 2024 and support the Authority's program to increase the Financial Literacy Index: a) Accommodate the dynamic development of information technology; b) Increasing the quantity of financial literacy and inclusion activities by optimizing the role of PUJK; c) Accommodate the impact of the development of the financial services sector with the growth of new PUJK; as well as; d) Optimizing the use of financial education learning management systems in an effort to increase financial literacy and inclusion (Samsul, 2016) [5].

Therefore, OJK has made improvements to POJK No. 76 of 2016 becomes POJK Number 3 of 2023 concerning increasing financial literacy and inclusion in the financial services sector for consumers and society (POJK LIK SJK) [6].

Considering the current situation, people's needs and desires are increasing, especially in the era after the Covid 19 pandemic, where economic life after the pandemic has clearly changed, people are starting to switch to the digital world with the existence of online buying and selling applications which of course also have an impact on MSMEs, where transactions used to be buying and selling must meet between the seller and the buyer. Currently, just by using the application, buying and selling transactions can occur, economically it cannot be denied that we feel financial difficulties (Suci, 2017) [7]. Financial difficulties are not only caused by the influence of income, but can also be influenced by errors in financial management, such as lack of financial planning, but can also change or improve people's behavior in financial management so as to improve the welfare of the community itself (Rumbianingrum & Wijayangka, 2018) [8].

Good financial management can be measured from the level of financial literacy [9]. Financial literacy is a basic need in the form of knowledge and ability to manage personal finances in order to make correct financial decisions so as to avoid financial problems (Lusardi & Mitchell, 2011) [10]. Financial limitations can cause stress and low self-confidence in each individual. Having financial knowledge and financial literacy will help individuals organize personal financial planning, so that individuals can maximize the time value of money and the profits obtained by individuals will be greater and will improve their standard of living (Stolper & Walter, 2017) [11]. The lack of knowledge regarding financial planning is a serious problem for Indonesian society, so it is necessary to increase financial literacy among the general public today.

Financial difficulties are not only a function of income (low income), financial difficulties can also arise if errors occur in financial management such as misuse of credit and lack of financial planning (Yushita, 2017) [12]. Having financial literacy from different backgrounds is a common thing to have a prosperous life. Understanding financial literacy is very necessary for every individual to be able to manage and plan their finances [13]. Likewise for business actors, especially Micro, Small and Medium Enterprises (MSMEs). In Indonesia, MSMEs are one of the sectors that play a role in supporting the country's economy. With good
business performance, businesses will continue to grow rapidly, this is because MSMEs are able to create jobs and reduce poverty levels (Nursini, 2020) [14].

For a simple example, MSMEs who have a good level of financial literacy, they will use banking products and manage the assets and income they have with the Bank, and use ATMs or Mobile Banking applications to carry out transactions and purchase goods for their business that are ordered outside cities on a large scale, so that with their skills in using and utilizing these banking products they can further increase the progress of their business. The potential for MSMEs in Katinggolan Sub-District, East Tondano District, Minahasa Regency includes building shop businesses, buying and selling credit, buying and selling stalls and the most well-known is culinary, where Katinggolan Sub-District is nicknamed the culinary village, because there are approximately 20 shops selling ready-made food, food, so every day this sub-district is busy with buyers because the area is filled with small shop selling a variety of culinary delights.

Number of MSMEs based on business type in Katinggolan District, in the field of Trade (culinary & food stalls) 50, Building shops 3, Transportation (car rental) 2, Communication (selling/buying credit) 4, Services (workshop, barber) 11, total 70. If we look at the number of MSMEs by sector, the trade sector has the largest number with 50 business units running to date. With the development of MSMEs in various types of business, it will be less than perfect if MSME players are still not wise enough in managing their finances, starting from planning and ending with the decisions they make. Not only is the ability to work, but the ability to optimize income and manage it effectively and efficiently is also one of the factors that influences the success of the business performance being run.

However, there are obstacles if MSME actors still lack an understanding of financial literacy. From the results of the researcher’s observations, there are several MSME actors who are less successful in running their businesses, there are MSME actors who change professions, starting from opening a food stall, then culinary business to selling at the market. quickly change business. Likewise, there are those who run culinary businesses but not long ago they closed because they were unable to compete with others. This shows that the lack of financial literacy possessed by micro, small and medium business actors in Katinggolan Sub-district means that the level of business sustainability is not guaranteed due to a lack of knowledge about the preparation of administration and financial management well. So it can be concluded that it is important to carry out further research on the problem of understanding financial literacy on business performance by MSME actors in Katinggolan Sub-District, East Tondano District.

Based on the description above, it is very important to understand financial literacy and financial behavior that must be possessed by everyone, especially business actors in the MSME sector. By knowing how influential financial literacy is on the business performance of MSME actors, the author is interested in conducting research with the title "Financial Literacy in Sustainability of MSME Businesses in Katinggolan Sub-District, East Tondano District, Minahasa Regency." The aim of this research is to find out, describe, analyze and explain Financial Literacy in the sustainability of MSME businesses in Katinggolan Sub-District, East Tondano District, Minahasa Regency.

2. Method

This research uses qualitative research because the objects in qualitative research are natural objects or natural settings (Fadly, 2021) [15]. Natural objects are objects that are as they are, not manipulated by researchers [16]. In this qualitative research, the instrument or research tool is the researcher himself, therefore the researcher as an instrument can also be validated to
what extent the qualitative researcher is ready to carry out further research. Qualitative research methods are essentially research methods that are used or used to find out what actually occurs or the natural state of a condition in an environment [17].

This research focuses on: Lack of knowledge regarding financial concepts, Lack of ability to understand communication regarding financial concepts, Lack of skills in managing finances/personally and the ability to make financial decisions in certain situations and Lack of knowledge, confidence and skills (skills), which influence attitudes and behavior in decision making and financial management of MSME actors towards the sustainability of MSME businesses in Katinggolan Sub-District. The technique for selecting sources in research is snowball sampling with data collection methods, namely triangulation techniques: observation, interviews and documentation studies [18]. The data analysis technique used is the Miles & Huberman approach model in Masengi et al. (2023), namely data collection, data reduction, data displaying, and drawing conclusions [19].

3. Result and discussion

There were 10 sources (4 culinary traders, Building Shop 2, workshop 1, small shop 2, Selling Credit 1) who were samples for MSME actors in Katinggolan Sub-District. Through the questions asked to MSME players here we can find that according to the definition of Financial Literacy is knowledge, confidence and skills which influence attitudes and behavior to improve the quality of decision making and management. financial literacy in order to achieve prosperity, without realizing it, financial literacy has actually been encountered or applied in daily life, especially in the continuity of activities in terms of buying and selling transactions. In terms of financial management, financial literacy is currently being introduced by banks, including applying for savings, planting deposits and providing credit to MSME business actors.

As time goes by, knowledge of financial literacy has begun to become known, even though the term financial literacy is still foreign to hear, even though in fact we already use this financial literacy in terms of saving at banks, deposits, let alone credit at banks, which we usually know as People's Business Credit (KUR). In today's daily life, we cannot escape the name financial literacy, for this reason, through this research, financial literacy is closely related to the sustainability of MSMEs, especially in Katinggolan Sub-District, East Tondano District. Based on the results of interviews taking a sample of 10 MSMEs in Katinggolan District, it can be said that financial literacy is closely related to the business continuity of MSMEs, this is proven by the existence of activities or transactions through the use of the M Banking application, transfers via ATM, long-term investments, making financial reports to providing credit from banks which helps in the continuity of the business of MSME players. Although knowledge about financial literacy among MSME players can vary, some general findings in research on financial literacy in the MSME sector can include:

a. Limited Financial Understanding: Many MSMEs face limitations in understanding basic financial concepts, including bookkeeping, financial report analysis, and cash management.

b. The Importance of Financial Education: Research shows that financial education plays an important role in increasing the financial literacy of MSME players. Training and mentoring can help them understand financial concepts and apply them to business operations.
c. Use of Financial Technology: Some MSMEs still face challenges in adopting financial technology. In some cases, focused training on the use of digital financial tools can help MSMEs utilize technology for financial purposes.

d. Debt Management: Financial literacy is also related to debt management. MSME players need to understand the impact of debt on their business finances and how to manage it wisely.

e. Impact of Financial Literacy on Business Growth: Having better financial literacy can contribute to the growth of MSME businesses. Actors who understand their business finances can make more precise and strategic decisions.

f. Role of Financial Service Providers: Research also highlights the role of financial service providers in improving the financial literacy of MSMEs. Financial service providers can provide education, simplify financial processes, and increase access to financial services.

Therefore, efforts to increase financial literacy among MSMEs through education, training and support from various parties can have the potential to have a positive impact on the sustainability and success of their businesses (Kasenda & Wijayangka, 2019) [20].

Based on the results of interviews with Micro, Small and Medium Enterprises, it was found that there is basic knowledge regarding the sustainability of these businesses, and with the development of technology, the efforts of these business actors are able to develop each business for the sustainability of micro, small and medium enterprises. With basic knowledge and existing technological developments, business actors are trying to find ways to carry out their business, efforts are made by looking for consumers through the consumer services themselves and also through social media. Business actors in Katinggolan Sub-District with basic knowledge of Financial Literacy and also technological developments are able to increase the business they carry out, which can be seen from the large number of consumers who always become loyal consumers to support the sustainability of businesses in Katinggolan Sub-District. Even with the basic knowledge possessed by business actors in the Katinggolan sub-district, the efforts and efforts made by these micro, small and medium business actors are able to boost every business in the Katinggolan sub-district, so that many people are interested in the business they are pursuing. The number of consumers who use products from MSME businesses in Katinggolan sub-district is certainly a benchmark for businesses in Katinggolan sub-district to remain and continue to run. MSME sustainability involves evaluating various aspects that can influence operational continuity and business growth. Several factors that need to be considered in analyzing the sustainability of MSMEs include:

a. Financial Management: The ability to manage finances wisely, including cash monitoring, debt management, and budget preparation, is very important for the sustainability of MSME businesses.

b. Market and Competition: Market analysis and understanding competition helps MSMEs identify opportunities and overcome challenges. Marketing skills and product or service differentiation can support sustainability in a competitive market.

c. Innovation and Adaptation: The ability to innovate and adapt to market changes or industry trends is the key to sustainability. MSMEs that are proactive in developing new products or services are better able to survive in the long term.

d. Operational Management: Operational efficiency and good supply chain management contribute to sustainability. Increased efficiency can reduce operational costs and increase profitability.
e. Workforce and Skills: The selection, development and retention of quality employees is an important factor. Workforce skills that match business demands can increase productivity and service quality.

f. Access to Finance: Availability of financial resources and adequate access to financial services are crucial factors. This includes the ability to obtain loans, working capital, and other financial support.

g. Legal and Regulatory Compliance: Compliance with business laws and regulations is very important to avoid sanctions and legal problems that can destroy business continuity.

h. Technology and Digital Transformation: Adoption of technology and digital transformation can improve operational efficiency, expand markets and update business models. Engagement on digital platforms can also increase visibility and accessibility.

i. Community and Customer Support: Strong relationships with communities and customers can support sustainability by providing support, positive feedback, and collaboration opportunities.

Through a thorough analysis of these factors, MSME players can identify potential risks and opportunities, and take strategic steps to ensure the sustainability of their business.

As part of the business and efforts to develop the sustainability of Micro, Small and Medium Enterprises in Katinggolan Sub-district, these business actors are given facilities from related parties, namely State-Owned Enterprises as lenders to use as capital for business actors. Providing loans from State-Owned Enterprises, of course, in providing loans to business actors, of course pay attention to existing and applicable regulations and pay attention to the business of each borrower (Pratiwi, 2018) [21]. For business actors in Katinggolan Sub-district, of course, state-owned enterprises pay special attention in providing loans.

Paying attention to the sustainability of existing businesses in the Ketinggolan sub-district and also the level of interest from consumers in using products from business actors in the Katinggolan sub-district, many State-Owned Enterprises appreciate and provide loans for the continuity of existing businesses.

Of course, in granting loans from State-Owned Enterprises, in granting loans refers to all existing and applicable regulations in Indonesia. The existing policies of course also apply to all business actors in the Katinggolan sub-district when applying for loans for the continuity of their business.

In accordance with the results of interviews with sources, it was found that in carrying out and continuing the business carried out by business actors, in applying for loans at State-Owned Enterprises, these business actors are not complicated by existing regulations, but the proposed loan efforts are made easier by the party. The bank to which business actors make loans.

Micro, small and medium business actors certainly feel that the policy in applying for loans is always assisted, and after the loan is given, business actors are able to use and manage the loan for the development of each business (Dewi & Mahendrawathy, 2019) [22].

With the basic knowledge possessed by business actors in Katinggolan Sub-District, business actors are able to regulate financial inflows and outflows so that they are able to balance income and expenses, as well as payments on loans to state-owned enterprises. The basic knowledge of financial literacy possessed by business actors in Katinggolan Sub-District is what makes all Micro, Small and Medium businesses continue to exist and exist, and even begin to develop. Implementation of financial literacy policies can have a significant positive
impact on the sustainability of MSMEs (Micro, Small and Medium Enterprises). The following are the steps for implementing financial literacy policies in the MSME context:

a. Education and Training: Provide targeted financial literacy education and training programs. This may include seminars, workshops or online training that cover basic financial concepts, cash management, bookkeeping and understanding financial statements.

b. Support from Government and Financial Institutions: Policy support from government and financial institutions may include fiscal incentives, affordable financing, or national financial literacy campaigns.

c. Use of Financial Technology: Encouraging the use of financial technology or easy-to-use financial applications can help MSMEs understand and manage their finances more efficiently.

d. Mentoring and Counseling: Provide financial assistance and counseling, both from internal and external sources, to help MSMEs overcome financial problems and make the right decisions.

e. Partnerships with Educational Institutions and Business: Establish partnerships with educational institutions and other business actors to increase MSME access to financial literacy training and supporting resources.

f. Integration of Financial Literacy in Business Processes: Embed financial literacy as an integral part of MSME business processes, including in strategic planning, decision making and performance evaluation.

g. Outreach Campaign: Conduct regular outreach campaigns to increase financial literacy awareness among MSME players. This may involve the use of social media, promotional materials, or community activities.

h. Providing Financial Literacy Resources: Provide easily accessible financial literacy resources, such as guides, educational materials, or mobile applications that support financial literacy.

i. Monitoring and Evaluation: Carry out regular monitoring and evaluation of the effectiveness of financial literacy policies. Use feedback from MSME players to make adjustments and improvements.

j. Drivers of Adoption and Participation: Provide incentives or other incentives to encourage MSMEs to actively participate in financial literacy programs, such as recognition or awards for certain achievements.

5. Conclusion

Based on the research results described above, it can be concluded that financial literacy education is very important and needs to be improved in order to support the sustainability of MSME businesses in Katinggolan sub-district, East Tondano, Minahasa. Financial literacy that needs to be improved includes:

1) Recording and Bookkeeping: Adopt the habit of recording every daily transaction. Regular cash monitoring will provide a clear picture of the financial health of the business. Use simple bookkeeping tools or financial apps to make record keeping easier.

2) Understanding Financial Reports: Improve understanding of financial reports. Learn how to analyze profit and loss, balance sheets, and cash flow. Use financial reports as a tool to make more informed business decisions.

3) Wise Investment Approach: If possible, consider investing back into the business to improve the quality of the product or service. Also consider setting aside funds as emergency reserves or to deal with market changes.
4) Networking and Collaboration: Establish relationships with other business people. Collaboration can open new opportunities and strengthen business positions. Get involved in the MSME community to share experiences and get support.

5) Evaluation and Adjustment: Conduct regular evaluations of financial performance. Identify areas that need improvement and make strategic adjustments.

6) Continue to learn and develop according to financial developments and industry trends.

References


